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GLOBAL STUDY: CLOUD COMPUTING PROVIDES REAL BUSINESS BENEFITS, BUT FEAR OF SECURITY AND CONTROL SLOWING ADOPTION

Senior management and IT executives report that cloud is 'not hype' and delivers real cost savings; many technology early adopters accelerating use of cloud computing

SEATTLE—February 24, 2009—Contrary to conventional wisdom, the vast majority of business and IT executives report that cloud computing is a viable technology option that can improve a company's bottom-line results according to a new global survey conducted by an independent market research firm. However, despite growing evidence that cloud-based systems have the potential to lower costs, the majority of companies report no plans to integrate cloud computing in the next 12 months.

The study, commissioned by Avanade, a global IT consultancy, surveying more than 500 global C-level executives and IT managers in 17 countries, comes at a crucial time for the technology industry as IT budgets are shrinking and new technology options are becoming available. Key findings include:

- By a 5-to-1 ratio, executives report that they trust existing internal systems over cloud-based systems due to fear about security threats and loss of control of data and systems.
- At the same time, the majority of respondents reported that their current internal systems are too expensive.
- Meanwhile, early adopters of cloud computing report they are increasing their investments in this technology after seeing reduced up-front IT costs and improved agility to respond quickly to market conditions.

The following data shows how companies are struggling with change and how to increase productivity with fewer resources:

- More than 50 percent of companies surveyed use technologies to cut costs. And, half of all respondents say they adopt new technologies to save money.
- C-level executives and IT decision makers overwhelmingly agree that cloud computing is a real technology option (71 percent worldwide).
- Furthermore, nearly two in three IT executives worldwide (65 percent) and four of five in the United States (80 percent) believe cloud computing reduces up-front costs.
- Four out of five respondents report that existing internal IT systems are too expensive.
- While nearly half of companies consider themselves early adopters of new technologies, the majority of companies (61 percent worldwide) are not using cloud computing systems at this time.
- More than 80 percent of those who use only internally owned IT systems do not plan on integrating any form of cloud computing in the next 12 months.

Tyson Hartman, Avanade Global Chief Technology Officer, said: "This global study reveals that business and IT leaders recognize the business benefits of cloud computing for making a

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meaningful difference in their organizations. At the same time, fears about security and control of data are limiting its broad adoption. One of the pressing issues that lies before our industry is addressing these perceived barriers and helping businesses develop a strategy to begin deploying cloud-based services today and build a long-term roadmap to capitalize on the business value of cloud computing in the future.”

The Business Benefits of Cloud

The results of this survey echo the adoption of many fundamental technologies that have become widely used in the workplace, including the Internet, e-mail and social media. In each case, fear of loss of control and security threatened adoption of those technologies. While companies recognize that there are inherent security concerns, cloud computing represents a new model for enterprise computing. Data that supports the business value of cloud-based systems includes:

- Respondents recognize that cloud computing allows companies to:
 - Focus on the core business (65 percent).
 - React more quickly to market conditions (62 percent).
 - Gain access to the latest technologies (51 percent).
 - Improve ability to be flexible (70 percent).
- Nearly one-third of companies currently using cloud-based systems have increased their use of cloud computing in today’s economy after seeing the benefits it can bring.
- Not only do companies agree that cloud computing has lower up-front IT costs, but respondents also indicated that cloud computing is the best option for ensuring lower ongoing costs (operational expenses).

“Companies need to continually embrace best practices and consider new technologies in order to remain competitive in this global market. This research shows cloud computing may be the next wave of IT evolution,” says Hartman. “Avanade’s mission is helping companies navigate change and realize the benefits of new technology options.”

U.S. Findings

Despite concerns over security and control, companies based in the U.S. are more willing to adopt cloud computing technologies than their global counterparts.

- Two-thirds of the respondents in the U.S. (66 percent) claim to be early adopters of new technologies, often trying them before anyone else (only 47 percent globally claim to be early adopters).
- Overwhelmingly, 91 percent of U.S. respondents were familiar with cloud computing compared to 61 percent worldwide.
- More than half of U.S. companies surveyed report they are currently utilizing a combination of cloud computing and internally owned IT systems compared to only one-third of companies worldwide.

About Avanade

Avanade is a global IT consultancy dedicated to using the Microsoft platform to help enterprises achieve profitable growth. Through proven solutions that extend Microsoft technologies, Avanade helps enterprises increase revenue, reduce costs and reinvest in innovation to gain competitive advantage. Avanade consultants deliver value according to each customer's requirements, timeline and budget by combining insight, innovation and the talent of our global workforce. Avanade, which is majority owned by Accenture, was founded in 2000 by Accenture and Microsoft Corporation. Avanade has more than 9,000 professionals serving customers in 24 countries worldwide. Additional information can be found at www.avanade.com.

About the Survey

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The 2009 Cloud Computing survey, conducted by Kelton Research, interviewed 502 C-level executives and IT decision makers across 17 countries in North America, Europe and Asia-Pacific. For more information on this study and Avanade's cloud computing expertise, please visit http://www.avanade.com/people/thought_detail.aspx?id=70 .

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