Putting the IT in Brexit
Fast Facts

56% of businesses are more willing to invest in IT than six months ago

55% strongly agree that they are more prepared than their competitors

40% of businesses are being dangerously inert in the face of Brexit

Flexibility, reducing long-term costs and future skills shortages are the main areas of concern identified

Smart businesses are responding e.g. to make their IT more flexible, 84% are modernising their IT, 80% are adopting cloud services and 77% are streamlining their IT operations

Many businesses are being left behind e.g. 35% say that Brexit has slowed down their adoption of cloud services
IT directors in the UK are bracing themselves for Brexit amid the continued political uncertainty and the slow progress of negotiations with the EU, but deep divisions still remain.

In March this year, we asked 100 IT decision makers to tell us how they were planning for potential issues stemming from Brexit. We found almost unanimous acceptance that Brexit will create disruption. But we also found deep division over the best course of action. Brexit was either seen as an opportunity to accelerate IT investment and digital transformation, or it was seen as an issue not worth addressing as there were too many unknowns.

The consequence? Forty percent of IT decision makers saw progress grind to a halt, while their peers and competitors pushed ahead with investments designed to reduce costs, while increasing flexibility and agility. We all know who wins that battle in the long-term.

**Hedging against Brexit disruption**

To mitigate against a worst case scenario, forward-looking IT leaders are focusing on making their business more flexible and responsive to potential disruption by investing in cloud services and IT modernisation. Reducing costs has also become a top priority as IT leaders prepare their businesses to navigate a potentially difficult environment.

Future skills shortages are also amongst IT directors’ concerns, with a third outsourcing IT functions, and a quarter implementing automation in direct response to the likely consequences.

**An inconvenient truth**

However, the fact that 40% of organisations are slowing their IT down is alarming. To remain relevant and competitive, businesses need to shape up and invest in IT projects that will provide them with the flexibility and agility to manage and adapt to any future political fallout.

Business leaders may be frustrated by the political uncertainty. They might even be experiencing a little ‘Brexit fatigue’.

But crucially, one thing is for certain – now is not the time to stand still.

Respond to the challenges and opportunities that Brexit will bring and accelerate your plans for modernising IT, moving to the cloud and streamlining IT operations.

There are only 400 working days left.
Working against the clock

When we last spoke to IT directors we warned they had 500 working days to get in shape for Brexit. That figure now stands at under 400 days.

To quote the EU’s chief negotiator, ‘the clock is ticking.’ And yet, early negotiations between the UK and the EU have brought little in terms of clarity. Meanwhile political turmoil following this year’s general election has unleashed another wave of uncertainty for businesses and decision makers to deal with.

Bringing it back to the IT world, most IT directors feel like they’re doing the best they can under the circumstances. 71% say they’ve made significant progress in planning for Brexit (see Fig.1), while 55% rate themselves ahead of competitors and peers in this respect.

Deep divisions remain, however between those who are accelerating IT transformation and those who are choosing to slow down or mothball their plans.

No time for distractions

The danger now is that fresh uncertainty in the wake of the election could erode the confidence of those who are determined to move forward, whilst at the same time entrenching the views of those who have chosen to batten down the hatches, do nothing and wait for the storm to clear.

Certainly there has been an impact. 56% of respondents say they feel less certain about how to plan for Brexit since the general election (see Fig.1).

“If we can be strong leading up to Brexit, we will hold a competitive edge over others as we will be more stable”

Survey responder

Fig 1. What impact has the UK’s decision to leave the European Union had on your IT and Digital Transformation plans?

- Our IT Brexit plans are more fully developed than they were 6 months ago
- Speculation about another UK General Election has caused us to take a fresh look at our IT plans
- As a business, we feel less certain about how we should plan for Brexit since the General Election
- Political changes won’t impact our IT plans - we know what we want to do and we will press on regardless
- We feel less clear about how we should prepare our IT for Brexit than we did before the General Election
Don’t get left behind

Meanwhile the proportion of respondents (40%) who are slowing down or cancelling IT projects as a result of Brexit has failed to come down at all since Avanade last polled the group in March. A fifth of the way towards our 500 day countdown, the fact that so many businesses continue to risk irrelevance through their own inertia, should be a red flag.

A lot may have changed in the past six months, but the fundamentals remain very much the same. Brexit is going to happen, it will cause disruption, and the only reasonable course of action is to plan proactively to ensure you are capable of managing any issues stemming from the UK’s exit from the EU when it happens.
Don’t let politics interfere with the task ahead

The political sideshows playing out in conference rooms across Brussels and Downing Street have so far yielded more questions than answers. As a result, it is clear that IT decision makers have been left frustrated and (whisper it) fatigued by the issue. In consequence, nearly half (48%) have made the decision to carry on regardless, saying whatever happens politically, they’re confident in what they’re doing. IT leaders are preparing themselves for the worst-case scenario of economic slowdown and focusing on cutting costs. In turn, cost reduction has leapt from sixth to third in their top priorities (see Fig. 2).

Winning the war for talent is also high on their list as IT leaders focus more on the potential practical implications of Brexit.

Reach for the silver lining

Brexit fatigue may be growing, but the issue remains a useful platform from which to secure budget for projects designed to move the business forward. 56% say that their organisation has become more willing to fund investment (see Fig. 3). Meanwhile, in the short-term at least, those IT leaders whose budgets are not set in sterling are benefiting from the weaker pound, 43% of our survey say they now have more money to spend on planned projects.

Brexit or no Brexit, we live in an age of digital disruption. Many of the issues brought into focus by Brexit, from modernising IT, to streamlining operations and moving to the cloud, were issues IT directors knew they needed to address well before the British public made its decision. Why not use Brexit as leverage to push those projects through now, while there is budget and momentum to support them? Hold your cards too close to your chest today, and you might not get a chance to play them at all.
Fig 2. What is your top / second top / third top strategic IT priority for the next 18 months?

- IT security: 1
- Cloud solutions/ infrastructure: 2
- Cost reduction/ cost control: 6
- Business insight & analytics: 3
- Digital customer experience: 5
- Recruitment/ attracting people with right IT skills: 7
- Brexit: 4
- Digital employee engagement: 8
- Internal education/ integration: 9

Fig 3. Following the announcement of Brexit, has your organisation been more willing or less willing to fund IT investments?

- Much more willing: 31%
- A little less willing: 17%
- A lot less: 1%
- No difference: 26%
- A little more: 25%
- Much more willing: 31%
- A lot less: 1%
- A little less willing: 17%
- No difference: 26%
- A little more: 25%
Where the smart money’s going

IT directors might feel there’s more money to spend on projects in the short-term, but their long-term view is focused on preparing for a worst-case scenario where budgets are under pressure and the need to cut costs is a priority.

For a majority this means modernising applications and services, streamlining IT operations and adoption of cloud services (see Fig. 4). A number of IT directors are also looking at options to outsource applications development, IT operations and other IT functions to a third party.

“If we modernize before our competitors we will have an advantage on them”

Survey responder

Achieve cost efficiencies

And whilst it’s true that many of these projects have their roots in pre-Referendum plans, our research suggests Brexit planning has fuelled a rapid acceleration in outsourcing and modernisation projects in particular. Certainly there is much to be gained by this approach from a cost-reduction standpoint. Indeed, our research¹ suggests businesses which take steps to modernize their IT can reduce the cost of business operations by over 13%.

Build flexibility and agility

Cost reduction might be the primary focus for IT directors planning for the medium-term future, but it is not their only concern. Respondents are acutely aware of the need to remain responsive and flexible in the face of uncertainty.

Modernisation, cloud services and streamlining IT operations form the core of this approach. But as we see in fig 4, IT decision makers are looking at a very broad spread of investments, from AI and automation, through to adopting managed services. These investments are not being viewed in isolation, but rather as part of a more holistic vision for long-term agility.

“We don’t know where our headquarters will be in two years’ time. If we have a hard Brexit with WTO tariffs then many of our operations in the UK will be moved abroad”

Survey responder
Fig 4. Which actions that you have taken in the past year or are planning to take have been triggered by a desire to make your IT more flexible & responsive?

- Modernising applications, infrastructure and/or workplaces: 84%
- Adopting cloud services: 80%
- Streamlining IT operations: 77%
- Implementing AI or automation: 70%
- Improving service management: 70%
- Adopting managed services: 67%
- Outsourcing applications development, IT operations or other IT functions: 65%
- Moving your IT people to other locations (e.g. offshoring or near-shoring): 63%
- Staff augmentation: 44%
- Cancelling or postponing planned IT projects: 42%
- None, – we are not planning to undertake any activity relating to this: 0%
Get ready for skills shortages

Moreover, with a long-term view on the consequences of Brexit, many UK employers anticipate a scenario in which there are not enough skilled workers to go around when the legislation comes into effect.

A third of IT directors are outsourcing IT functions and shifting to cloud services to directly address the likely talent shortage and a quarter is investing in AI and automation for the same reason (see Fig. 5).

“While others are pondering what to do, we are moving forward. Our business is growing and we do not want Brexit to negatively affect our growth. Therefore, we are aggressively on it”

Survey responder

Fig 5. Many IT leaders are concerned about skills and talent shortages, especially following the vote to leave the EU. Which of the actions you have taken in the past year or are planning to undertake have been a direct response to skills and talent shortages?
Focusing on responding to the potential shortage of skills by outsourcing IT functions is a step in the right direction. But are businesses doing enough to ensure they can adapt and thrive during any future disruption? In the last six months, a third of businesses have not made progress at all in developing their IT Brexit plans.

Critically, businesses need to keep moving forward with plans to see them through any future uncertainty.

To adapt to volatile circumstances, a sharp focus on flexibility, cost efficiency and streamlining will be fundamental. And to excel in each of these areas, Avanade recommends three vital courses of action:

01. **Strive for flexibility**
   Whether it is to respond rapidly to new opportunities, reduce time to market for new initiatives or quickly scale resources, cloud transformation will be an essential strategic advantage in helping businesses become more flexible and reduce risk in turbulent times.

   Businesses need to be agile and effective at dealing with change in a post-Brexit Britain and cloud adoption will help IT get ready.

02. **Streamline and thrive**
   Streamlining with IT modernisation technologies, tools and approaches not only adds value to businesses, but empowers innovation to help them thrive in an increasingly competitive and disruptive environment.

   To react more nimbly to on-coming business demands as requirements become clearer over the course of the Brexit negotiations, organisations need operational models designed to cope and respond to change; Legacy systems were never designed to meet the demands of today’s disruptive environment and do not deliver the levels of operational efficiency and innovation that a successful business needs. This is where IT modernisation needs to come in.

03. **Save for a rainy day**
   Cost efficiency is now a top priority for businesses, and organisations should be taking advantage of the latest generation of managed services to cut operational costs and reduce risk. Managed services will also provide the stability and speed necessary to drive a predictive, responsive and innovative approach to uncertainty.
Conclusion: don’t blame it on Brexit

It is encouraging that some companies are taking steps to address these vital areas. To weather the Brexit storm and remain relevant and competitive in an otherwise disruptive environment, businesses will need to push the pedal on these approaches and ultimately, not let politics impede their journey to becoming a stronger, more agile and adaptive organisation.

In practical terms, this means accelerating your plans for modernising IT, moving to the cloud, streamlining operations and introducing managed services.

Don’t hit the brake!
About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences delivered through the power of people and the Microsoft ecosystem. Our professionals bring bold, fresh thinking combined with technology, business and industry expertise to help fuel transformation and growth for our clients and their customers.

Avanade has 30,000 digitally connected people across 24 countries, bringing clients the best thinking through a collaborative culture that honours 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.

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UK
30 Cannon Street
London, EC4M 6XH
Phone +44 20 7025 1000
ukinfo@avanade.com