



ANNUAL BUSINESS TRENDS REPORT 2023/24

**AI RISING: BUSINESS IN THE
ARTIFICIAL INTELLIGENCE BOOM**

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ADVANCED'S EIGHTH CONSECUTIVE ANNUAL BUSINESS TRENDS REPORT USES OUR LARGEST SAMPLE GROUP TO DATE

More than 6,600 senior decision makers from UK organisations with over 100 employees provide insight into their key challenges in 2023.

Technology is evolving at pace and different organisations and industry sectors are responding to it in different ways, using technology to enhance productivity and efficiency, remain compliant and competitive, improve the customer and employee experience, and so much more. We also commissioned specific questions for seven key sector areas, building on the five we focused on in 2022 to create one of the largest and most insightful explorations into the relationship between technology and business in the UK today.

Note: 38% of the sample work in organisations with 1,000+ employees, 35% in organisations with 250-1,000 employees, and 27% in organisations with 100-249 employees.

POWERING THE WORLD OF WORK

Advanced's eight-year journey probing
business trends and technological innovation

2016

Software robotics, virtual reality and a new era of cybercrime are set to dominate business agendas, with growing demand for the IoT and wearable technology

2017

The state of readiness for digital transformation is the biggest barrier, plus a generational gap around the benefits and possibilities of workplace technology

2019

Accelerating growth with increased demand for Cloud services, and chatbots become must-have tools for the day-to-day workplace

2018

Technology is the clear differentiator for businesses, with innovators investing in disruptive tech including the IoT, AI and RPA to drive productivity

2020

Pandemic shock tests new technologies as businesses adjust to remote working and strive to survive, and the rise of the Digital Transformation Officer

2021

Technology in a hybrid world now, as people expect a better work/life balance, bringing additional cyber risks

2022

A brave new hybrid working world dealing with post-Brexit changes and growing skills shortages, with concerns around burnout and employee wellbeing

2023

AI on the rise as businesses balance people and technology, with businesses implementing risky unregulated tech, and the future digital skills gap



In the eight years since we first delivered the Advanced Trends Report, we have seen significant disruption to our lives, our jobs, our companies and our economy. The pandemic, Brexit and various global conflicts have heaped pressure on the worldwide economy, with a lasting negative effect on our trading conditions.

These results show just how acute that pressure is. The cost of doing business has never been so challenging and this year it's compounded by the overriding pain point – difficulties in finding the right talent to drive a business forward.

Organisations remain resolute in trying to do the right thing by their staff, their shareholders and their customers. There is a growing pace of digital

transformation and greater recognition that modern digital systems hold the key to efficiency, productivity and growth. However, there has also been a profound shift in priorities away from ESG and DE&I to allow for this.

Embracing new technologies will help businesses achieve better productivity, efficiency and profitability. It's important to remember, however, that we are at the start of a new era of technology and it's vital that organisations are aware of the risks and that they use new technology responsibly.

At Advanced, our mission is to power the world of work, helping our customers' organisations become more dynamic, intelligent and empowered to achieve their hard-fought growth and prosperity.

Simon Walsh,
CEO Advanced

INTRODUCTION

The number one challenge for organisations is attracting and retaining talent. Also making it into the top three concerns for the last three years are business growth and development and cyber security. Organisations are powered by the talent, hard work and commitment of their workforce and the relationship between employer and employee has been tested repeatedly since the pandemic. The adoption of remote and hybrid working, concerns around burnout and generational disparities about the purpose of work have sparked phenomena, including the Great Resignation and quiet quitting, alongside a worrying shortage of skills fit for the digital age.

Meanwhile, the mass adoption of Artificial Intelligence (AI) in the workplace has now begun in earnest, sparking fears that robots will soon make people redundant. Some organisations may view automation, AI and Machine Learning (ML) as simple solutions to skills shortages, enabling them to reduce staff numbers and remain or even increase productivity using emerging technologies. Crucially, our report reveals that 29% of organisations are already using AI and

many others are researching ways to use it. At the moment, there is no regulation in place around the ways that organisations should use AI.

AI is already starting to fuel some reorganisation within the workforce, and may lead to positive organisational culture change in areas where adopting AI can help drive employee empowerment and engagement, increasing retention rates and possibly improving candidate attraction.

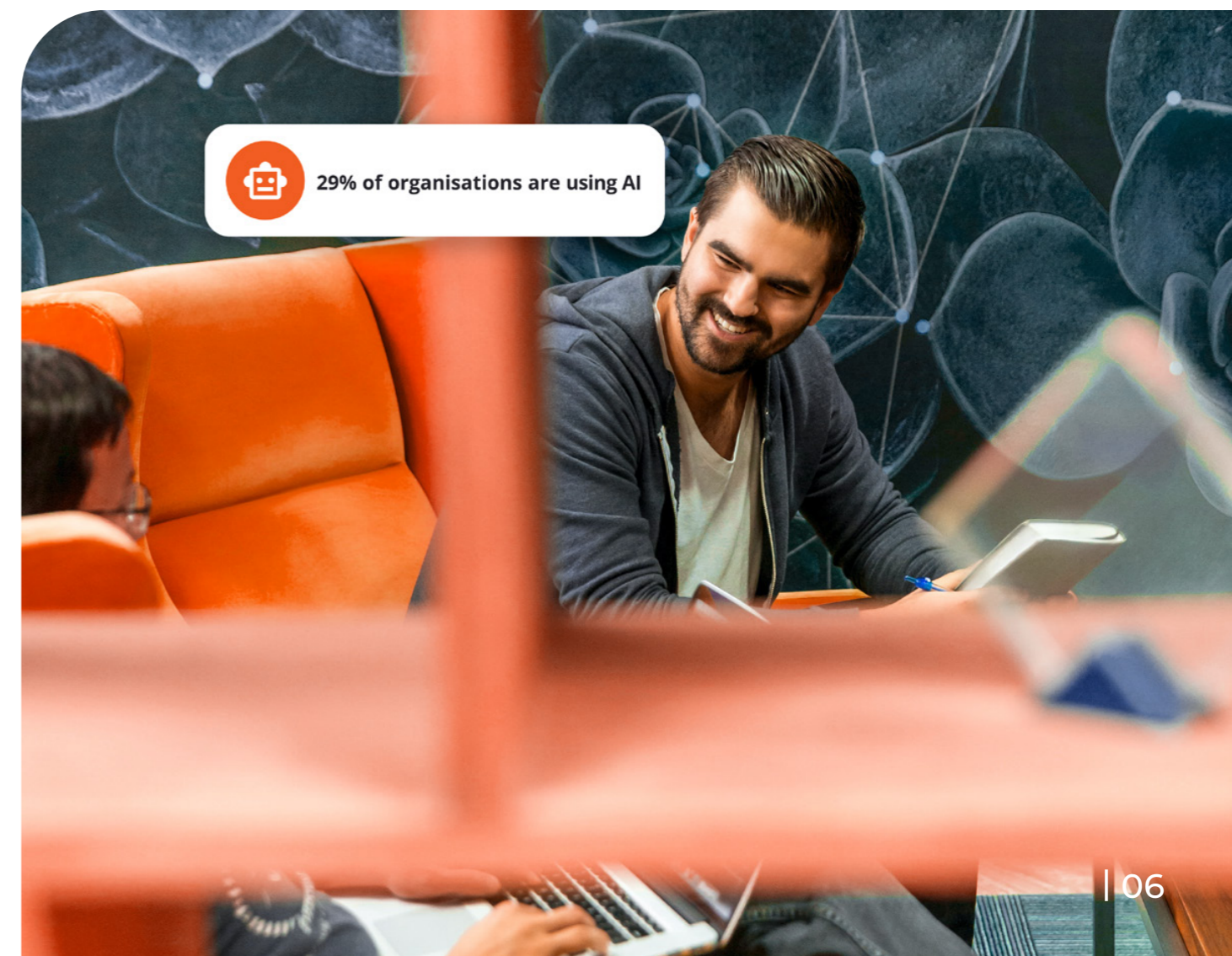
A Global AI Summit is to be hosted by the UK, with the intention to 'focus on risks created or significantly exacerbated by the most powerful AI systems, particularly those associated with the potentially dangerous capabilities of these systems'. Undoubtedly, AI is already disrupting the workforce landscape, intellectual property copyright and more. The lack of regulation may prove to be highly risky and potentially very damaging to unprepared or unwary organisations that view automation as a quick fix to skills shortages.

The impact of 'talent versus technology' is likely to filter into all business areas, including Environmental, Social & Governance (ESG), Diversity, Equality & Inclusion (DE&I), and future education and training policies. AI-powered algorithms are already transforming hiring processes, and the role and responsibilities of the HR professional may be further impacted if robots do indeed 'take over the workplace'.

However, we at Advanced believe that the true power of AI is as a co-pilot, enhancing and augmenting what human beings can do. Our technology exists to help people and our mission is to power the world of work, helping people do their jobs more easily, to find work more rewarding and fulfilling, and to help businesses achieve their objectives. All technology providers have a responsibility to focus on solutions that can leverage the best of AI to drive improvements. This includes creating a better working experience

for employees, with enhanced customer and supplier experiences, while helping to build sustainable organisations that make a positive contribution to the economy as well as to the planet and its people.

Based on the responses of 6,605 decision-makers currently working across a number of pivotal sectors in the UK, our report holds a mirror up to how they feel about technology in the workplace. It shines a light on where this significant sample of established business professionals see the potential, risks and shortfalls in the technology they are already using or plan to use and how they believe new technological advances will affect their own organisation and the wider world of work in the near future.





SKILLS & TALENT

The Education and Health & Care sectors are among those experiencing the most acute staffing shortages with real difficulties with talent attraction and retention.

In both cases, there is a focus on finding talent with exceptional interpersonal skills as well as appropriate qualifications, experience and expertise, yet staff struggle to find the time to deliver this all-important human element in their skillset.

Digital solutions can deliver crucial time-saving benefits, freeing employees from repetitive and time-consuming processes such as record-keeping and filling out forms, so that they can concentrate on the most important challenges in their day-to-day roles – helping others.

Ric Thompson | **Senior Vice President of Health & Care**



NO.

CHALLENGE FOR ORGANISATIONS is attracting and retaining talent

Our survey highlights that attracting and retaining talent is the number one challenge (41%) for organisations in the UK, and addressing this is a priority for almost half (47%) of all respondents and for even more than half (57%) of those in the role of Owner/CEO/MD.

The workforce shortage and specific skills shortages experienced across many sectors and industries dominates media reports and it is clear that effective solutions are long overdue. One of these may be the implementation of AI in the workplace. It may provide a quick fix, alleviating some short-term problems by automating time-consuming processes, allowing organisations to redeploy staff or reduce numbers and save on their salary burden.

However, if organisations fixate on AI as the solution, there may be a chance that they then fail to make sustainable plans for a talent pipeline within their business, for example, by reducing training and learning opportunities, reducing the number of experienced, higher salaried mentors, and investing in technology over people. If the most effective way to AI is to use it to augment human skills, then it is imperative that we continue to invest in people too. Failure to do so may have repercussions for the overall economy in the future, and once the talent pipeline has foundered, it may be difficult, if not close to impossible, to reinvigorate it quickly.



Diving more deeply into our findings, some specific sectors position talent attraction and retention as an even higher priority than the 41% average, with 59% of those working in education, 57% of those in local & central government, and 57% in the NHS and Health & Care sectors highlighting this as an ongoing challenge.

The dual challenges of hiring and keeping hold of talent appear to dominate all industry sectors too. Looking at some of the sector-specific data we collected this year, 62% of Health & Care providers tell us they experience difficulties in attracting and retaining staff. In contrast, in the legal sector, 45% say that time to hire is a real problem, taking three to six months to replace a fee earner.

The education sector also relies heavily on talent, supported by effective and powerful technology. In response to the questions we asked for this specific sector, 'qualified and committed teaching staff and strong leadership' is positioned as the number one driver for success, with 63% saying this, followed by effective learning technology, 36%, and accurate data, 32%.

With so many organisations dependent on the skills, experience, attitude and engagement of committed industry professionals, it is important that they are provided with suitable digital tools to help them function and succeed in their roles. Technology can improve their experience of work, saving them time on less fulfilling processes and enabling them to focus on other, more rewarding areas of their job. Anyone who worries that AI will ultimately replace people might instead consider that the greatest results will come from leveraging the correct balance of human and technological input.

AI will require different skills, and new entrants to the workplace in particular will need to be prepared for this, as changing skills demand will impact on their long-term careers. Over time, we would expect a new set of skills and experience to emerge, with the expertise and confidence to work with and guide AI for optimum advantage.

Now though, we urgently need to address the skills gap, and specifically the digital skills gap. Currently, our survey highlights the possibility that employees are not using the available



technology for the greatest benefit. For example, more than one-third (36%) of finance professionals say the reasons for issues with poor quality data come down to limited experience with current systems, and 29% blame it on the skills gap. Similarly, one-quarter (24%) of those working in local & central government name the digital skills gap as one of the biggest challenges faced by their organisation, significantly more than the average 13% of all respondents, highlighting the fact that this is more of a problem for some sectors over others.

TAKEAWAY

If organisations are to leverage AI and other innovations to the greatest extent possible, they will have to address the digital skills gap and implement new ways of learning that embed AI and other disruptive technologies. Working with training and education partners - schools, FE colleges, and universities, employers can provide apprenticeship and other training opportunities based on digital processes with an emphasis on digital fluency that can help to ensure a sustainable talent pipeline for the future. On its own, AI is not the answer to the skills shortage, although it may provide short-term relief.



TECHNOLOGY INFRASTRUCTURE



67%

have plans to upgrade their solutions

Many organisations find that the applications they designed a few years ago are not suitable for the Cloud, even if business objectives remain the same.

This is the sort of challenge that can be dealt with using an IT Managed Services provider that can help develop a plan for change and execute the technical details, ensuring a Cloud transformation project is quick and easy to deploy.

More and more organisations are outsourcing IT support now, choosing to consume it as a commodity service rather than employ a team of their own IT experts. IT Managed Services allows them to focus on what they do best, their core business, and benefit from IT support tailored to their daily business needs. It helps them prepare for things like digital transformation, or move to the Cloud, with the right Cloud-based solutions that best meet their objectives with options to scale as the business grows.

James Green | **Senior Vice President of ITO Services**

Earlier Advanced Trends Reports from the Covid and immediate post-pandemic years demonstrated how the organisations that had already adopted digital technology, and those that pivoted quickly to adopt, fared most favourably in the new remote and hybrid working world.

So much has changed in that time and hybrid working has become established as the norm for many, enabled by powerful digital solutions. Not surprisingly, many organisations have now undergone significant digital transformation and a significant majority (85%) tell us they are confident or very confident that their current technology infrastructure fully supports their business model.

However, many also recognise that technology is moving apace and are less confident that they have the most effective solutions in place, and more than two-thirds (67%) have plans to upgrade their solutions. Following on from lessons learned during the pandemic when the most digitally advanced organisations fared best, leaders can't ignore what their competitors are doing and how technologically advanced their own solutions remain. In relation to competitors, just over half (52%) feel they are on track with their technology and one-quarter (25%) say they are further ahead than expected.

A closer look at the data we collected reveals disparities between what the youngest and oldest groups of employees believe about technology in the workplace. While an average 67% say their organisation has plans to upgrade its IT infrastructure, noticeably more (77%) from the 18-24-year-old group say this compared to just 45% of the over 55s.

Confidence in current IT declines with the age of the respondent and half (50%) of the youngest cohort, aged 18-24 years, say they are very confident about their IT solutions supporting their business model. This compares to just 17% of the oldest group, 55+ years. It may be that older employees have a broader understanding of all of the challenges inherent in their role and function and can more easily see where technology falls short, particularly within the context of the entire organisation. However, it may also be the case that young people are right to be confident as they understand the technology better and may be able to get more out of it.

43% of 18-24-year-olds believe their leadership has a strong strategy for digital enablement, another trend that declines with increasing age groups, to less than one-quarter (22%) of 55+ years. On average, 29% of all respondents say there are no areas of the business that are lacking the digital solutions to operate efficiently, with fewer – only 20% of the youngest employees saying this – and significantly more (49%) of the oldest group feeling the lack of effective solutions across different departments.

Despite the massive shift towards digital technology over the last decade, there are still some barriers to implementing new solutions. These appear to be based mostly around people's beliefs and attitudes, with four in ten (41%) saying resistance to new technology is down to attachment to traditional methods, and over one-third (34%) telling us it is because of lack of buy-in from employees and 30% saying it's down to lack of buy-in from leaders. One-third (33%) tell us that one barrier is a lack of confidence in the available solutions. This may be rooted in a lack of knowledge about the software that is currently available, but may also be because of their own personal experiences of poor quality IT that made life more complicated and difficult.



TAKEAWAY

Employees and leaders must want to adopt new technology and be prepared to go through the 'pain' of investing time for training, learning, migrating data etc. in order to experience all of the benefits. Partnering with an experienced digital solutions provider that has a proven track record and experience in a particular industry or sector can help ensure the process is straightforward and smooth, with little or no downtime and benefits available to all users within a short timeframe.



**THE
CLOUD**

Cloud adoption delivers operational improvements, better access to more useful and powerful data, and higher levels of data security.

However, it can be daunting; partnering with an experienced provider will help businesses navigate the complexities, define their objectives, evaluate the digital estate, and define a migration and adoption strategy to meet their goals.

Amanda Grant | Chief Product Officer, Advanced



36%

are juggling the challenges of working with a combination of Cloud and on-premise systems

The many benefits of Cloud-based business solutions include simple remote access from anywhere with a WiFi connection, enabling employees to work just as effectively from home, a client's office or even on the move, as they can in the office. It also provides access to real-time data, removing the need for repeatedly sharing the latest versions between colleagues and greatly speeding up reporting and data analysis processes. Overall, our survey shows that 39% of UK businesses have fully committed to Cloud-based applications only, with over half (53%) of IT businesses and 46% of those working in HR & Personnel only using the Cloud.



1/5 still use only on-premise systems

More than half (53%) of those in local & central government, 51% in wholesale & distribution and 51% working for the NHS and other health and care providers are working across both types of system, and may struggle with a lack of integration and data that is siloed in legacy systems and unavailable for remote and flexible access. More than half (52%) of respondents stated that better systems integration would support better business management – people are seeing the holes and gaps in their systems now and can identify the importance of joining all the dots with a single, accurate and real-time view of every aspect of a business at any one time.

Of the 36% using both Cloud and on-site systems in combination, some are undoubtedly in the process of migrating to the Cloud, perhaps following a modular adoption process that has prioritised certain functions for earlier Cloud migration, while others are left with older, on-premise systems for now. Perhaps surprisingly, in this digital-first age, one-fifth (21%) of all respondents still use only on-premise systems, rising to 38% for GPs, 34% for adult social care professionals and 33% for housing professionals.

TAKEAWAY

Many organisations are transitioning from on-premise to Cloud-based solutions and are currently using both. Software and services providers that take a consultative approach can help organisations understand which functions and areas of the business will benefit most, first, from Cloud adoption and will enable a modular, staged approach to the transition. Having seen the data insights enrich efficiency and productivity in one function, others will then see the value and make the case for full Cloud adoption across the organisation. This modular type of solution helps organisations manage their IT investment budget as well as giving them scope to scale as they grow.



ARTIFICIAL INTELLIGENCE



of organisations are investing in AI and 29% are already using it

With intelligent automation already embedded in many of our products, we are monitoring developments in emerging technologies such as Large Language Models (LLMs) and Generative AI, assessing potential and risk. This will ensure the best user experience for our customers as we build new technologies into our evolving core products.

Andrew Henderson | Chief Technology Officer, Advanced

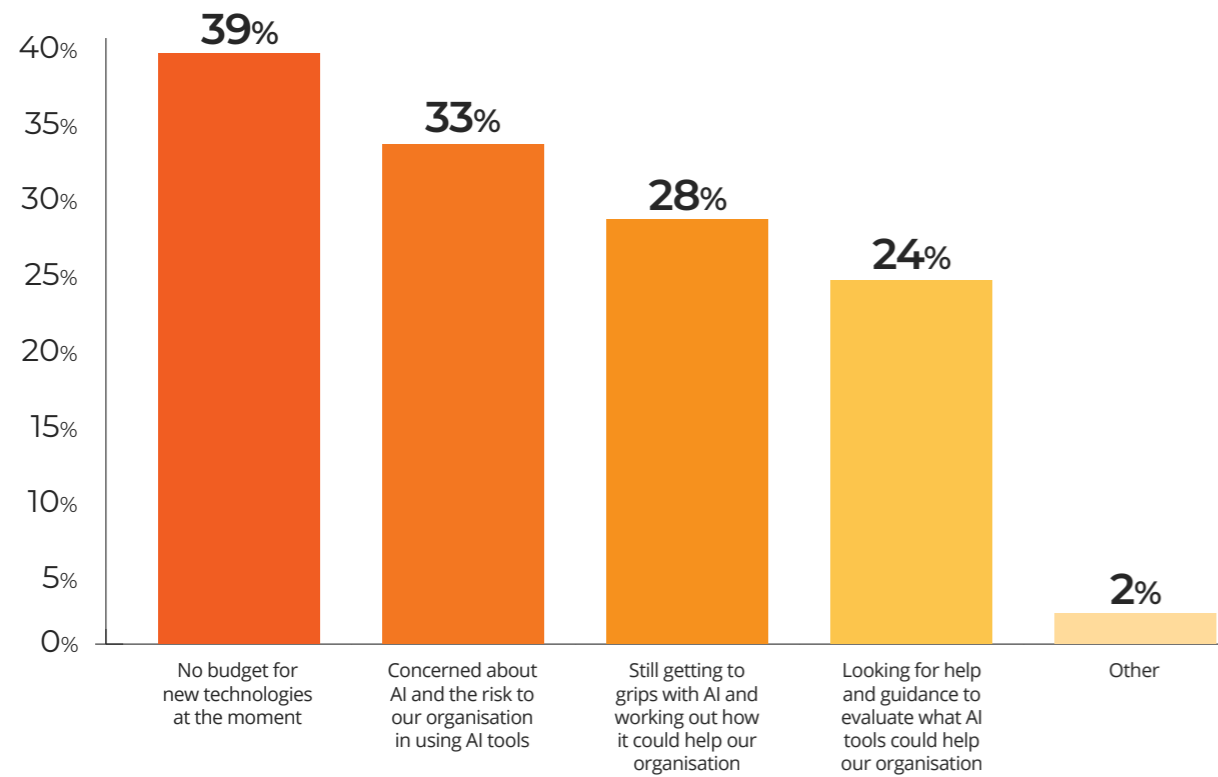
Our survey has revealed a significant adoption of unregulated technology. 29% of UK organisations, and almost half (49%) of those working in London, tell us they currently use AI tools in the workplace. Additionally, more than half (54%) of all respondents say their organisation is now investing in AI.

Overall, almost one in ten (9% of all respondents said their organisation has no plans to introduce AI tools. This may be due to perception about what AI is and where it can be found. It is quite possible that many people who believe their organisation is not going to implement AI are already using it every day without realising it. For example, AI helps to drive internet searches and provides automated 'suggestions' during online shopping experiences, as well as navigation tools such as Google Maps that many of us are using in our personal and working lives.

The lack of regulation makes it surprising that one of the keenest sectors to adopt AI is law. Our survey reveals more than one-quarter (27% of professionals working in the law/legal sector are already using AI in their work, despite the fact that its professional association, The Law Society, as with many other industry bodies, has yet to provide proper guidance on how AI should be implemented. Some law firms are already using their proprietary generative AI tools without any industry or national regulation and others have rolled out specialist legal Gen-AI tools such as Harvey to their employees. The legal sector has been quick to recognise the power of generative AI to help draw up contracts, letters and forms more quickly, as well as creating standardised documents and for conveyancing work.

Looking ahead, 36% of finance, procurement and governance professionals say they believe that AI technology will be used to make critical business decisions by 2030, and within that time it will replace at least 50% of manual work. The procurement & governance functions are already leveraging the potential for AI to handle massive datasets in a short time, easily picking up on anomalies and trends that might highlight problems such as money laundering and fraud. AI is a game-changer when it comes to improving compliance – a key measurable in the finance function.

Why have you not introduced AI tools into your business yet?



Given the prevailing economic conditions, it's not entirely unexpected that 39% of organisations report not having allocated funds for AI investment. One-third (33%) express apprehension about the potential risks of AI to their business, 28% say they are still getting to grips with it and nearly one-quarter (24%) were looking for help and guidance. Our examination of AI's potential in business applications began with our inaugural Trends Report in 2016. At that time, a mere 13% of average IT budgets were directed towards new technological possibilities, yet more than two-thirds (68%) of executives felt ready to respond to changing technological trends.

However, for many leaders and personnel, the advent of AI in the workplace is a recent phenomenon brought to wide attention by developments such as ChatGPT4 and other generative AI tools. Given its novelty and unproven nature, a sense of caution prevails on how best to proceed.

AI is a definite concern for leaders and more than two-thirds (67%) of those in the position of company president say they are still getting to grips with AI and working out how it might help their organisation, in contrast to an average of 28% for respondents across all levels. Those in the most senior positions are naturally involved most closely with strategic research and decision-making and, in particular, have to be alert to the potential for risk and harm to their organisation that might be caused by powerful and unregulated technology.



Expectations around AI appear to vary according to the age of the employee, with younger workers generally expecting to see their employers investing more in emerging technologies than their older colleagues do. On average for all age groups, 16% said they thought their organisation would invest in Neurotechnology – technologies that interact with, manipulate or understand the human brain and nervous system. This rose to one-quarter (25%) of those aged 18-24 years, against just 7% of employees aged 55+. 42% of all ages believe their organisation would invest in a Digital Immune System that uses algorithms, machine learning and AI to continuously monitor and analyse data traffic, system behaviour and user activities within a digital environment. 54% of the youngest group believed this, compared to just 19% of the eldest group.

Almost twice as many (32%) of 18-24-year-olds said they thought their employer would invest in Applied Observability, a concept in software engineering and system management that involves collecting, analysing and utilising real-time data to gain insights into the performance, health and behaviour of complex systems, compared to 17% of the over 55s.



TAKEAWAY

Organisations are looking to the UK government for guidance and regulation around how to use AI safely. Industry bodies also have a responsibility to help steer and devise policies. In the absence of this, organisations are having to experiment and possibly find out the hard way that AI can be a force for trouble in their organisation. Concerns about these risks may mean many will resist adopting AI and will also miss out on the extraordinary power for positive change that it can bring.



**ENVIRONMENT,
SOCIAL &
GOVERNANCE**



Despite current economic pressures, we must continue to consider the bigger picture – protecting the planet and its people. Businesses have a responsibility to be guardians of the environment and to use its resources with consideration and restraint. Alongside other organisations, Advanced is using technology to help measure, monitor and understand our carbon footprint, to seek out and work with others in our supply chain with similar values. We are also committed to our Supplier Code of Conduct that codifies the standards we expect our suppliers to meet to ensure safe working conditions, fair worker treatment and responsible environmental practices.

Sally Scott | **Chief Marketing & ESG Officer**

60%

do not have an ESG strategy with key targets for their organisation

Announcements by the UK government that it is delaying the dates for some of its own pledges on climate and sustainability have attracted criticism. However, the cost-of-living crisis and its impact on the cost-of-doing-business, appears to be reflected in a wider reduction in commitment to Environment, Social & Governance (ESG) issues across organisations.

In 2022, three-quarters of respondents told us that ESG was a growing priority within their organisation. One year on, more than half (55% of respondents say their organisation is yet to use carbon footprint monitoring or impact measurement technology, and 60% do not have an ESG strategy with key targets for the organisation.

Sustainability, looking after the environment and protecting the future of its people are important responsibilities for businesses, as well as for governments and citizens. Perhaps not surprisingly with so many other economic pressures to contend with, many appear to be compliant with ESG policies under duress.

Currently, the largest UK organisations are already legally required to report on Carbon Emissions and this is expected to trickle down to all businesses within a few years. In our survey, 62% of businesses say their reason for prioritising ESG is to be compliant or improve the reputation of the business, but there doesn't seem to be a desire to actually live and breathe it, with 79% telling us that meeting net zero targets is not a main driver for their ESG strategy.

Considering the responses of the most senior leaders, more than three-quarters (76%) of Owner/CEO/MDs say their ESG strategy is driven by the need to ensure compliance with latest legislation, even more than the 62% average. This group is also less concerned with meeting net zero targets, with only 14% selecting this response, below the 21% overall average for all seniority positions.

This lack of authenticity is bound to be exposed at some time, and may possibly be branded 'greenwashing'. Unfortunately, this will undermine attempts by organisations to be seen as an employer of choice, to successfully attract environmentally and socially aware customers, and even lead to them losing out on investment from 'green' investors and funds.

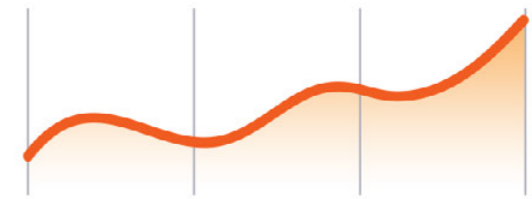
However, even if motivated under duress, any progress towards net zero and achieving ESG goals is positive for the planet and its people. Combining all four of the responses that indicate some level of carbon measuring and reporting shows that a significant 79% of organisations are doing something positive to understand and communicate their footprint. This demonstrates a small degree of growth from last year's survey, when 72% told us that their organisation provided tangible evidence to support ESG progress and achievements.

There are also indications of positive impacts on a local level, and almost half (47%) say they are carrying out ESG activities that impact the communities in which they operate. Perhaps in the current economic climate many leaders are motivated less by the global challenges of climate change and instead are focusing efforts on their local community where they and other stakeholders can more easily see the benefits. This may include using local suppliers to help boost the local economy and reduce unemployment, with fewer transportation miles resulting in reduced emissions, pollution and congestion in the local infrastructure.

With AI in the ascendant in 2023, it is interesting to note that 42% of organisations are investing in sustainability against 54% investing in AI. It remains to be seen whether AI may, in itself, be a driver and enabler of lower emissions and reduced carbon footprint for businesses. On the surface it appears that this might be the case as, for example, AI-powered apps such as Google maps are helping private and business drivers to avoid traffic jams and the consequent build-up of pollution. Other AI-enabled tools help transport and distribution businesses optimise routes for drivers to reduce fuel use and other software helps ensure that all resources are optimised for minimal waste of goods and human hours.



AI in ascendance in 2023



TAKEAWAY

Forward-thinking organisations know they must have rigorous procedures for measuring, monitoring and reporting on the carbon footprint as it is only a matter of time before it becomes mandated by the government. Powerful technologies including automation and AI can help them achieve this. Technology has already enabled remote and hybrid working, resulting in fewer commuter hours and reduced fuel consumption for work-related travel, and is helping domestic and business premises manage their energy use more efficiently. AI algorithms can enhance these technologies further, driving down use and cost, and helping reduce carbon emissions.



DIVERSITY, EQUALITY & INCLUSION



55%
say their organisation
has a clear DE&I strategy

DE&I is important to us because we recognise the value of different experiences and thought processes to enhance creativity and innovation in our business, as well as helping to foster a more balanced working culture, happier workforce and greater employee engagement.

Our diversity and inclusion groups include LGBTQ+, Chronic Health Conditions, Women, Black Lives Matter, Family Inclusion and Men's Health, and each has a C-Suite sponsor to ensure that everyone is represented. We are always looking at DE&I strategies that can help us achieve more, including support through talent strategies to overcome unconscious bias for managers and most recently, undertaking the work to become an Endometriosis Friendly Employer.

Anwen Robinson | **Senior Vice President**

Diversity Equality & Inclusion (DE&I) initiatives embody a positive attitude towards acceptance of the differences that exist between all individuals with policies that enshrine those attitudes. Perhaps the time is coming soon when specific initiatives to promote DE&I will feel redundant, as attitudes and belief systems become more accepting of diversity and individuality. Many would say we still have a long way to go though. Within a business environment, DE&I remains an important issue and initiatives including gender and diversity pay gap reporting provide insightful metrics to help organisations drive further change.

More than half (55%) of all respondents in our survey tell us their organisation has a clear DE&I strategy which is 'owned and driven by our HR Director/CPO', compared to 36% in 2022 who

told us that their leadership was prioritising diversity and inclusion at all levels. This appears to indicate progress as leaders are prioritising DE&I more this year. The reasons for the increase are, however, less clear and are therefore open to conjecture. It may well be down to a growing desire for organisations to be more inclusive and drive greater diversity of thought and experience. There is a possibility that this increase is driven by negative factors, such as an increase in workplace bullying and prejudice that is forcing leaders to prioritise new DE&I policies.

What we do know is that only one-third (33%) of organisations carry out gender and diversity pay gap reporting, which is essential for collating accurate data for benchmarking and measuring improvements. One of the ways to ensure that DE&I is part of the overall company



culture is to implement hiring practices that help combat unconscious bias – the involuntary human behaviour that tends to attract us to people who look, sound and behave just as we do. Building a diverse workforce enriches an organisation, replacing the ‘echo chamber’ of like-minded people with a multitude of new ideas, different experiences and fresh eyes on challenges that can drive improved creativity, innovation and productivity. It is, of course, also the right thing to do and organisations that prioritise DE&I may find it enhances their reputation as an employer of choice, helping them to attract and retain talent.

More than half (58%) of all respondents tell us they have programmes running across

their organisation dedicated to furthering inclusive practices and only 38% agree with the statement: ‘We work hard to remove bias in our recruitment practices’. At the same time, almost two-thirds (63%) say they have a process to reduce unconscious bias in hiring, representing an increase from last year when 53% said they had already implemented a policy like this. Also, in 2022, a further 32% told us they planned to implement a policy to reduce unconscious bias in hiring. It appears therefore that most of this 32% have yet to achieve this ambition as there has only been a 10% increase in the number of organisations that have introduced an anti-unconscious bias policy over the last 12 months.

Our survey hypothesised seven different scenarios to describe DE&I situations in organisations, from those that have a DE&I strategy owned and directed by one of the senior leadership team, to three that encompass little or no DE&I activity. The latter included not having the time or resource to proactively manage a DE&I strategy; not feeling the need to have one; and ‘none of the above’. These three options totalled almost one-fifth (19%) of all responses, indicating that these organisations are not actively implementing any DE&I strategy at all. This may simply reflect a shift in priorities as businesses tackle more pressing economic challenges, rather than a retrograde shift in attitudes. Another interpretation for this ‘disappointing’ figure might actually be for a positive reason – that DE&I is becoming ‘quietly’ integrated into business policy, and is a given these days. If many organisations now feel they have an adequately diverse and inclusive workforce, they may feel less impetus to implement a specific policy to improve it further. Of course, this may well not represent the experience of their employees, particularly people from DE&I characteristic groups who may well wish to see their employer making greater strides in this area.

TAKEAWAY

Many organisations may feel they have already made big strides in improving DE&I and as people’s general values, understanding and acceptance changes, that it is becoming embedded as the norm. However, it is important not to be complacent or rely on anecdotal evidence and personal experience when assessing and evaluating DE&I within an organisation. Empirical data is crucial and organisations that undertake gender and diversity pay gap reporting will gain deeper insights into the reality of DE&I at all levels. This is necessary for any business seeking to attract and retain the best talent as people are seeking working environments where they can be their authentic selves and feel listened to, valued and represented for whoever they are. It would be easy to lose out on talent that chooses to work for a more diverse and inclusive competitor, because they don’t want to trailblaze for their own diverse characteristic group, whether that be gender, ethnicity, religion, sexuality, disability and others.

CYBER SECURITY



The Internet of Things (IoT) has presented many opportunities for organisations to work smarter and increase connectivity, with more flexible and hybrid working.

However, the flipside is that it has also increased the attack surface. With IoT devices scattered across organisations and their supply chains, companies need to be vigilant against hackers using these devices to gain access to their systems, for example, through unsecured WiFi networks.

If an attacker can intercept the data being sent over the network, they may be able to bypass authentication measures and gain access to the organisation's systems. Furthermore, if IoT devices are not properly configured and updated with the latest security patches, they can be vulnerable to cyberattacks.

Andrew Henderson | **Chief Technology Officer**

ALMOST

1/10

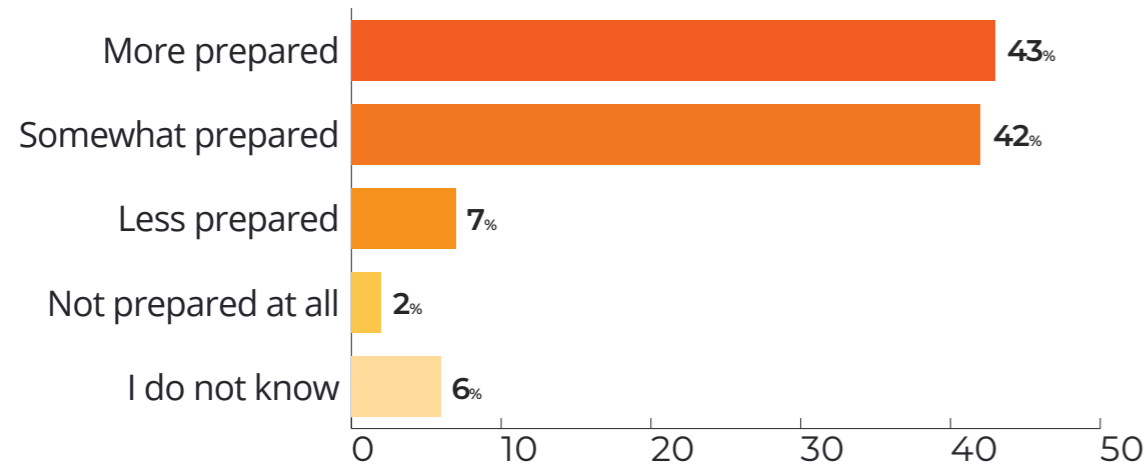
businesses are less equipped to handle cyberattacks than they were last year



The growth in digital technology has been mirrored by a growth in cyber security concerns. Stepping back five years to our 2018 Trends Report, almost three-quarters (74%) said their organisation was prepared for a potential cyberattack, leaving a startling one-quarter (26%) that said they were not.

This year, 90% tell us they feel their digital systems are secure, or very secure, from cyberattacks and just 9% now say they feel less prepared than they were 12 months ago, or are unprepared for a cyberattack. Although this represents a significant reduction in the perception of threat, this still means almost one in ten businesses feel vulnerable to cyber threats. When we consider the volume of data about customers, suppliers, employees and others that each one handles, this represents a vast set of data that is potentially at risk.

Is your organisation more or less prepared for a cyberattack than it was 12 months ago?



One reason for people’s increased confidence in the security of their systems may be the adoption of Cloud-based solutions that provide significantly more security than legacy, on-premise systems as 39% tell us they are now using only Cloud-based systems and another 36% are using a combination of Cloud and on-premise systems. Those using both together may be in the midst of a staged migration to the Cloud, another reason to feel more optimistic about security going forward. Overall, 85% say they are more prepared than they were 12 months ago, compared to 80% in 2022.

It might be fair to say that confidence in preparedness for an attack is not the same as actually being cyber secure, and the faith of the 90% may be misplaced. Many will only know how well prepared they were, if, or when, they fall victim to an attack. Unfortunately, one of the downsides of AI is the way it can be used to cause harm and criminals are already harnessing it to automate cyberattacks, with increasing levels of sophistication.

People are not complacent about the risks though, as overall, one-quarter (25%) ranked cyber security as the second biggest challenge for organisations in 2023. Those working in IT, the professionals most affected by this, ranked it equal first with attracting and retaining talent, with 35%. Professionals in some other sectors also felt cyber security was a greater challenge than the average 25%, with 32% of those working in Finance & Financial Services and 30% working in Law. At the other end of the scale, just 13% of those working in charities, membership & associations highlighted cyber security as a challenge, ranking it in ninth place.

Considering seniority and role in relation to cyber risk, it seems that leaders are demonstrating an above average confidence in their systems, and 71% of Owner/CEO/MDs say they are very confident they are cyber secure. This is compared to less than half (47%) of IT professionals who work, in part, with managing cyber security and mitigating threats every day who share this confidence. There is no evidence that cyberattacks are on the decline and, arguably, organisations that enable hybrid and remote working may be leaving themselves more vulnerable to employee errors that can compromise security.



TAKEAWAY

Cloud adoption may be one of the reasons why respondents in general, and the most senior individuals in particular, feel more confident about their organisation’s cyber security. Even with employees working remotely, the Cloud can deliver enhanced cyber security benefits. These must be implemented alongside guidelines for best practice and strict processes for all operations involving data access to ensure that simple human error, a common reason for successful cyberattacks, does not impact on data security.

LEADERSHIP



It isn't unusual to find some misalignment between what leaders think their business is doing and what their employees think the business is doing.

Leaders need to develop a deeper understanding of what is going on; one that is grounded in data.

Leaders can learn a lot by listening. They need to be aware when strategies are not translating into improvements by using data to shine a light on areas of poorer performance and helping to drive improvements for employees who remain."

Simon Walsh | **Chief Executive Officer**

The most senior leaders see things differently to more junior employees

58% of Owner/CEO/MDs say their organisation is currently using AI tools, compared to just 29% of respondents across all positions

Across all of our survey data, we included breakdowns by role and position within the organisation, enabling us to gain insights into the way the most senior – owners, CEOs and managing directors, and the most junior position in our survey – senior managers, viewed technology within their businesses. We identified many instances where the most senior leaders appear to be out of step with less senior individuals.

The most senior leaders are of course most likely to have the greatest overview of the organisation with regular communications with SLT giving them more insights into every function. They are also, in many cases, responsible for making big decisions that encompass all of the areas we have looked at in this Trends Report, including talent, technology infrastructure and AI, ESG, DE&I, and cyber security. It is fair to say though, that individuals leading other functions, such as HR directors and IT specialists, may have more of an ‘at the coal face’ view of the challenges and what needs to be done to manage them more effectively, than the most senior leaders who are likely to be more removed from the day-to-day management.

With their broad view of the entire organisation, 57% of Owner/CEO/MDs say that attracting and retaining talent is their number one priority, which is higher than the average 41% for all roles and positions. Unfilled vacancies can cost businesses dearly, in a variety of ways. If a role is empty, the work may not be being done at all, or it is being undertaken by another employee,

taking them away from their core duties and who may end up feeling burned out, with the increased risk that they, too, might quit. Hiring is a time-consuming and costly business that will involve HR and line managers, as well as those involved with onboarding and training. Experience and expertise, even for a candidate from another similar role/business, may not emerge overnight, and key relationships with colleagues, managers, customers and suppliers will take time to develop.

Perhaps not surprisingly given their senior position, and particularly for those who are owners, business survival is more important for this group, and 38% tell us it is a core priority this year against an average of 24% for all respondents. More than one-third (35%) of Owner/CEO/MDs named boosting cash flow to counteract increased cost as one of their top challenges (against 22% average for all). This is positioned as the second largest concern for the most senior group, compared to being in sixth place for all respondents. The third biggest concern for the very senior roles is data transparency of procurement contracts and supply chains, 28%, against 15% average for all respondents, reflecting a higher desire among leaders to reduce spend and seek the better deals and discounts that high-quality data can achieve.





58%
of leaders say their organisation
is currently using AI tools



Almost all (97%) of Owner/CEO/MDs say they are very confident (75%), or confident (22%), that their current IT supports their business model, compared to 85% of respondents from all positions. This may be because they themselves made or signed off on the final decision to buy, and they are confident about their own decisions. Many might argue that self-confidence and assurance about their own instincts and decision-making are inherent qualities in a leader.

The most senior leaders may also be confident about their IT solutions because they have access to more insightful data across all functions of their business, which is a benefit delivered by powerful Cloud-based technology. They also understand the value of high-quality data for improved decision-making. When we asked about the benefits that people were seeing from their digital technology in the workplace, the number one answer from Owner/CEO/MDs (79%) was automation in data processing and analytics.

More people in the most senior positions are positive that they have made the right investments around technology for digital transformation than others lower down the hierarchy. For example, 68% of Owner/CEO/MDs say their organisation has a strong leadership strategy for digital enablement, against a 37% average for all respondents. Only 28%

of senior managers view their organisation's leadership strategy so positively, by a full 40% fewer points. Similarly, a higher percentage of Owner/CEO/MDs, 56%, believe they are further ahead than competitors than expected when it comes to technology compared to 25% of all respondents, again indicating that they either know more about this than others lower down the organisation, or simply have far higher confidence in their own decisions.

Interestingly, 58% of Owner/CEO/MDs say their organisation is currently using AI tools, compared to just 29% of respondents across all positions, indicating that the most senior group may have deeper insights into what is driving their software than the average employee, or is mistaken about how much AI has been embraced within their organisation. Almost half (49%) of Owner/CEO/MDs say they are concerned about the risks to their business in using AI tools, against an average of 33% for all levels.

Leaders also appear to be more receptive to new technologies with three-quarters (75%) of Owner/CEO/MDs saying their organisation would be prepared to invest in a Digital Immune System – compared to an average 42% of all respondents, and just 30% of senior managers, the lowest seniority group in our survey. Also,

those in the most senior positions say they would be more likely to invest in Neurotechnology – 24% of Owner/CEO/MDs, 28% of Presidents, and 21% of board directors, than just 12% of senior managers.

Company culture frequently starts with the most senior leaders and trickles down through the levels, with leaders setting the example for attitudes and behaviours for all. Therefore, leadership is key to the success of ESG and DE&I initiatives that require authentic and wholehearted support from the top.

Almost three-quarters (72%) of Owner/CEO/MD respondents in our survey say they have an ESG strategy with key targets, at odds with 30% of senior managers and the 40% average across all positions. Just over three-quarters (76%) of the most senior leaders (Owner/CEO/MDs) tell us they follow their ESG strategy to ensure compliance with the latest legislation, again at odds with the average response of 62% for all positions. They appear to be less concerned with meeting net zero targets, with just 14% being motivated by these, with half as many again, 21%, of all positions saying this is their motivation.

More than half (52%) of Owner/CEO/MDs say their organisation has undertaken an ESG assessment and understands its organisational risk, compared to just 21% of board directors. Looking at job roles, just one-fifth (20%) of GPs and professional adult social care providers say this.

While around half (53%) of senior managers say their organisation has a clear DE&I strategy, more Owner/CEO/MDs seem to believe this to be true – 70% are telling us this. Similarly, a substantial majority (86%) of this most senior group say they have a hiring process that helps avoid unconscious bias, compared to 54% of senior managers. It is difficult to know whether the most senior leaders are being misled by their teams or whether each has a slightly different perspective and expectation of exactly what constitutes a clear DE&I strategy. It is also possible that leaders want to paint a rosier view of what their business is achieving in this area at the moment, and are aware that economic challenges may be drawing focus away from other important issues.



TAKEAWAY

Studies into the psychology and resilience of leaders often highlight the important personality traits shared by successful leaders, which may include a higher than average level of self-confidence and security in their own ability to make effective decisions. Good leaders need to have the ability to inspire those around them, empowering them to make their own effective decisions rather than micromanaging. Communication is key here, and the mismatches between what the most senior Owner/CEO/MDs and lower ranking senior managers think, may indicate that communication needs to be improved.



REPORT SUMMARY

CONCLUSION

This year's report emphasises the pivotal role of innovation and technology in driving productivity and growth and demonstrates that as businesses embrace transformative technologies like generative AI, the need for responsible adoption, data compliance and cyber security becomes paramount.

At Advanced, we firmly believe in AI's potential as a co-pilot, augmenting human capabilities and improving the overall work experience. Our mission is to empower organisations by leveraging technology to achieve growth, sustainability and positive contributions to both the economy and society.

Government and regulators need to get a handle on AI and new technologies very quickly. Organisations need sound advice and to fully understand the implications to their future business of implementing AI now.

Technology sector leaders, including Advanced, have a role to play in consulting with and supporting customers during this uncertain time.

We hope that this report can serve as a guide for organisations navigating the digital-first age while reinforcing our commitment to powering the world of work through innovation and responsible technology adoption.



The Advanced Trends Report 2023 was carried out online by Research Without Barriers (RWB) with surveys conducted between 11th August 2023 and 31st August 2023. The sample comprised 6,605 senior decision-makers, 3,585 male, 2,997 female and 23 who identified as 'other'. They work in organisations of at least 100 employees, with 2,506 having 1,000+ employees and 2,292 having 250-1,000 employees. All research conducted adheres to the UK Market Research Society (MRS) Code of Conduct (2023) and RWB is registered with the Information Commissioner's Office and complies with the DPA (2018).



ANNUAL BUSINESS TRENDS REPORT 2023/24

AI RISING: BUSINESS IN THE ARTIFICIAL INTELLIGENCE BOOM