

2009 Global Survey of Cloud Computing

Executive Summary

Executives around the globe are facing a conundrum. In the midst of widespread economic turmoil, a recent global survey of C-level executives and IT decision-makers shows a clear, collective mandate: use technology to cut the cost of doing business. Moreover, these decision-makers widely recognize a new technology option, Cloud Computing, as a viable way to reduce capital expenditures and operational costs. Cloud computing refers to the delivery of software and other technology services over the Internet by a service provider.

As the economy teeters on uncertain ground, however, these leaders – many of whom consider themselves as early adopters of technology – are turning a blind eye to the potential business benefits of cloud computing. They are unwilling to switch from internally owned and managed IT systems to cloud computing technologies due to fears of security threats and loss of control over company systems and data.

An independent market research firm, Kelton Research, completed a large-scale survey of cloud computing adoption in January 2009 commissioned by Avanade Inc. Key findings and data-points that support these trends are outlined in this report.

Poised to Adopt a Viable Solution

Like their peers, the survey respondents are under enormous pressure to cut costs, and they see technology as a tool to streamline business operations. By a wide margin, most business and IT executives are turning to new technologies to cut costs, rather than cutting back on their technology uptake (see Figure 1). Key data from the survey shows:

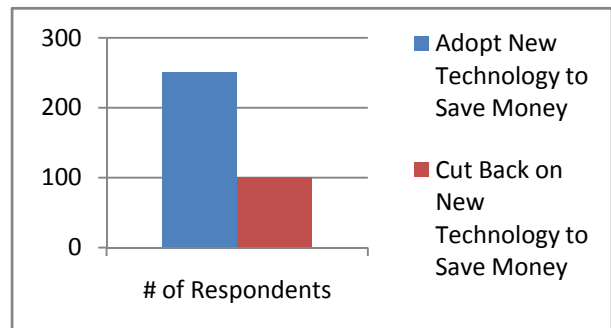


Figure 1

- The majority of companies surveyed (54 percent) use technology to cut costs.
- By a 5-to-2 ratio, respondents adopt new technologies to save money versus cutting back on new technologies to save money.
- In the United States in particular, two-thirds of respondents consider themselves early adopters of technologies. Globally, nearly half consider themselves early adopters.
- Sixty percent report that existing internal IT systems are too expensive.

The business and IT leaders who responded to the survey feel they understand what cloud computing is and believe it can positively impact bottom-line results. The majority of respondents agreed cloud

computing can lower up-front and ongoing costs. They believe Cloud Computing allows their companies to react quickly to market conditions and competitors – using the ability to immediately tap computing power and software. Computing, and helps the company focus on its core business (see Figure 2 and Avanade's *Cloud Computing Point of View* paper for additional details).

Specific results from the survey include:

- Nine in 10 of C-level executives and IT decision-makers in the United States, and six of 10 globally, are familiar with cloud computing.
- Business executives and IT decision makers overwhelmingly agree that cloud computing is the real deal (71 percent worldwide and 87 percent in the United States) – it is seen as a viable technology option.
- Furthermore, nearly two in three IT execs worldwide and four of five in the United States believe cloud computing reduces up-front costs.

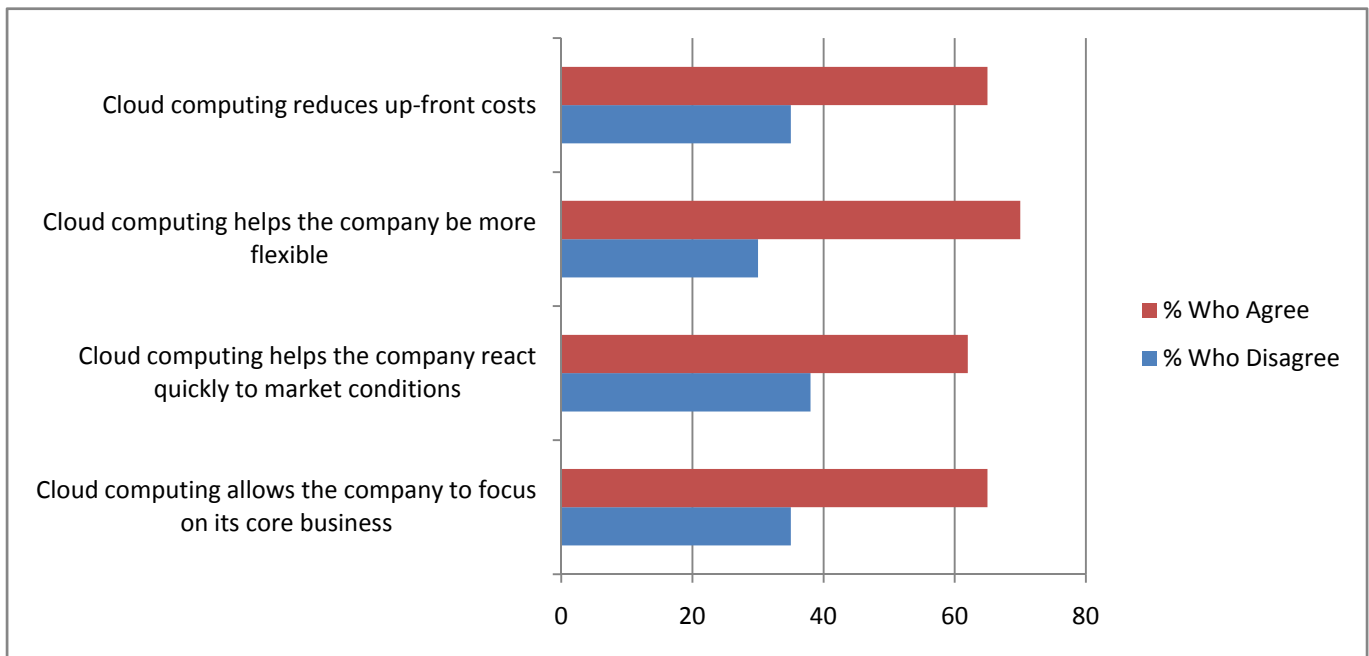


Figure 2

Afraid to Change

Despite this widespread recognition that cloud computing is real and has the potential to improve a company's financial position and competitiveness, the clear majority (61 percent) of companies are not using cloud computing technologies at this time. And the vast majority (84 percent) of those that currently depend on internal IT systems have no plans to switch to cloud computing technologies in the next 12 months.

The survey shows a strong reluctance to change driven by fears of security threats and loss of control. In this economic environment, costs are *not* a top barrier to change. These arguments and concerns reflect earlier concerns about security and loss of control when e-mail, the Internet and instant messaging entered the workplace.

- Even though nearly half of respondents consider themselves early adopters of new technologies, the majority of companies are afraid to change to cloud computing technologies.
- Of those who use internal IT systems, the vast majority of those companies (84 percent) have no plans to switch to cloud computing in the next 12 months.
- By a 5-to-1 ratio, companies trust internal IT systems over cloud-based technologies due to fear about security threats and loss of control of data and systems.

The Business Value of Cloud

Those companies that have overcome skepticism or resistance due to security and control issues associated with cloud computing report business benefits and accelerating use of cloud-based technologies. By turning to cloud computing for certain technology needs, instead of owning and managing all IT systems, cloud computing can give companies the ability to free of resources to focus on strategic business initiatives – helping them serve customers better, improve business performance and win marketshare. It shifts the burden of managing IT and business processes away from companies and allows them to focus on their core business.

Specifically, companies that have migrated to cloud computing technologies use it to manage and deliver business applications such as customer relationship management (CRM) and human resources (HR) services. And companies that currently use cloud computing in their IT operations are accelerating their use of it in the economic downturn.

- Only 5 percent of companies surveyed currently rely solely on cloud computing technologies for their IT needs.
- Half of those companies that have adopted cloud computing are using the technology for business applications such as customer relationship management (CRM).
- Forty-six percent of respondents are using cloud computing for data storage.
- Forty-four percent of respondents use cloud computing for HR services like recruitment management.
- Of those companies that use some form of cloud computing, more than a third (36 percent) are increasing their use of since the economic downturn began in the summer of 2008.

The study comes at a crucial time for the technology industry as IT budgets are shrinking and new technology options are becoming available to enterprises. Companies can use the findings of this survey to define best practices and consider new technologies such as cloud computing in order to remain competitive in the marketplace.

Notes on Methodology

The Cloud Computing survey was conducted by Kelton Research, an independent research firm, between December 15, 2008, and January 8, 2009, on behalf of Avanade.

The 502 respondents include C-level executives (e.g. CEO, CFO, CIO, CTO), business leaders (GMs, heads of departments and functions, etc.) and IT decision-makers from 17 regions, including Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. Large enterprises (similar in size to companies in the FORTUNE 1000) made up the majority of respondents on a global basis. Respondents from the United States, Canada and the United Kingdom originate from the top 1 percent of the largest companies by employee headcount within their respective countries. Respondents from all other countries originate from the top 5 percent of the largest companies by employee headcount within their respective countries. Nearly a fourth (23 percent) of respondents work at the largest companies with 10,000 or more employees.

Companies surveyed span major industries, including

- Aerospace
- Defense
- Telecommunications
- Energy
- Healthcare
- Financial services
- Government
- Non-profit
- Media
- Logistics
- Manufacturing

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. In this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 4.4 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

All decimals in this report are rounded to the nearest percentage point. This may result in certain numerical totals adding up to slightly more or slightly less than 100 percent.