

IT Leaders Have 500 Days to Get Tech in Shape

But nearly half of IT leaders admit they
don't have a specific plan for Brexit

Introduction

Over the next two years, Brexit is going to be the biggest hurdle businesses have to jump.

Uncertainty is certain, and the ability to cope with the issues brought about by Brexit is going to be heavily dependent on how well IT can counter potential challenges and changes. Flexibility, agility and cloud will all be crucial. However, new research from Avanade reveals that just **51%** of IT leaders have a specific plan in place for Brexit, and **41%** have either slowed down or stopped their digital transformation activities altogether.

Despite broad agreement from **96%** of IT leaders that Brexit will be disruptive, they're split in how they think it best to prepare. While some are actively planning by accelerating their digital transformation agenda, many are passive and are still yet to get things underway. As of now, this latter group are risking irrelevance through inertia.

The next 500 days of IT preparation will be critical to the long term success of every UK business. And to succeed in a rapidly changing world, a focus on modernisation, cloud, managed services and streamlining operations will be vital.

Read on to find out more about active and passive IT leaders, the challenges they face when it comes to planning for Brexit, and a four point plan, which offers advice and insight to help execute a winning strategy.

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About the research

In March 2017 [Avanade](#) worked with the London-based research agency, [Loudhouse](#), to interview 100 IT decision makers about how they are reacting to Brexit. All respondents were sourced from enterprise level businesses, and based in the UK.

An IT World Divided

Uncertainty amongst IT leaders abounds

Because every business depends on technology, no department will feel the impact of Brexit more than IT. But although most IT leaders will accept that as fact, it's where the consensus starts and ends.

Just as the EU referendum split Britain down the middle, IT leaders are now split on how best to respond to Brexit. Over half (**56%**) recognise that the central tenets of digital transformation will help them through the uncertainty of Brexit, and they've reacted by accelerating their IT planning.

However, other IT leaders have become overwhelmed by the scale of change. And instead of taking the rational, sensible and prudent approach of preparing for disruption by developing systems that can cope with it, they're hesitating. With the research revealing that **49%** do not have a specific Brexit plan; and **41%** have slowed or mothballed transformation plans.

In doing so, these IT leaders are reacting to the biggest political and legislative change in several generations with inertia rather than activity. Defying common business sense that dictates that the best way to deal with disruption is to ride the wave it creates, rather than allowing it to overwhelm you.

Cloud Planning

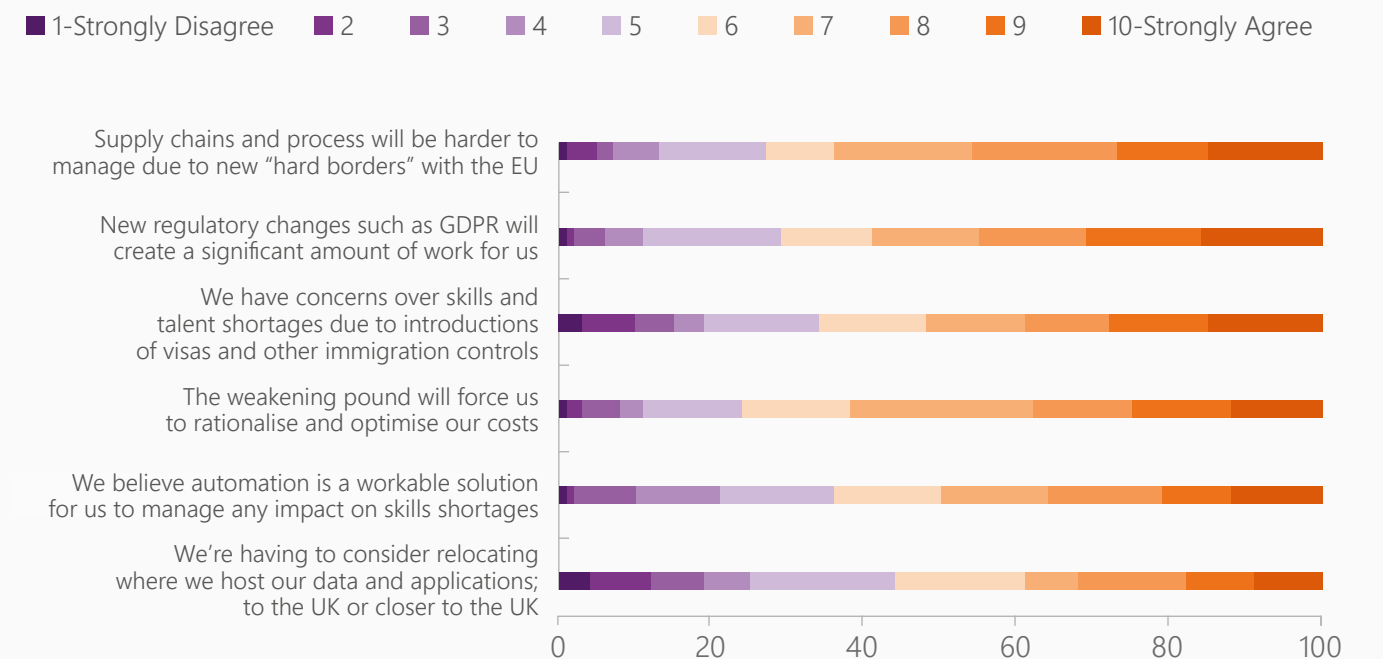
If there is one certainty about the process of leaving the EU, it's that Britain's relationship with Europe will irrevocably change. Organisations need to understand the value, content and location of their data and adopt flexible Cloud solutions. Technology that meets the emerging legal and commercial expectations of a post-Brexit economy (via UK Centric, EU Hosted or Hybrid hosted services). Preparing for Brexit and transforming their systems and their customers' experience.

Unsurprisingly, cloud computing was identified as a top three priority for IT leaders in our study. Yet only 18% strongly agree that they're considering relocating their data to the UK to mitigate any big changes that might occur!

"Too many IT leaders are passive when it comes to Brexit. Instead of accelerating their digital transformation plans to cope with uncertainty, they're playing a dangerous waiting game. It's a time of dramatic change, so it's a time to be bold."

Darren Hardman, General Manager, Avanade UK

Fig.1 How strongly do you agree or disagree with each statement with regard to your own IT strategy and plans?



Active IT vs Passive IT

The numbers are rightly concerning. But they also hint at a deeper problem of confusion, division and uncertainty within businesses. Because instead of being complacent, most are actually quite mindful of the potential effect of Brexit.

Of the IT leaders surveyed, three quarters (**69%**) are concerned about what Brexit might do to their business. And **96%** are completely aware of the disruptive harm Brexit is liable to have on their IT. Similarly, there are major concerns over sourcing, skills, finance and supply chain – as is demonstrated in **Fig.1**. And there are very low levels of certainty about how Brexit will affect each of these key areas.

So why are so many IT leaders waiting or slowing down?

The answer is to do with confidence in IT's ability to cope with disruption, and the willingness of IT leaders to use Brexit as a prompt to drive digital transformation. Indeed, what the research is showing us is that IT leaders are taking one of two approaches to Brexit:

- **ACTIVE:** using Brexit as a spur to push a digital transformation agenda and planning accordingly
- **PASSIVE:** pausing in the face of profound change and waiting until everything is clear before deciding on how to react

It's important that every IT leader begins to consider which camp they currently fall into. Because it's really only those who proactively plan now who will be capable of managing Brexit when it happens – a deadline that is approaching with alarming speed.



From Article 50 to 500 Days

IT leaders don't have long left to prepare

While almost nothing is certain in global politics, Brexit will become official and ratified sometime in March 2019. And although the snap General Election may distract our lawmakers for a month or so, the deadline is still likely to remain the same. Which means the next 500 days or so will be crucial in determining the long-term success of IT in a business.

Brexit could mean a big opportunity for IT leaders to kickstart a re-think of their IT strategy. However, the passive approach is worryingly pervasive amongst many tech leaders.

Pushing back on pushing ahead?

Common sense dictates that when something big happens, it's a good idea to push ahead with a plan that will essentially inoculate the company from it. That's why the best organisations have a continuity plan for everything from their office building to their laptops.

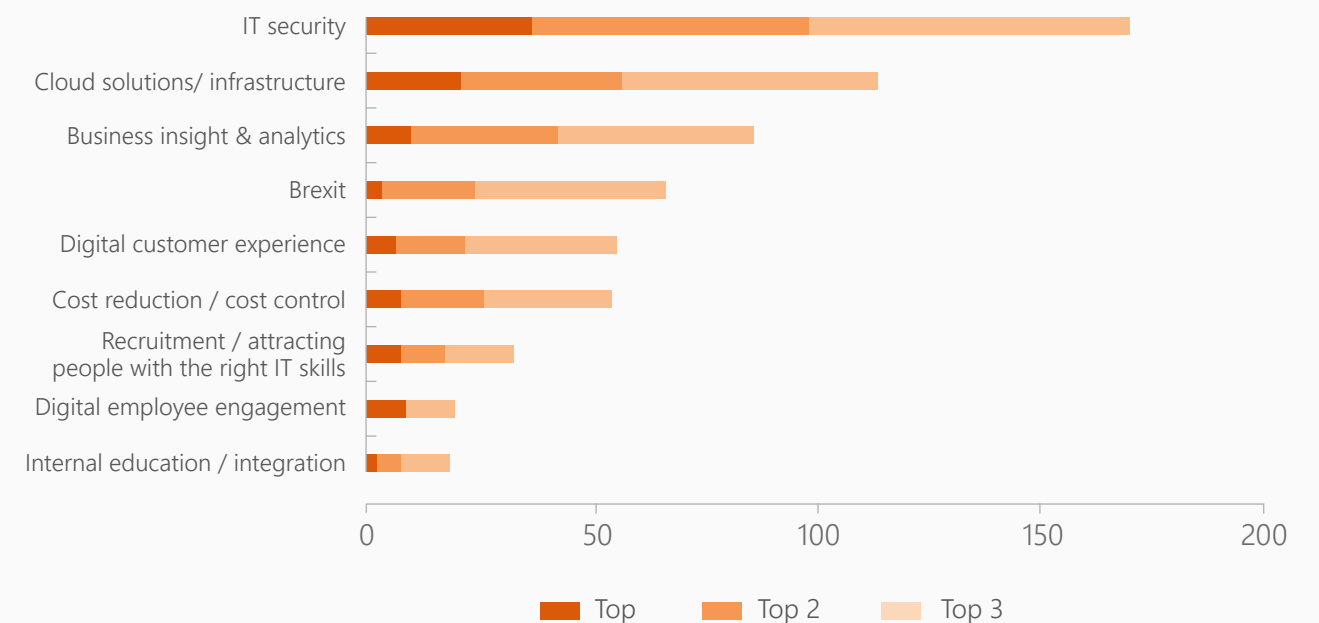
Brexit, however, seems to have bucked the trend. Despite the earlier quoted statistic that 96% are aware that Brexit will cause disruption, only **56%** of those with a plan have accelerated it. And since only **51%** have a specific plan to start with, that leaves just a third (**36%**) using Brexit as a reason to kick on with an IT strategy that will be malleable enough to cope with change.

Brexit just isn't high enough in the pecking order for IT leaders. As **Fig.2** shows, of all the challenges currently facing the modern IT leader, Brexit is lagging in fourth. Despite the fact that it will almost certainly impact the three concerns listed above it!

With Brexit likely to hit data location, cloud, security legislation, recruitment and skills sourcing, the case for it to be the top priority for IT leaders is easy to make. Unfortunately, we can see from the research that comparatively few think it is.

Many leaders are burying their heads in the sand – a mentality that will result in being left behind and losing competitive advantage over the coming two-to-five years.

Fig.2 What is your first, second and third strategic IT priority for the next 18 months?





Two Mindsets, One Winner

IT leaders are either active or passive in their approach to Brexit. But only one mentality will win.

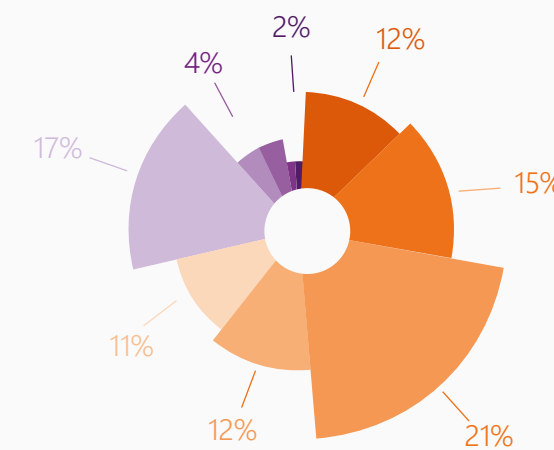
Given the widespread acceptance of Brexit disruption, all IT leaders should be accelerating their digital transformation plans to cope with it. Yet, as has been detailed, there are two attitudes IT leaders are taking towards Brexit: active and passive.

Fig.3 shows a series of statements about Brexit and the level to which IT leaders agree with them. It reveals more about the passive and active mentalities (explored further below). With IT leaders either using Brexit as a prompt to drive a digital transformation agenda building agility and flexibility into their IT through the cloud, or holding back and waiting, before eventually deciding how to mitigate what it might do to their business.

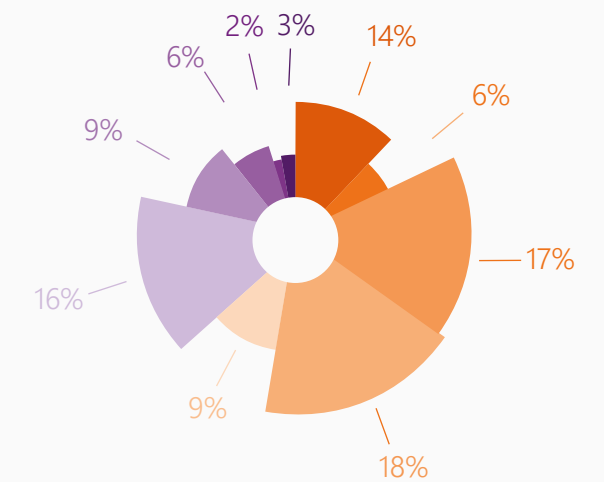
Fig.3 How strongly do you agree or disagree with each statement about the impact Brexit might have on your IT strategy and policies?

■ 1-Strongly Disagree ■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7 ■ 8 ■ 9 ■ 10-Strongly Agree

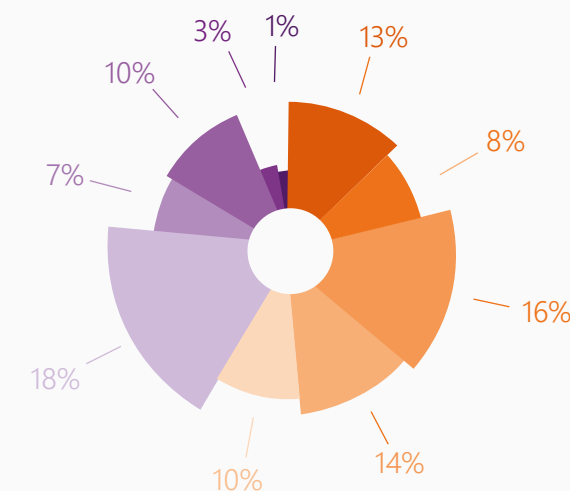
We have started to look into the possible disruption Brexit may have to our IT supply chain



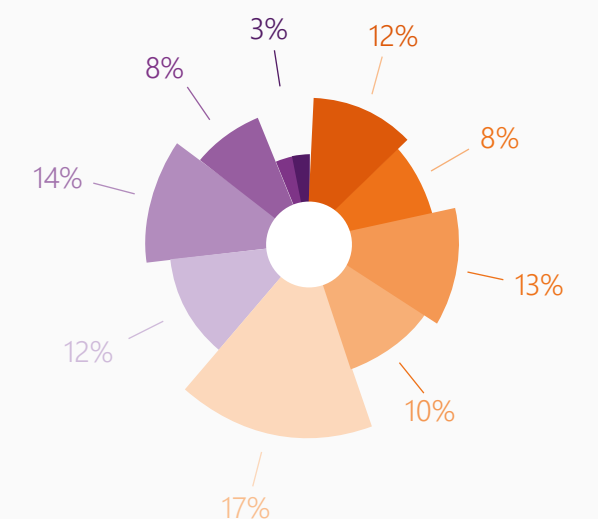
The prospect of leaving the EU will mean we have to accelerate the pace of change in order for us to remain competitive



We have started to consider migration data/systems due to the impact of Brexit



Other IT plans have had to be de-prioritised to account for Brexit planning



Active IT leaders

Despite the fear factor that surrounds Brexit, active IT leaders view it as an opportunity, rather than a threat. The research shows that **68%** think Brexit will actually yield a competitive advantage if managed correctly; **56%** are accelerating their digital transformation plans on the back of it; and **46%** think it will open up new business opportunities in how they use and deliver IT.

These leaders are those at the positive end of **Fig.3**. They're the **48%** who have really started to look into the disruption Brexit might have on their supply chain and the **37%** who are considering data migration. They're also the IT leaders who are not de-prioritising IT plans to make room for Brexit, but moving them on a pace.

With **53%** confident that Brexit won't disrupt their business if they plan accordingly, Active IT leaders are not burying their heads. They acknowledge that Brexit is going to be tough and there will be questions to answer around skills, supply chain and talent. But they're embracing the challenge of it, building Brexit into their IT plans and transformation, then discovering ways to use it to gain a competitive advantage.

That said, these IT leaders have only indicated that they have a plan. There's not yet adequate levels of certainty over where this plan should focus (as indicated in **Fig.2** earlier in this report). So, even for the most forward thinking, the need for advice and consultancy remains.

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Passive IT leaders

Just as there are proactive, ambitious IT leaders, there are passive IT leaders. Within this subset are the decision-makers and CIOs who are hesitant about their transformation plans; who have yet to see the opportunity that exists within Brexit; and who are waiting to see what will happen as Britain leaves the EU.

In most areas of the research, their thinking is at odds with that of their opportunistic counterparts.

For example, while the active **46%** believe that Brexit will open up opportunities, the passive **54%** are split between thinking it will be negative (**28%**), too hard to predict (**15%**) and that it won't make any difference (**11%**).

When **51%** are thinking about data migration because of the potential impact of Brexit, 39% aren't.

And as **50%** believe that automation can be a workable solution to manage skills shortages, **36%** don't (with the remaining **14%** somewhere in between).

These statistics portray a clear message: a sizeable number of IT leaders are yet to react to Brexit appropriately. At the very time their businesses need determined action through flexible, modern and agile IT, they're hesitating – with **36%** disagreeing with the idea that Britain leaving the EU means they should accelerate the pace of change to remain competitive.

It's essential that these passive IT leaders act now to turn things around. Unless they want to lose their competitive edge.



Prepare for Uncertainty Today

So IT keeps business on track tomorrow, and beyond

In the contemporary business environment, the only certainty is uncertainty. With the General Data Protection Regulation (GDPR) on the horizon and digital transformation already underway for many, the ability to respond quickly and effectively to changing circumstances is vital.

1 Modernise to Maximise

As Brexit legislation grips, gaps will emerge. Those that concern IT leaders the most are finance (62% are concerned that the weakening pound will force them to optimise costs); and skills (52% are worried about talent shortages).

Unfortunately, it's inevitable that IT leaders who rely on legacy IT will get caught out by this. Whereas those who modernise will be able to maximise efficiency, increase agility and find the freedom to innovate.



Avanade believes that a 'wait and see' approach is not an option. Instead, every IT leader needs to accelerate their digital transformation agenda, focusing on four key elements. If executed correctly, these pillars will allow businesses to make the most of a disruptive environment by being disruptive themselves.

Modernisation should take place in three key areas:



Application modernisation, using a cloud-first, mobile-first approach. This will enable IT leaders to perform faster, scale higher and operate with greater flexibility than before.



Infrastructure modernisation, to create an agile, micro-engineered environment to drive flexibility and automation. This will enable the speed, scalability and reliability that IT leaders need from their applications.



Workplace modernisation, with connected collaboration tools, so people can work smarter and business processes can be transformed.



2 Exploit the Potential of Cloud

Data and infrastructure location is going to be an important consideration of Brexit. As border legislation changes, IT leaders may find that the regions their data is stored in have compliance regulations they cannot adhere to. Yet just 57% name cloud solutions as one of their top three priorities.

IT leaders should make more use of the economics, speed and scale of public cloud platforms. Migrating applications to the cloud will help their businesses to drive growth, accelerate time to market, become more flexible and reduce risk. All the things they need to turn Brexit into an opportunity.

3 Accelerate transformation with Managed Services

The latest generation of managed services not only manages costs and reduces risks, it also draws on modern software engineering principles and technology to increase the velocity of change, hand-in-hand with predictability.

Given that stability and speed are two essential attributes for IT leaders in the response to Brexit (particularly as 59% think regulatory changes will create a significant amount of work), it makes sense that they understand what managed services can do for their businesses.

4 Streamline Operations

One of the major implications of Brexit will be the need to mitigate costs and move from operations models that were designed to last, to those that are designed to cope with change. As things are today, many businesses rely on the former. And that will need to shift if they are to work in an era of opportunity and uncertainty.

This change will affect people, processes and technology. But enacting it now will enable IT leaders to leverage the most innovative technologies sooner, running their businesses across multiple IT environments and succeeding in a mobile, cloud-first world.

A number of companies are already active in some (or possibly all) of these areas. Yet even they must accelerate their activities if they are to stay ahead of their competitors in a post-Brexit Britain.

Brexit Ready Business

The coming 500 days will mean a great deal of uncertainty for IT leaders and their businesses. As such, the mark of a great IT leader and department will be the ability to not just cope, but thrive. Avanade's research has shown that around half of the businesses surveyed about Brexit are going to struggle in the long term, because they're delaying digital transformation. While others are poised to gain a competitive edge, pushing ahead in a new political and economic landscape.

Fortunately, there is still a chance to change. Active IT leaders can finesse their IT plans. While those who have so far been passive can give their transformation the shot in the arm it urgently needs, building flexibility and agility into their IT.

It's an uncertain time to be an IT leader. But one thing is for sure. Brexit won't wait. So the time to act is now.

About Avanade

Avanade is the leading provider of innovative digital and cloud-enabling services, business solutions and design-led experiences, delivered through the power of people and the Microsoft ecosystem. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation and has 30,000 professionals in 24 countries.

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UK

60 Queen Victoria Street
London, EC4N 4TR
Phone +44 20 7025 1000
ukinfo@avanade.com

