

ADAPT

Market Trend Report

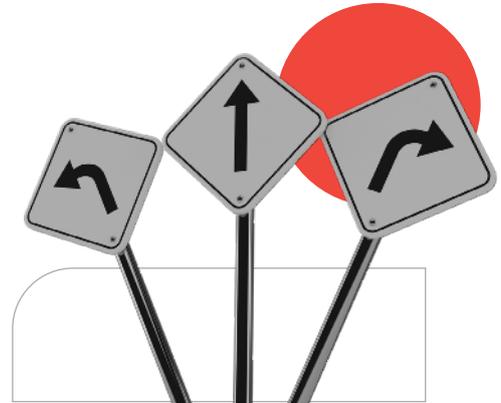
ADAPT 2024: A Year in Review - Milestones, Insights and Future Directions



Foreword

In 2024, ADAPT Edge events hosted over 1200 senior executives responsible for IT, Digital, Security, Data and Finance for 500 of Australia’s leading enterprise and government organisations. Between them, they create 66% of Australian GDP (\$1.24 trillion) and employ 1 in 4 of Australia’s active workforce (3.34m direct employees).

Most of these executives also submitted a detailed survey on their goals, initiatives, capital allocation, barriers to execution and several qualitative and quantitative insights. The following summarises key trends and issues revealed by ADAPT’s rich dataset, aggregated to provide meaningful, actionable insights to support you in your role.



Introduction

In 2024, Australian organisations targeted cost-optimised modernisation and simplification strategies as they aim to drive greater security, efficiency, and growth. This sentiment resonates strongly with insights gathered from 909 Australian executives, who highlighted the critical roles of data, AI, and governance.

Organisational goals according to executives in 2024

Overall organisational goals in 2024	
1 Tech modernisation and simplification	6 Developing the AI strategy and roadmap
2 Building a secure and trusted organisation	7 Ensuring governance and compliance
3 Optimising costs	8 Acquiring and retaining customers
3 Creating a data-driven organisation	9 Creating new revenue and business models
5 Improving operational effectiveness	10 Evolving the operating model

ADAPT Edge Surveys from Feb to Sep 2024. Sample size: 909 Australian Executives

However, it also underscored an important distinction: while these areas remain crucial, CIOs are increasingly tethered to efficiency-focused, short-term tactical responses to meet today's pressing challenges.

This narrower focus presents both opportunities and risks for CIOs, as it limits the bandwidth needed for transformative change and could impact their influence within the organisation. When focused purely on immediate needs, CIOs may find it harder to secure investment for foundational initiatives, which can, in turn, shape their role more as functional operators than as strategic value generators.

Throughout the year, themes of cost management, AI, and resilience surfaced consistently in our discussions with industry leaders. In the evolving landscape, ADAPT continues to see the CIO's potential to reshape operating models and enhance organisational agility.

Our review highlights the progress, challenges and ambitions of Australian executives as they work toward balancing operational efficiency with strategic influence.

At a glance

<p>1 AI and Data</p> <ul style="list-style-type: none"> 70% of organisations are unprepared to harness AI due to shortcomings in data, operating models and risk management practices. 25% have mature data management. 35% growth in compute demand expected (driven by an 11% rise in executives building LLMs). 	<p>2 Resilience</p> <ul style="list-style-type: none"> Only 4% of CISOs conducting monthly business resilience drills (only 58% feel prepared for seamless business continuity under threat). 64% average cyber resilience score, Aug 2024 (up from 63% May 2022). 	<p>3 Operational demands</p> <ul style="list-style-type: none"> 46% - CIOs enhancing cross-functional collaboration automated workflows (decreased to 32% from 37% May 2022). 31% teams effectively scaling new working methods (down from 45% May 2022). 39% seamless cross-functional teaming (down from 45% May 2022).
<p>4 Modernisation progress</p> <ul style="list-style-type: none"> 52% modernised infrastructure, Aug 2024 (decline from 54% May 2022). 46% public cloud adoption, Aug 2024 (increased from 38% (2023). 12% ERP using total cloud capacity (50% increase since 2023). 57% modernised infrastructure (progress remains slow despite substantial spending on modernisation). 	<p>5 Resource allocation</p> <ul style="list-style-type: none"> 61% allocated to resources for Modernised IT, Aug 2024 (unchanged from May 2022). 32% allocated to resources for Connected Business (minor rise 31% May 2022). 7% allocated to resources for Exponential Growth (decline 8% May 2022). 	<p>6 Revenue generation</p> <ul style="list-style-type: none"> 31% from digital channels, Aug 2024 (decrease from 37% Feb 2022). 31% from ecosystem partnership, Aug 2024 (increase from 23% Feb 2022).
<p>7 Digital transactions</p> <ul style="list-style-type: none"> 47% digital order capture, Aug 2024 (static since May 2022). 40% digital fulfillment, Aug 2024 (decline from 47% May 2022). 	<p>8 Vendor partnerships</p> <ul style="list-style-type: none"> 68% CIOs plan to consolidate vendor engagements (aiming for a 20% reduction within the next 12 months). 	<p>9 Value capture</p> <ul style="list-style-type: none"> 39% operational value capture (slight dip from 40%, Feb 2022). 45% customer value, Aug 2024 (50% increase, Aug 2023).

Executive summary

2024 Strategic insights and learnings

Strategic resource allocation for transformational change

Resource scarcity remains a significant barrier, particularly in modernisation, AI adoption, and resilience initiatives. Organisations should prioritise investments in tech debt reduction and optimisation of operational processes to enable digital transformation.

Clear enterprise visibility into cost-to-value metrics is crucial, allowing leaders to identify areas where efficiency can unlock growth potential. This will further support efforts to frame IT not merely as a cost centre but as a profit driver.

AI adoption challenges: Moving from pilots to transformation

AI has been easy to pilot but hard to scale. Fundamental issues in data infrastructure have restricted widespread adoption. As AI's role grows, the importance of cross-functional teams, upskilling, and proactive change management in business processes will intensify. Organisational readiness will hinge on developing operating models that not only adopt AI but truly integrate it, enhancing trust and delivering a connected customer experience.

Resilience as an ongoing practice, not a one-time event

Many organisations still operate with outdated concepts of resilience, aiming for continuity rather than anticipating disruption. True resilience demands ongoing risk intelligence and proactive mitigation strategies, especially considering escalating cyber threats and supply chain vulnerabilities. The concept of resilience must be broadened to include supply chain and talent pool disruptions, with tools and practices that allow for agile response to multi-dimensional threats.

Modernisation sequencing and transformation roadmap

Effective modernisation demands a strategic sequence of changes, grounded in outcome-based goals. The challenges of legacy architecture persist, inhibiting foundational platform upgrades that are essential for digitisation and automation. Public cloud adoption, when optimally leveraged, has shown positive effects on infrastructure modernisation, though adoption rates will vary by sector. Prioritising modular, outcome-focused changes will enable organisations to evolve at a manageable pace while remaining competitive.

Vendor partnerships: Complexity reduction and long-term value

The role of vendors has evolved beyond tool providers to strategic partners in reducing complexity and enabling sustained value creation. Vendors must embrace shared solutions to alleviate the cost and risk of customisation while addressing legacy complexities. Deepening partnerships will hinge on vendors' ability to deliver seamless, ecosystem-ready solutions with clear outcomes. To prevent talent consolidation risks, they should also focus on knowledge transfer, growing the talent pool for a more sustainable industry.

This report presents ADAPT's key insights under six main headings, as follows:

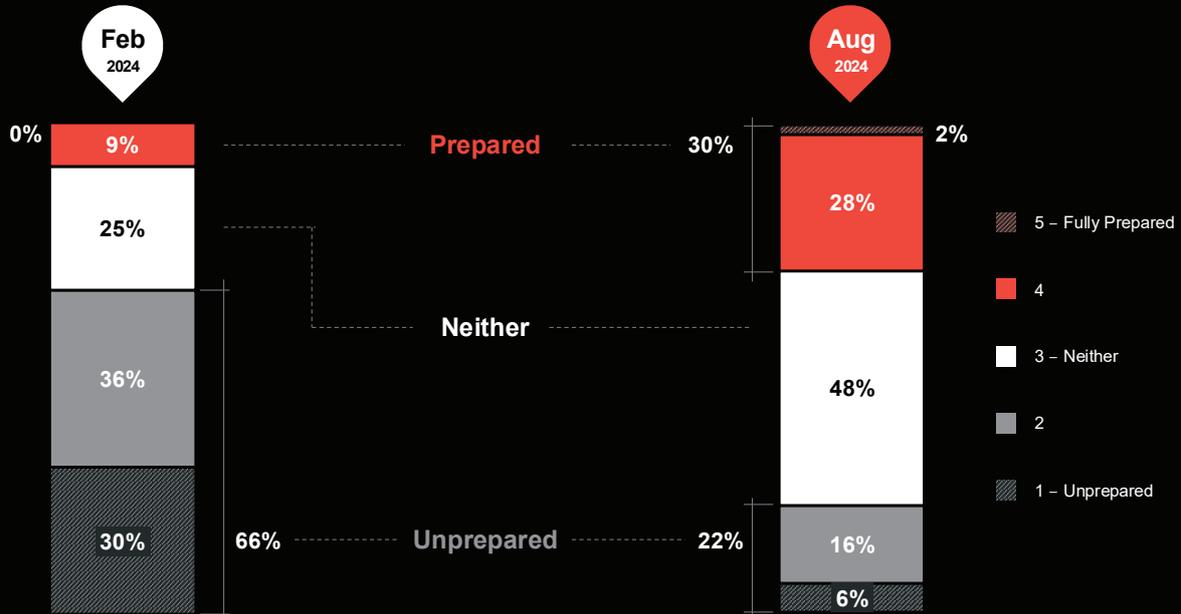
- 01. Maximising value and resources**
- 02. Harnessing AI and data**
- 03. From security to resilience**
- 04. Breaking free from operational demands**
- 05. Challenges in modernisation progress**
- 06. From vendor relationships to strategic partnerships**

Each section offers evidence-based takeaways, combining ADAPT's survey data with valuable insights directly from customer voices.

Key insight 1

Harnessing AI and data

Is your organisation prepared to truly harness AI in the next 12 months?



ADAPT CIO Edge Surveys in Feb and Aug 2024. Sample size: 290 Australian CIOs

Throughout 2024 ADAPT has observed a nuanced picture emerging within the tech leadership landscape. While data's importance as an asset continues to grow, CIOs and infrastructure leaders are less focused on data-driven strategies. Instead, data-focused goals are more prevalent among Chief Data and Analytics Officers (CDAOs) and Chief Information Security Officers (CISOs). This shift reveals a divergence in executive priorities: while data has become less of a priority for CIOs, it remains central for roles directly managing data and security.

ADAPT's February CIO survey revealed rising concerns about data quality and increased regulatory pressures, both of which are intensified by ongoing challenges in data governance, quality, and cleansing standards. These issues align with a growing sense of responsibility among CISOs, with 33% believing responsible AI will critically impact their organisations. As a testament to this, 35% growth in compute demand is expected over the next two years, driven by an 11% rise in the number of executives building large language models (LLMs).

The prioritisation of data and AI for CIOs has notably declined this year. Modernisation, security, and cost management now command more attention. Despite a mid-year rebound in customer retention metrics, CIOs are still facing skill gaps in AI expertise, internally and through vendor partnerships. This highlights ongoing difficulties in accessing the skills necessary to fully leverage AI.

A notable 70% of organisations are unprepared to harness AI, due to shortcomings in their data, operating models, and risk management practices. Confidence levels have grown across the board, yet the foundational structures—data systems, organisational mindsets, and operating models—have not evolved sufficiently to justify this optimism. Most organisations still lack the capabilities required to realise AI's full value evidenced by the limited growth in AI readiness, which increased from 9% to 30%.

ADAPT's research shows that AI applications are primarily used to make incremental improvements rather than achieving transformative change. Although efficiency gains are significant, the focus on short-term effectiveness prevents organisations from maximising AI's potential. Leaders face an overwhelming array of AI opportunities, and without a clear starting point, some are paralysed. Many executives believe that progressing with AI is pointless without robust governance structures and accountability mechanisms in place.

Only 25% of organisations have mature data management across their data stacks. Issues with ownership, governance, and standardised DataOps are prevalent, leading to data sprawl, disconnected datasets, and poor data hygiene. Organisations continue to collect more data than they can use effectively, creating risks around privacy, data leakage, and biased decision-making. For CIOs, the focus in governance is shifting toward building mechanisms that simplify compliance proactively rather than retroactively adapting to new regulations.

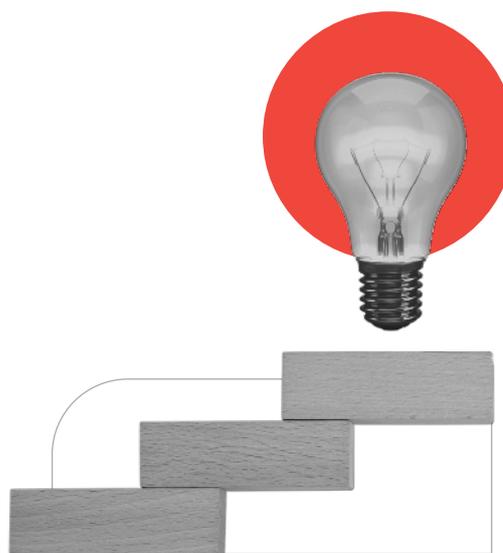
Nevertheless, confidence among CDAOs has risen from 41% in 2022 to 54% in 2024, with decision-makers increasingly relying on evidence-based approaches—56% in 2024, up from 39% in 2023. However, an over-reliance on data can overlook the value of foresight and creativity in strategic decision-making.

Significant potential remains in turning data assets into revenue-generating products and services, with a strong foundation for AI as a growth engine. This requires a shift from simply using AI to transforming operations with AI at the core. Real change demands a redesign of operating models, workforce strategies, and business models to harness AI effectively. In particular:

- **AI and workforce evolution:**
AI-driven automation is reducing drudgery, prompting task shifts and role attrition, with skill access posing a critical challenge—especially in traditional industries. This transformation offers growth potential, enabling employees to adapt to emerging AI-powered roles.

- **Energy and sustainability:**
AI has applications in managing distributed energy networks, essential as we approach projected energy shortages by 2030. Sustainable AI can serve as a driver for economic growth and export.
- **Cross-functional collaboration:**
Effective AI implementation demands enhanced cross-functional teams, empowerment, and organisational connectivity.
- **Building trust in AI:**
Public trust is at risk, with many organisations withholding information about their AI usage. Transparency is crucial for customer trust and retention.
- **The CIOs evolving role:**
As AI progresses, the CIO's role must evolve from technology enablement to shaping strategic AI vision, aligning people, technology, and business strategies to support organisational objectives.

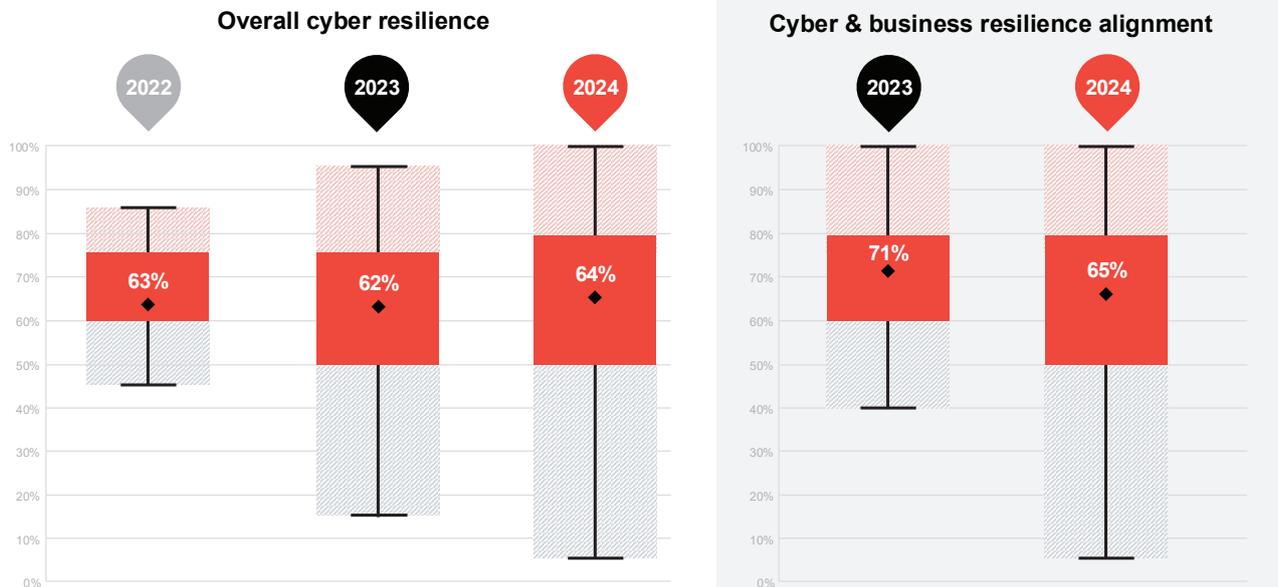
While data and AI are vital to competitive advantage, organisations have yet to fully commit to AI-driven business model innovation. To thrive, CIOs and other tech leaders must advocate for comprehensive change, driving beyond efficiency toward lasting effectiveness through AI.



Key insight 2

From security to resilience

Cyber resilience largely unchanged; alignment with business resilience fell



Source: ADAPT Security Edge Surveys from 2022 to 2024. Sample size: 382 Australian CISOs

Organisations today face a constant need to be prepared for disruptions, which are not only frequent but accelerating and evolving in form. Despite this necessity, many businesses are still predominantly reactionary, with resilience building overlooked in favour of responding to immediate threats. A key issue is the misalignment between cyber resilience and broader business resilience, which decreased by 8.5% in 2024. Only 4% of Chief Information Security Officers (CISOs) conduct business resilience drills monthly or more, while just 58% feel prepared to maintain seamless business continuity under threat.

Resilience often becomes lost in the complexity of toolchains and feature enhancements. While cyber resilience may improve due to extensive, often reallocated budgets, true business resilience remains lacking. Failover processes are not as predictive or automated as needed to effectively mitigate operational risks. Compliance with increasingly stringent digital regulations is also largely manual and error prone. This underscores a need to simplify these processes to free up time and resources for growth initiatives.

Resilience transcends merely withstanding cyber incidents; it requires maintaining operational continuity despite a broad range of threats, from supply chain disruptions and data breaches to climate events and market fluctuations. However, organisations are not progressing as quickly as needed, largely because regulatory complexities leave little room for proactive resilience-building. The deepening and broadening of regulatory demands heighten compliance challenges, which must be simplified to alleviate administrative strain.

Technology modernisation also poses a hurdle, as technical debt continues to weigh down growth. Drawing lessons from cases like Telstra's, it's critical to assess and act based on clear metrics that measure the impact of technical debt on both cost and time. Effective risk management depends on concentrating efforts around better risk intelligence, clearly defined risk tolerances, and stronger controls for deviations. Yet, an unclear understanding of what resilience entails today complicates these efforts, and this issue will only worsen without action on these fronts.

Despite modest improvements in cyber resilience, rising from a 2022 average of 63 to 64 in 2024, the alignment between cyber and business resilience is drifting. For instance, the resilience range widened this year, with middle respondents scoring between 50 to 80 on a scale of 1 (fragile) to 100 (resilient), indicating growing inconsistency in resilience levels. Cyber resilience alone is insufficient, and too many executives still approach business resilience with a continuity-focused mindset, which is ineffective in an era of ongoing disruption.

Moreover, resilience requires addressing risks beyond cyber, including those from technology, data, supply chains, climate, markets, regulatory requirements, and financial stability. A global event on July 19 highlighted the multifaceted nature of such risks. Many organisations are increasing awareness programs, with 38% conducting sessions monthly. However, these are seldom tailored to specific roles, limiting their impact. Employees need more than general awareness; they need role-specific training and support to build the skills required to safeguard themselves and the organisation.

In technical domains, there remains excessive focus on ad-hoc tests for known threats, while predictive techniques are underutilised. Around 60% of organisations probe their defences only once or twice a year, or not at all, and 72% run playbook drills annually, with 13% never testing their resilience plans.

Attention to these resilience-building practices is vital, especially with escalating privacy, SoCI, and identity requirements. These challenges collectively affect operational risk mitigation, and it is concerning that CISOs' focus on this has declined, dropping from 5th place in April to 6th in August 2024. Integrating a risk-informed approach into Board-level discussions can help bridge these resilience gaps and foster a proactive stance towards future disruptions.

Key insight 3

Breaking free from operational demands

Execution barriers according to all executives in 2024

Overall execution barriers in 2024	
1 Lack of funding	6 Competing business priorities
2 Lack of staff in key roles	7 Stringent or unclear regulatory requirements
3 Insufficient skills in the existing workforce	8 Data quality issues
4 Legacy systems and technical debt	9 Adverse culture and user resistance
5 Insufficient support from other executives	10 Lack of organisational cyber awareness

ADAPT Edge Surveys from Feb to Sep 2024. Sample size: 644 Australian Executives

In 2024, every persona ADAPT surveyed reported a lack of resources to meet their goals. Scarcity in staffing remains a prominent challenge, with CIOs and infrastructure leaders directing much of their budgets toward people-based initiatives, despite a persistent talent shortage. CIOs, however, are still largely focused on keeping operations running smoothly, a demand that limits their influence at the executive level, especially as digital savviness among C-suite members has declined.

Only 46% of CIOs feel they're effectively enhancing cross-functional collaboration, and automated workflows have decreased to 32% from 37% in May 2022. Time allocation survey results reveal that CIOs are still overwhelmingly occupied with daily operations, making it difficult to shift their attention toward engagement with executives, customers, and partners—key to driving impactful organisational change.

Despite these pressing people-related challenges, investment in workforce development has dropped in 2024, with only one of the top investment priorities focusing on people-based change, compared to five in the previous year. CIOs are instead prioritising integration, modernisation, and cost management. This reactive approach is holding back progress in value creation, modernisation, and resilience-building, as there's limited capacity for strategic initiatives.

Executives across the board face a variety of competing priorities—scarcity in support, funds, skilled talent, and focus. Many barriers to AI adoption mirror these broader obstacles, with a lack of clarity around outcomes and underdeveloped mindsets for AI-driven change.

A fundamental shift in operating models is required to address these issues effectively. Executives are aware that their current operational models are far from seamless, making this a top ten goal heading into 2025.

Achieving this transformation would help unlock potential in other critical areas such as data, AI, modernisation, and value capture. While improvements in IT prioritisation and employee experience with technology are notable, fewer than 40% of CIOs describe any area of their operating model as seamless.



Furthermore, only 31% report their teams can effectively scale new working methods, down from 44% in 2022, and seamless cross-functional teaming has dropped from 45% in 2022 to 39% in 2024. Although operations are becoming more modular and agile—with 28% of CIOs reporting progress this year, up from 18% in 2022—simplifying processes remains a challenge, slipping from 37% in 2022 to 30% today.

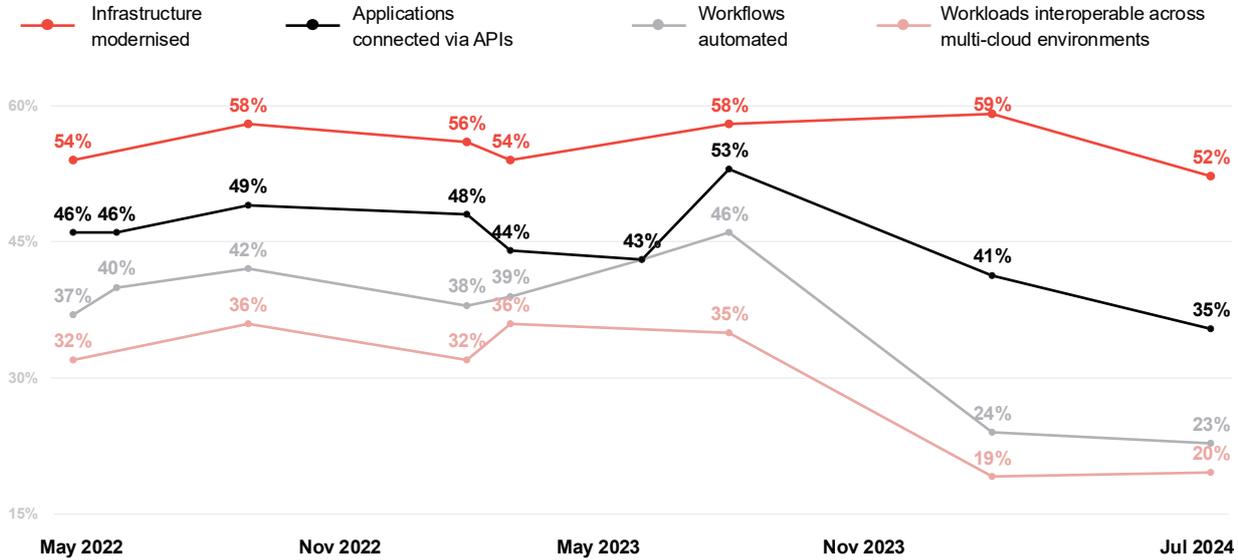
The mindset shift required to prioritise and execute these changes remains elusive. Digital savviness and readiness for change have stagnated. In 2022, 47% of executives were digitally savvy; this increased to 49% in 2023, only to fall back to 46% in 2024. Digital fitness among employees reflects a similar trend, rising from 49% in 2022 to 52% in 2023, then decreasing to 47% in 2024.

Without a commitment to fostering a forward-thinking culture from leadership and empowering employees at every level, organisations risk continued value leakage. The speed of change is also straining user adaptability. Digital adoption hurdles include insufficient time for adjustment (cited by 36% of CIOs) and resistance from users (29%), even as 47% rate their change management practices as seamless.

Key insight 4

Challenges in modernisation progress

Roughly how much progress have you made in modernisation?



ADAPT CIO, Digital, and Cloud and Infrastructure Edge Surveys from May 2022 to Jul 2024. Sample size: 883 Australian CIOs, CDOs, and Infrastructure Leaders

Modernisation and simplification can alleviate the burdens of technical debt, the number 4 barrier for executives, and address funding issues, which stand as the top barrier. Outdated and broken technology is more costly to operate, optimise, and protect, yet less effective in supporting critical business outcomes. Despite these incentives and considerable investments to sustain core operations, infrastructure modernisation has regressed.

In May 2022, 54% of infrastructure was modernised, but by August 2024, this figure declined to 52%. Workloads have become less interoperable, applications less connected, and workflows less automated since May 2022. This reflects a cycle where funds needed for modernisation are instead spent sustaining legacy systems—an issue present in 2022 and persisting today.

As a result, tech executives find themselves running to stay in place, though progress has lagged. However, there is hope in cloud advancements, particularly in private cloud acceleration. Public cloud adoption briefly paused at 38% of workloads in 2023 but then increased to 46% in 2024.

Migration and repatriation patterns indicate that some sectors may be reaching optimal levels of public cloud usage. Investing too heavily in public cloud may detract from automation, interoperability, and connectivity, so organisations are now shifting focus to more impactful modernisation efforts, such as ERP and other mission-critical workloads. Notably, ERP now uses 12% of total cloud capacity, a 50% increase since 2023, while mission-critical workloads, which previously spiked to 19% in 2023, have eased to 14%.

This suggests 2025 may mark a return to meaningful, mission-critical modernisation, likely to spur renewed interest in private cloud for handling sensitive workloads and managing ERP complexity. This approach will involve unpicking legacy system dependencies, analysing hard-coded business rules, and spinning off modular logic where feasible. Such efforts require a focus on integration models, delivery frameworks, and release cadences to navigate the added complexity, ultimately enhancing tech resilience and supporting partial failure states.

Pre-production cloud capacities are now consumed by platforms for APIs, DevOps, and similar needs. Private cloud adoption, currently stable at around 18%–20%, is forecasted to rise to 24% by 2026, while in-house compute is anticipated to stabilise between 15%–20%.

Demand for enterprise compute is projected to grow at a compound annual rate of 17.4% over the next two years, fuelled by the rise of AI. This increasing demand has power consumption implications: 85% of organisations anticipate needing more power, though only 6% have a solid plan, with 47% uncertain if their current plan is adequate. Regardless of sustainability goals, energy shortages are likely to hinder growth by 2030, yet many organisations lack visibility into what percentage of their total power is renewable. Additionally, with carbon benchmarking increasingly out of the CIO’s remit, many leaders are unsure of their organisation’s carbon footprint.

On a positive note, ADAPT is seeing more CIOs develop custom dashboards to aid organisational carbon reporting. This shift frames energy and compute demands as the “cost of growth.” Without a robust plan to address these needs, companies will face significantly higher costs just to maintain operations, enhance efficiency, and refocus on strategic execution. Studies confirm that these costs can be up to 19% higher for organisations lacking commercial solutions to secure necessary power.

Although modernisation, integration, and security have been central to our investments, the anticipated returns have yet to materialise. In many cases, spending overlaps across business units, indicating a need for consolidated visibility and focused investments. Despite concerted efforts by CIOs and CTOs, only 57% of infrastructure has been modernised, and progress remains slow despite substantial spending on modernisation.

Key insight 5

From vendor relationships to strategic partnerships

When measuring the value of your partners, what matters most?

Ranked metrics for CIOs		Ranked metrics for CISOs	
1	Delivers on deployment commitments	1	Delivers on deployment commitments
2	Optimises delivery costs	2	Optimises delivery costs
3	Flexes delivery models with outcome-based terms	3	Invests in the partnership with regular engagements
4	Invests in the partnership with regular engagements	4	Evolves roadmap to reduce customisation requirements
5	Evolves roadmap to reduce customisation requirements	5	Supports user adoption
6	Supports user adoption	6	Flexes delivery models with outcome-based terms
7	De-risks change and user fatigue with modular delivery	7	Advises on the change strategy
8	Advises on the change strategy	8	De-risks change and user fatigue with modular delivery
9	Engages at multiple levels of the organisation	9	Engages at multiple levels of the organisation

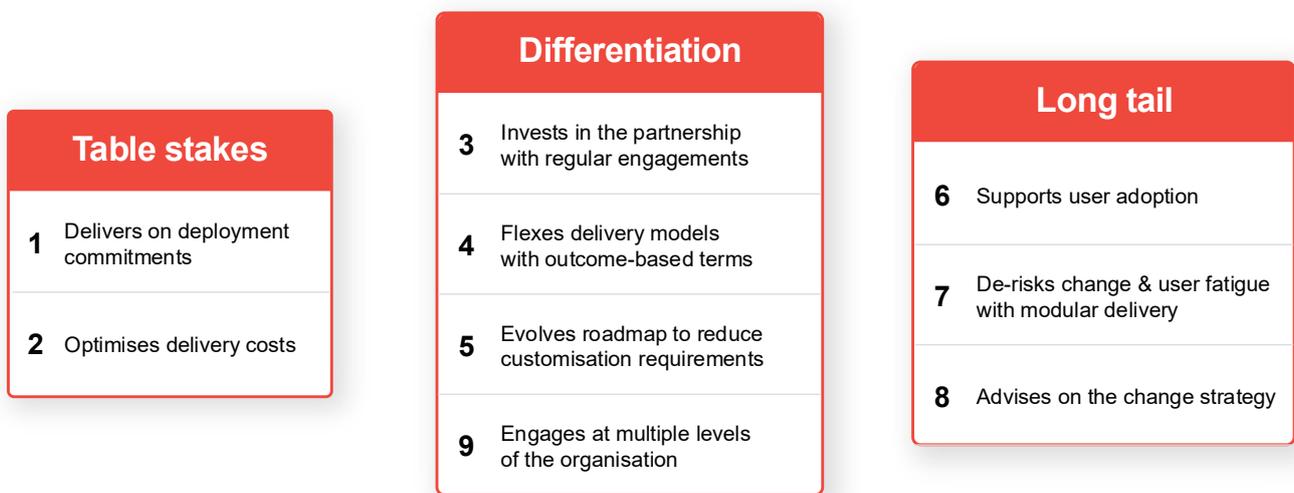
Source: ADAPT CIO and CISO Edge Surveys in Feb, Apr, Aug and Sep 2024. Sample Size: 346 Australian CIOs and CISOs

ADAPT’s 2023 Voice of Customer Survey investigated what CIOs expect from their vendor partners, revealing a clear distinction: true partners focus on delivering compounding value, while many vendors compete primarily on speeds and costs. CIOs are increasingly seeking solution partners and change advisors who provide a unified service set, going beyond mere technical offerings. In contrast, vendors are often seen as simply providing hardware, with minimal engagement in the business’s strategic language.

Our 2024 surveys and executive discussions expanded on these insights. The findings show that:

- **68% of CIOs plan to consolidate vendor engagements** within the next 12 months, aiming for a 20% reduction, an increase from 16% in February 2024.
- **To survive this consolidation, vendors must focus on cost-optimised delivery** and offer secure, trustworthy solutions “out-of-the-box.” These factors are the top value metrics for CIOs and CISOs.

How do executives want partners to show up?



Source: ADAPT CIO and CISO Edge Surveys in Feb, Apr, Aug and Sep 2024. Sample Size: 346 Australian CIOs and CISOs

Strategic partners, however, go further, regularly investing in the partnership and understanding the cost-to-value pressures that executives face. Executives value partners who are empathetic, relatable, and able to navigate stakeholder frustrations, rather than speaking solely in technical terms.

Strategic partners also acknowledge past challenges, not dwelling on them but staying focused on improving outcomes for their clients. Executives want partners who are proactive and future-focused, helping them to prioritise immediate changes that will yield tomorrow’s results. This forward-thinking approach includes shared roadmap evolution, where partners continuously refine their products and services, reducing customisation costs and risks for their clients.

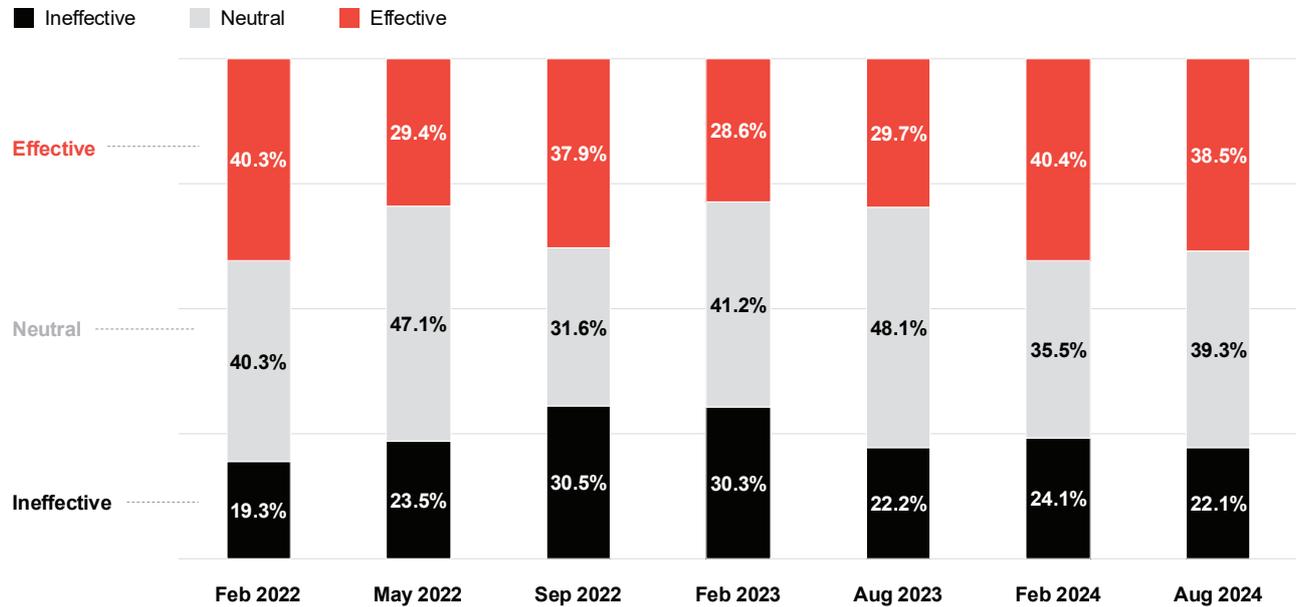
A partner’s ability to bring sector-wide insights to the table is crucial for understanding and addressing key issues while also identifying potential blind spots. We see this cultural alignment and integration ability among vendors as a growing priority for executives, driven by the need to consolidate solutions and simplify tech stacks.

Ultimately, addressing legacy challenges cannot be a one-off or isolated effort; it requires mutual understanding, shared insights, and empathy, with partners offering more than singular, point solutions. This trend reflects the modern challenge of vendor consolidation, where CIOs increasingly turn to vendors (not just consultants) to support modernisation and cost efficiency—two major drivers of the consolidation trend. As a result, the lines between traditional vendor roles and value-driven partnerships are increasingly blurred.

Key insight 6

Maximising value and resources

Gains in operational value have stagnated



Source: ADAPT CIO Edge Surveys in Feb 2022 to Aug 2024. Sample Size: 849 Australian CIOs

In 2024, organisations have made strides in capturing value from both operational and customer-focused activities, though challenges remain. As of August, 39% reported capturing value from their operations, a slight dip from 40% in February 2022. Customer value capture, however, saw a promising boost, with 45% of organisations now succeeding (a 50% increase from August 2023). This improvement reflects a strengthened focus on customer-centric approaches, though operational obstacles still pose risks, underscoring the need for sustainable practices.

Resource allocation toward modernisation efforts has remained stagnant. In August 2024, 61% of resources were dedicated to modernised IT activities, a level unchanged since May 2022, suggesting that many organisations are still working toward fully Modernised IT capabilities. Meanwhile, resource allocation for Connected Business activities saw a minor rise, reaching 32%, up from 31% in May 2022. Investments aimed at exponential growth models declined slightly, with only 7% of resources allocated in August 2024, down from 8% previously.

Revenue generation from digital channels and ecosystem partnerships showed a mixed picture. Digital channel revenue decreased from 37% in February 2022 to 31% in August 2024, and metrics for innovation and cross-selling remained static at 25%. However, contributions from ecosystem partnerships rose, now accounting for 31% of revenue compared to 23% in February 2022. This increase is likely due to stronger leadership and improved gain-sharing agreements.

Exponential business models have driven the need for digital services that operate at low marginal costs, enhancing cross-selling opportunities via improved digital order capture. Despite this focus, digital order capture remains static, with 47% of all transactions occurring digitally. Digital fulfilment rates, however, have declined from 47% in May 2022 to 40% in August 2024, indicating a need to reassess fulfilment capabilities to meet growth demands.

In terms of customer value capture, 45% of CIOs reported in August 2024 that their organisations were effective in this area—a considerable increase from 30% in August 2023 and 22% in February 2022. This uptick is attributed to an intensified focus on new revenue models, customer retention, and cost management, which have unearthed previously untapped value. However, sustaining this momentum may be challenging without further innovation, as customer value capture appears fragile and susceptible to operational disruptions.

The evolving role of IT, moving from a traditional cost centre to a growth driver, remains a priority. Funding shortages continue to pose a barrier, with organisations scrutinising business case returns and conserving cash. Executives are urged to avoid duplicative spending and to prioritise organisational-level value over departmental gains. Shadow IT persists across organisations, and greater transparency is needed to identify areas where it creates genuine problems. A stronger focus on evidence-based prioritisation could aid in more effective planning and resource allocation.

Addressing tech debt also remains a challenge, as its burden slows progress, impacting cost, time, and risk. Leading organisations are beginning to measure and quantify the weight of this debt, providing optional paths for reduction based on timeframes, effort, and expected impacts on agility, operational risk, and customer satisfaction. Digital growth hinges on eliminating this burden.

Additionally, there is a shift in framing value from operations and customers at the organisational revenue or profit level rather than departmentally. Executives are also beginning to consider adjusting KPIs in this direction. Ultimately, transforming perceptions of IT—from a cost centre to a profit engine—will be essential to addressing these challenges effectively and driving sustained growth.

2025 Vision

Key themes shaping the future of technology





Modernisation as a mandate to avert a technology crisis

Organisations face an impending technology crisis due to aging, complex, customised and fragile infrastructure, with many core systems dating back to the 2000s still in place. Today, numerous enterprises run legacy systems like SAP, revealing the scale of the modernisation backlog. These legacy systems pose a risk as they become harder to maintain, especially when compute demands are escalating beyond current capabilities.

Rising energy costs in Australia further limit smaller organisations from harnessing advanced technology, constraining growth potential. Heavy industries have an opportunity to mitigate this risk by investing in renewable power to support their operations and benefit surrounding communities. Preparing now can ensure resilience against the energy shortages anticipated to impact growth by 2030.



Evolving from reactionary security to always-on resilience

The frequency and nature of disruptions are accelerating, requiring organisations to shift from a reactive to a proactive security posture. As disruptions become part of the “new normal,” resilience needs to be designed into business operations from the ground up. Instead of responding to one-time events, organisations must anticipate diverse disruptions by using intelligence and scenario planning to prepare for previously “unlikely” events. Building resilience by design, rather than as a response, will be essential for navigating a consistently volatile landscape.



Efficiency is not enough: Transitioning to value creation

A narrow focus on operational efficiency has left value capture stagnant across industries, with CIOs facing mounting pressure to go beyond “keeping the lights on.” Many organisations lack the maturity to pivot from cost reduction to value-driven growth. Leaders must prioritise capturing consumer expectations and evolving policies that hinder effectiveness.

Beyond tweaking, operations must be overhauled to lay a modern foundation that supports responsible AI adoption, security, and optimised user experiences. Those who embrace this shift in value perception will lead in competitive advantage.



Contributing to the trust economy

Trust is becoming a defining element of success, with government surveys revealing the importance of trust-building efforts. Enterprises can take a cue by benchmarking their own trust levels and implementing measurable strategies to enhance it. Research into trust metrics within the private sector will offer actionable insights, helping organisations develop practices that strengthen constituent trust and organisational loyalty.



Harnessing real AI for transformation

2024 saw organisations experimenting with AI yet struggling with scalable implementations. Most initiatives remained small and targeted, yielding incremental gains in productivity.

Moving forward, Australian executives must bridge the experimentation-to-execution gap by addressing data management challenges and exploring “small” or owned AI models that align with enterprise capabilities. Organisations that balance in-house and outsourced AI efforts will find greater success in sustainably scaling AI, provided they invest in foundational data infrastructure and clearly define value metrics.

Conclusion

Navigating the future through strategic transformation

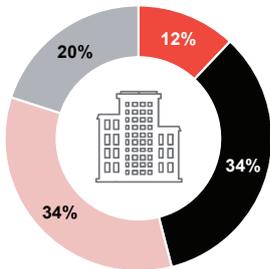
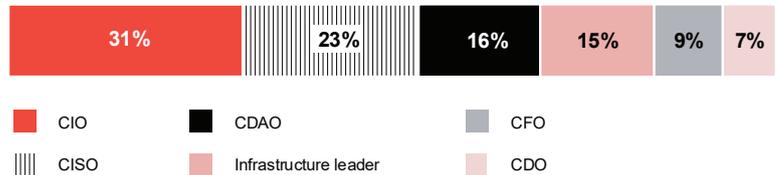
The path forward involves moving beyond mere survival to thriving amid complexity. Strategic investments in modernisation, proactive resilience, and AI transformation will position organisations to grow sustainably and create value in a volatile environment.

By reframing IT as a strategic asset and embracing a “disruption-as-normal” mindset, organisations can harness emerging technologies, optimise resources, and build trust—laying the foundation for sustainable growth into 2025 and beyond.

Survey demographics

Survey demographics: Australian executives in 2024

1,200
respondents



- Small and medium organisations**
Up to 500 employees
- Mid-sized organisations**
501 to 2,500 employees
- Enterprise-sized organisations**
2,501 to 10,000 employees
- Large enterprise-sized organisations**
More than 10,000 employees



66% of Australia's
A\$1.9t GDP

Combined unique organisational revenues of over A\$1.24 Trillion



25% of the Australian
workforce

Combined unique workforce employed of over 3.34 Million

Written by



Shane Hill

Principal Research Analyst at ADAPT

Shane manages ADAPT's research agenda and is responsible for driving survey evolution.

He has over 20 years of experience in technology delivery and market intelligence roles. This includes over six years serving technology and services providers at Gartner.

Shane has deep knowledge of the UK and Australian markets, across financial services, government, professional services and energy/utilities sectors. As an IT services expert, he is equipped to advise organisations as they commoditise technology foundations to then differentiate through world-class experiences.

Shane builds on this expertise to advise on practical ESG, data & AI, and the application modernisation strategies required to realise those aims.



Byron Connolly

Head of Programs and Value Engagement

Byron is a highly experienced technology and business journalist, editor, corporate writer, and event producer.

Prior to joining ADAPT, he was the editor-in-chief at CIO Australia and associate editor at CSO Australia.

He also created and led the well-known CIO50 awards program in Australia and The CIO Show podcast.

Byron creates valuable insights for our community of senior technology and business professionals that help them reach their organisational and professional goals. He has a passion for uncovering stories about the careers and personal philosophies of Australia's top technology and digital executives.

When he is not working, Byron enjoys hot yoga, swimming, running and spending time with his family. He completed the North Face 100km ultra marathon in the NSW Blue Mountains in 2012 and 2013.

Written by



Pooja Singh
Senior Research Analyst

Pooja is our subject matter expert on AI, data analytics, emerging technologies, and building organisational maturity (culture + talent) to harness the value from technology investments.

Pooja specialises across sectors such as healthcare and government. In her role, Pooja advises C-suite leaders and product leaders to make informed choices around strategic sourcing, assessing their fitness for technology use cases and helping leaders build a business case for technology investments. She is passionate about developing ADAPT's viewpoints on separating technology hype from reality in areas such as generative AI.

Pooja has spent 10 years across technology markets with a specific focus on the Australian and U.S. markets honed during her recent roles at Bain & Co. and more than six years as a principal analyst at Gartner.

When she is not working, Pooja leads pro-bono consulting projects to assist women in underserved communities. Her latest gig focused on destigmatizing taboos around women's sexual and reproductive health across the Indian community.

About ADAPT

ADAPT is a specialist Research & Advisory firm providing local market insights and benchmarking data to ANZ's senior technology and business community.

Since 2011, we've been empowering the leaders of the region's top enterprise and government organisations to stay at the forefront of modern trends and build for the future. Our industry leading conferences, private roundtable events and custom research projects equip business leaders with the knowledge, relationships, inspiration and tools they need to make better strategic decisions.

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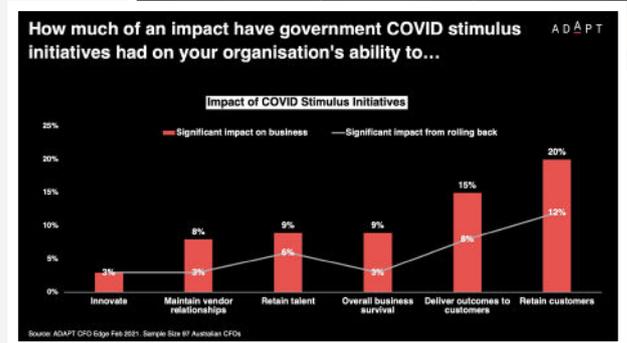
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RESEARCH & ADVISORY

Australia's **#1** source of local market insights, fact-based research & industry data for technology leaders



In a world where the only certainty is that things will always change, modern technology leaders are presented with the never-ending task of staying ahead of the curve.

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- ✓ **Accelerate decision-making**
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- ✓ **Stay up-to-date with local trends**
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- ✓ **Gain stakeholder buy-in and trust**
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