Press contact:
Victoire Grux
Tel: + 33 6 04 52 16 55
Email: victoire.grux@capgemini.com

Where are organizations investing in 2023? Supply chains and tech are top of the list

Paris, January 16, 2023 – According to a new report by the Capgemini Research Institute, in the face of economic headwinds, organizations are taking a cautious approach to investment. Disruption in the supply chain is seen as the top risk to business growth for 89% of organizations, ahead of rising raw material prices and the energy crisis. Supply chain resilience is a key priority with 43% of businesses planning to increase investment here, while 39% intend to increase investment in technology to reduce costs and drive business transformation. Sustainability will be prioritized by organizations in the US and China, less so in Europe.

For this research, the Capgemini Research Institute surveyed 2,000 respondents from unique organizations with more than $1 billion in annual revenue, across 15 countries, in Nov and Dec 2022, and analyzed their investment strategies in areas such as digital transformation, supply chain, talent and skills, and sustainability for the next 12-18 months.

Capgemini CEO, Aiman Ezzat says: *"Global business leaders are focusing their investments on the areas that will continue to drive their business transformation. They should seize the opportunity that technology offers, not only to make their business more efficient, sustainable, and resilient, but more importantly to enable long-term growth opportunities. It is also essential to invest in the talent that will be able to deliver on these business model and value chain transformations, without sacrificing overall employee experience. These areas of investment are vital for organizations to not only weather the uncertain environment but emerge stronger and more resilient in the future."*

Supply chain disruptions: investment in technologies and diversification are top priorities
Disruption in the supply chain is perceived by 89% of organizations as the top risk for business growth in the next 18 months, ahead of rising raw material prices (67%) and the energy crisis (64%). To minimize this, 43% of executives are planning to increase investments in their supply chain over the next year and beyond, by an average 10.4% compared with current levels. These executives are planning to direct investments at supply chain technologies (enabling agility, transparency, and visibility of supply chains) and diversification (of supplier bases, production, and transportation partners).

Priority actions to achieve supply chain diversification will include onshoring or near-shoring to boost production bases closer to demand, regionalizing supplier bases, and diversifying the manufacturing base (i.e., reducing reliance on a single geographic region). Western European countries plan to invest more in supply chain diversification, whereas APAC countries plan to invest more in supply chain technologies.

Technology investments: perceived as a lever to drive cost reductions and business transformation
To help weather the economic storm, businesses are considering ways technology can help to drive growth and create economic value quickly. The report found that 39% of them plan to increase investment in technology in the next 12-18 months, and a similar proportion is planning to maintain it. Executives plan on

leveraging technology primarily to help reduce costs and to make faster decisions, leveraging cloud, data and analytics. To further protect their businesses in the next year, almost half of executives also plan to increase spend in cybersecurity.

Sustainability investments: increase in US and China, less so in Western Europe

According to the report, in the last 12-18 months, owing to adverse market conditions, more than half of organizations have already reduced their environmental sustainability spend, and only 33% are planning to increase their investments in the next 12-18 months, even though they represent a minor share of their overall investment.[1] In this context, less than a third of organizations say they are on track to meet their set sustainability targets. However, businesses in the US and China plan to increase investments (41% and 53% of organizations respectively) over the next 18 months, remedying some of the observable decline over the past year.

The increased pressure on sustainability investment may be in part due to the fact that most business leaders see environmental sustainability as a costly obligation rather than an investment in the future.[2] In addition, according to the report, 74% of executives say that customer demand for sustainable products and services has declined, as many customers are unwilling to pay a premium for 'greener' products, services, and solutions in the current macro-economic landscape.

Organizations need to prioritize sustainability investments and accelerate on their transition towards a less energy and resource-heavy economy, as an investment for the future. Empirical evidence suggests that sustainability and a healthy bottom line are far from mutually exclusive, and that frontrunners in sustainability perform better than the industry average.[3]

Biggest talent spend: on hybrid and remote working policies

As hybrid work models become the norm and more employees expect flexibility and balance in their day-to-day, business leaders plan to put their biggest talent spend on such strategies and policies in 2023. In fact, 65% of executives plan to invest and implement hybrid-working options for employees, and 61% for permanent remote-work options for roles that require less supervision and teamwork.

However according to the report, organizations are planning to reduce investment in critical areas such as employee experience (39%), upskilling/reskilling (36%) and diversity (35%) in the next 12-18 months. As the competition for talent continues to limit organizations' growth prospects, the brands that aim to remain attractive should double down on these aspects.[4]

Read the full report here: https://www.capgemini.com/insights/research-library/investment-trends/

Methodology

To understand the global economic scenario and how it impacts the investment landscape, the Capgemini Research Institute surveyed 2,000 respondents from unique organizations with more than $1 billion in annual revenue, across 15 countries. The respondents were at Director level or above, spanning across various functional areas as General management, Finance and risk, IT/Technology, Operations, and Human Resources. The executives who participated in the survey were responsible for/highly aware of their organization's investment plans and priorities. The Capgemini Research Institute also conducted in-depth interviews with industry executives from various sectors and functional areas. Interviewees comprised those who are responsible for/highly involved in creating their organization's investment plans and priorities.

[1] In total, the level of investment into sustainability initiatives for companies with over $20 billion in revenue is just 0.41% of total revenue on average, whereas smaller companies (firms with revenues between $1-5 billion) are investing more (average of 2.81%), compared to an average 4% for the R&D spend by the S&P 500 companies in 2020 (source: *A World in Balance*, Capgemini Research Institute, Nov 2022)
[2] *A World in Balance*, Capgemini Research Institute, Nov 2022
[3] *A World in Balance*, Capgemini Research Institute, Nov 2022
[4] *People Experience Advantage*, Capgemini Research Institute, Oct 2022

About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 350,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2021 global revenues of €18 billion (about $21 billion USD at 2021 average rate).
Get The Future You Want | www.capgemini.com

About the Capgemini Research Institute

The Capgemini Research Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in India, Singapore, the United Kingdom, and the United States. It was recently ranked #1 in the world for the quality of its research by independent analysts.
Visit us at https://www.capgemini.com/researchinstitute/