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Three quarters of organizations stifled by rising technology debt and low cloud maturity, Avanade study finds

- *Nearly half (45 percent) say their cloud optimization is still at the 'initial' or 'opportunistic' stage*
- *Around three quarters say technology debt is impacting speed to market (76 percent), innovation (74 percent) and their ability to retain technical staff (74 percent)*
- *On the other hand, businesses could earn $1 billion extra in revenue by taking a modern approach to applications, the cloud, and engineering techniques*

Seattle, February 26, 2020 – Rising technology debt, low levels of cloud maturity and lack of inhouse skills are stifling global competitiveness, innovation and speed to market according to Avanade, the leading digital innovator on the Microsoft ecosystem. A new global study has found organizations could earn an extra $1bn per year in revenue and reduce operational costs by more than 11 percent through adopting a holistic approach to cloud technology, apps and modern engineering techniques – what Avanade calls being 'ready by design'.

Avanade's survey of over 1600 c-level executives revealed that just 12 percent of respondents describe their cloud capability as optimized and 45 percent say they're still at the 'initial' or 'opportunistic' stage of their journey. Only 27 percent believing that their cloud strategy will be fully optimized by 2023. Technology debt, the costs and challenges of maintaining and integrating legacy technology, was also predicted to increase over the same period, from 17 percent to 19 percent. Around three quarters of business leaders say this drain on budgets and associated security concerns over legacy platforms is impacting speed to market (76 percent), innovation (74 percent) and their ability to retain technical professionals (74 percent).

"We know that digital disruption is pervasively impacting all industries, and it poses a very real threat, even to well established businesses," says Adam Wengert, Global applications and infrastructure lead, Avanade. "Cloud maturity is creating a two-tier business landscape with digital laggards finding themselves stagnating while their digital-native competitors are steaming ahead. The point of differentiation comes from the natives' ability to pivot towards opportunity and away from threats within days, not months and years, thanks to their cloud-based architecture."

One of the main causes of the debt, according to the research, is that only a fifth of applications have been rebuilt for the cloud. However, with 88 percent of respondents agreeing that innovative

applications have a direct impact on growth and 94 percent identifying increasing sales and revenue as a priority over the next 12 months, it's not surprising to see a consensus from the study around the value of cloud-based custom-built applications. Nearly 9 in 10 (89 percent) executives acknowledged that human-centred apps, those that place human needs as a higher priority, are vital for growing or defend an existing market position.

"For organizations to be successful they need to be able to move quickly to deliver customer value that can increase sales and revenue. Mobile applications are just one example of where digital natives are using human-centred apps to disrupt established markets. Mobile apps present a powerful channel to bring businesses closer to their customers, providing a more personalised service and facilitating their journeys. That is just the beginning though. Successful businesses will be those that are not afraid to experiment, that truly drive enterprise innovation and get new ideas into market faster, and more often than their competitors," explains Wengert.

However, one obstacle that hinders an organisation's ability to seize an opportunity and experiment is the need to liberate talent to use proven modern software product engineering approaches. Around half (52 percent) of respondents cited people and skills issues as the biggest obstacle to adopting modern software product engineering practices in-house.

"Agile, DevOps and other modern approaches will have a significant impact on improving reaction times and speed to market, making an organization more product and customer centric. However, with the lack of inhouse skills, enterprises can find themselves further paralysed, despite recognizing the need to be 'ready by design'. To accelerate digital maturity, enterprises need to take a holistic approach – keeping apps, cloud and people at the forefront of their business strategy; otherwise the outlook for cloud maturity and acceleration – and indeed enterprises themselves – is not going to improve," concludes Wengert.

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Box Out

Adam Wengert, Global applications and infrastructure lead, Avanade comments:

"For many of our clients, cloud maturity and being 'ready by design' is a challenge, representing a clear and present danger to their growth or even their existence. While many businesses we talk to are already invested in the cloud in some way, it was a surprise to discover just how few have really got to grips with its potential. By taking a few simple steps, the upside for so many companies is indisputable."

Work out what to do with your applications
As a first step, IT and business leaders should ensure they have a clear/accurate understanding of their existing cloud landscape and identify where it is already delivering value. Next, they should conduct an application portfolio assessment to understand how their investment can be better leveraged.
Define how applications can support your growth strategy
Organizations should define how applications can help them get to market as well as how they can evolve over time. As part of this process, they should encourage their employees to submit ideas. Rather than try and boil the ocean, they should start by creating or modernizing one application that is truly human-centered.
Hunt down the value you can get from the cloud

Most businesses are already using the cloud in some way, but by focusing on optimizing their cloud footprint, they could be significantly increasing the return on their investment.

Partner with your people

Companies should evaluate how much time and money their IT team is spending on legacy technology versus innovation, and assess how their people would respond to new ways of working. They should start by understanding what skills they need to evolve their IT landscape and then assess the gap and develop a strategy to fill it.

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About the research

Avanade commissioned research firm Vanson Bourne to interview 1,650 senior decision makers. That research concluded in December 2019. Respondents were located throughout Europe, North America and Asia Pacific. They included executives in IT, finance/operations, sales, marketing, and HR. Respondent companies have a global annual revenue from $500 million to more than $10 billion, and participate in industries including communications, media and high-tech; financial services; health and public service; resources; and products.

About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences on the Microsoft ecosystem. Our professionals bring bold, fresh thinking combined with technology, business and industry expertise to help make a human impact on our clients, their customers and their employees. We are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Avanade has 38,000 professionals in 25 countries, bringing clients our best thinking through a collaborative culture that honors diversity and reflects the communities in which we operate. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at www.avanade.com.