

Sky high hopes:

Navigating the barriers to maximizing cloud value



Cloud Outcomes Research 2020: Executive Summary

In recent years, the break-neck evolution of the global economy saw businesses urgently looking to improve elasticity, efficiency and innovation. At the top of their list? Cloud initiatives.

They recognized that becoming “cloud first” is the key enabler for digital transformation. The move to cloud accelerated at a rapid pace, with over 90% of enterprises having adopted cloud in some form or another and we envision that tomorrow’s industry leaders will be 80%+ in the cloud.¹

And then came the pandemic.

COVID-19 created a new inflection point where every company must dramatically accelerate their cloud migration to enable end-to-end digital transformation.

In short, cloud is not an option, it’s a mandate.

But just because cloud migration is imperative doesn’t mean it’s easy to implement. In fact, it’s critical that anyone facing stumbling blocks on the cloud-first journey understand that they are not alone. The road to the cloud’s transformational benefits is complex – involving multiple dimensions including rethinking strategy, technology, skills development, business processes as well as organizational design.

In its new “Cloud Outcomes” research (see “About the Accenture research”), Accenture surveyed companies to pinpoint how far they are advancing in terms of the business value achieved from cloud initiatives.

The results are a wake-up call. Our last survey in late 2018 found that just 35 percent of companies had fully achieved their expected outcomes from cloud.²

Nearly two years later:

- **Full achievement of outcomes** has not significantly increased, basically holding steady at **37%**.
- Even high adopters struggle, with more than half (52%) reporting they have failed to achieve the expected value from their cloud initiatives.
- The percentage who say they are **very satisfied with the cloud outcomes** achieved to date showed little change: **45% in 2020** (vs. 44 percent in 2018).
- Further, **only 29% are completely confident** that their organization's cloud migration initiatives will deliver the expected value at the expected time.
- It's not uncommon for CEOs to have markedly different impressions of cloud results and concerns than fellow C-suite leaders and high-ranking company officials.
- **One in four organizations** always or usually run into unexpected complications during cloud migration initiatives.

In short, despite years of investment in cloud, full value realization remains a stubborn challenge. So what now?

With companies moving more workloads to the cloud, nearly two-thirds of companies are failing to capture the full value expected from their initiatives

Why pursue cloud initiatives?

Before we explore how to overcome the complexity challenge of implementing cloud, it helps to set the table stakes. The good news is that most leaders haven't lost sight of the forest for the trees. Nearly all recognize that cloud provides the means to a variety of business benefits – greater cost efficiencies, improved service levels, and greater speed to market as well as enabling reimagined business models and improving business resilience. Most companies (83% on average) report having fully or mostly achieved these expected outcomes, a slight improvement over 2018's result of 78%. Figure 1 shows the breakdown by business benefit. Improved speed-to-market was the cloud benefit most often cited as fully achieved (40%) with improved service levels lowest (32%).

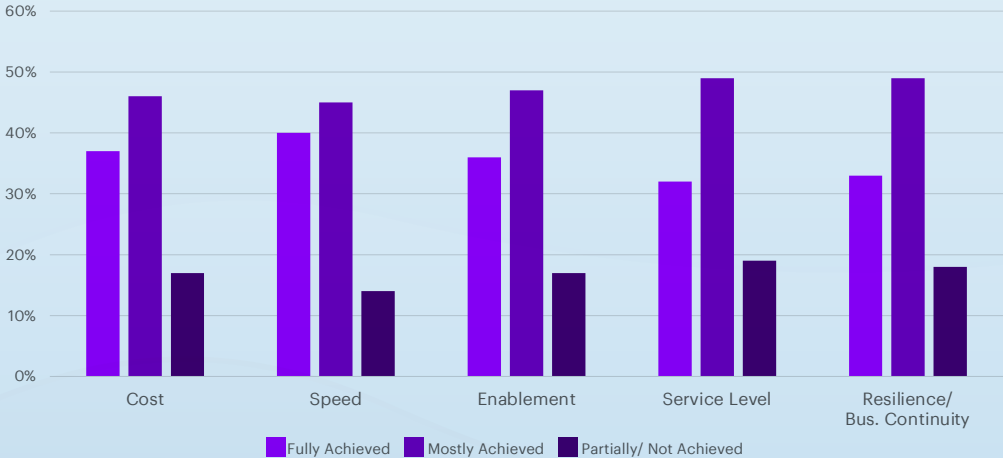


Figure 1: Extent to which respondents report they have achieved their expected cloud outcomes.

Business uncertainty/risk and sustainability:

While the impact of cloud on value is undeniable, we wanted to consider broader sources of value – namely, mitigating business uncertainty/risk and sustainability (Figure 2). We asked business executives to what extent cloud was perceived as a means to mitigating risk and supporting sustainability goals. We found that:

80% of business executives look to cloud as a means of mitigating business uncertainty and lowering risk to a great or moderate degree.

87% of business executives look to cloud as a critical component for achieving sustainability goals to a moderate or great degree.

CEOs in general had a higher level of confidence in cloud’s ability to help mitigate business risk and support sustainability “to a great degree” with 49% and 66% respectively. COOs proved to be more skeptical with just 34% and 28% indicating “to a great degree”.

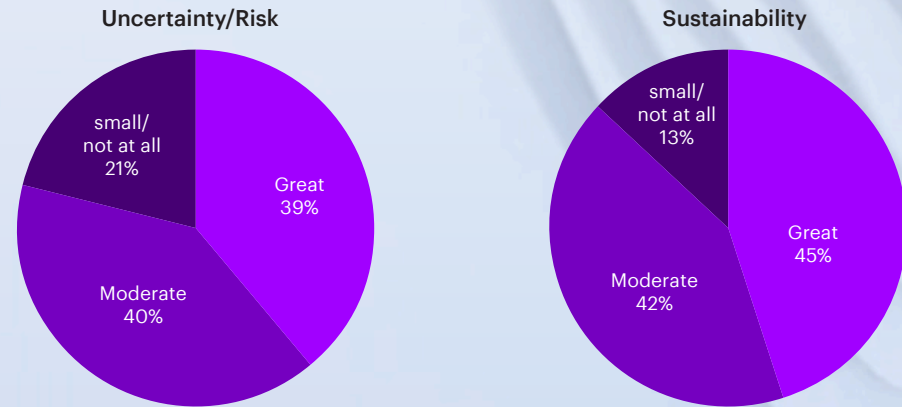


Figure 2: Degree to which cloud is considered a critical component for mitigating business uncertainty/risk and achieving sustainability goals

Who is doing better?

Though obstacles to cloud migration are common, they hit some companies harder than others. Those who have thus far had greater success in navigating them in order to reap the benefits have some of the following characteristics:

They're higher adopters. An important insight from the research is that cloud benefits realized are higher for companies who are more heavily into cloud adoption. Perhaps not surprisingly, on average, 46% of high adopters reported fully achieving their expected cloud benefits as compared to 36% of moderate adopters and 28% of low adopters.³ (See Table 1.)

High adopters outperformed low adopters most significantly in the areas of resilience/business continuity (44% vs. 22%), service levels (47% vs. 26%) and speed to market (52% vs. 33%). Interestingly, cost showed the lowest variance based on adoption with only 12% separating high (44%) and low adopters (32%). Moderate adopters saw the largest improvement capturing full cloud benefits, increasing from an average of 29% in 2018 to 36% currently. Low adopters improved only 2% and high adopters saw no improvements over their 2018 average values.

46% of high adopters reported fully achieving their expected cloud benefits as compared to 28% of low adopters.

Fully Achieved Results	Overall	Low Adopters	Moderate Adopters	High Adopters
Cost	37%	32%	36%	44%
Speed	40%	33%	39%	52%
Enablement	36%	27%	36%	43%
Service Levels	37%	26%	37%	47%
Resilience/Bus continuity	33%	22%	32%	44%
Average	37%	28%	36%	46%

Table 1: Percent “fully achieved” benefits based on degree of cloud adoption

While high adopters are performing better, this is only marginally good news. More than half of high adopters (52%) still report not achieving the results anticipated from their cloud initiatives. Though many high adopters appear to have exploited the learning curve to achieving more value, the path to value grows steeper as companies look to migrate more business-critical applications and data to cloud. The weight of legacy processes, talent and organizational design not aligned to a cloud-first mindset can also inhibit value realization.

Similarly, 55% of high adopters are very satisfied with their cloud results, compared with 43% of moderate adopters and 35% of low adopters (Figure 3). These numbers saw slight gains of 2-3% from our 2018 survey. High adopters showed greatest satisfaction with speed-to-market (63%) and business enablement (60%) while cost came in at lowest at 47%.

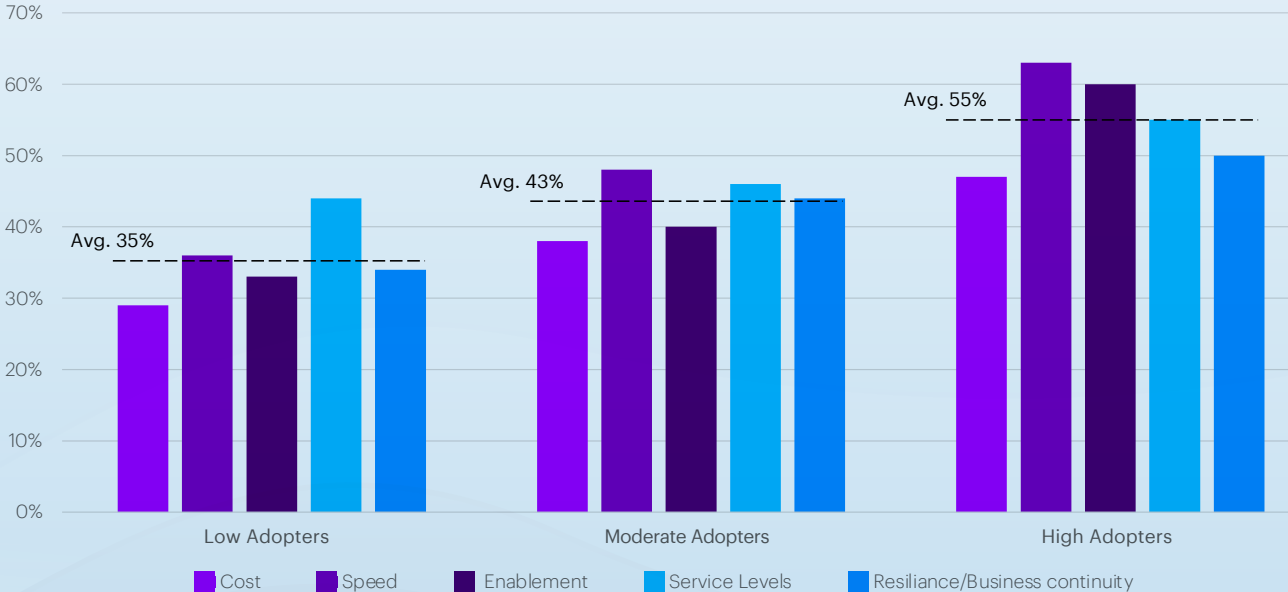


Figure 3: Percent “very satisfied” with outcomes achieved based on degree of cloud adoption

They're leveraging managed services.

Those using third party managed services "to a great degree" on average reported achieving the full benefits of their cloud initiatives (48%) more frequently than those that do not (35%). Significant use of managed services has the greatest impact on service levels, followed by speed to market and cost (Figure 4). In addition, high adopters are also ahead of the curve in working with partners to achieve their cloud results. We found that 29% of high adopters use cloud managed services "to a great degree;" nearly three times more than moderate adopters (10%) and ten times more than low adopters (3%).

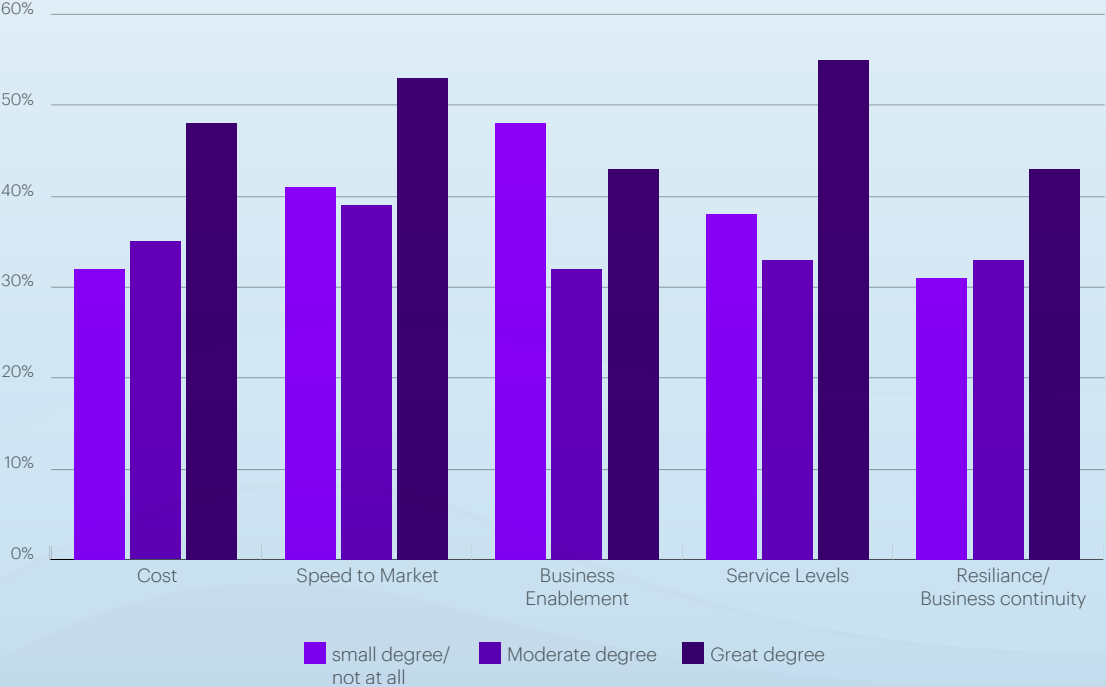


Figure 4: Percent fully achieving cloud outcomes based on degree of third party managed services use.

They're larger businesses. As with adoption, size of the business also appears to influence the degree to which cloud results are fully achieved (Table 2). On average, the larger the business, the more executives see the full value of cloud being achieved. Of companies with \$10B or more in revenue, 41% reported they fully achieved their expected results as opposed to 35% of smaller businesses (\$1-\$5B). This is most pronounced in the areas of speed-to-market (52%) and cost (45%) versus only 38% and 36% respectively for smaller businesses.

48% of those using third party managed services “to a great degree” report achieving the full benefits of cloud vs. 35% of those that do not.

Fully Achieved Results	Overall	\$1-5B	\$5-10B	>\$10B
Cost	37%	36%	35%	45%
Speed	40%	38%	38%	52%
Enablement	36%	35%	36%	39%
Service Levels	37%	40%	37%	33%
Resilience/Bus Continuity	33%	28%	37%	35%
Average	37%	35%	37%	41%

Table 2: Percent “fully achieved” benefits based on size of business by revenue.

They're in the Americas. While cloud adoption is growing with every region, the results achieved vary by region. Cloud adoption was led by Latin and North America with 27% and 20% “high adopters,” respectively. Similarly, these two geographies led the way with 41% and 42% reporting achieving their expected results on average (Table 3). APAC and Europe trailed the 35% and 33% reporting they fully achieved their expected results.

It should come as no surprise, the Latin and North America also led the way in satisfaction with their results, each reporting 48% on average (Table 4). Asia Pacific and Europe reported 43% and 42% respectively – showing a higher degree of satisfaction than might be expected for the level of results fully achieved.

Fully achieved Overall results	Overall	NA	Europe	APAC	LATAM
Cost	37%	43%	33%	39%	36%
Speed	40%	46%	36%	38%	47%
Enablement	36%	40%	33%	35%	38%
Service Levels	37%	43%	34%	34%	41%
Resilience/ Bus Continuity	33%	36%	31%	28%	41%
Average	37%	42%	33%	35%	41%

Table 3: Percent “fully achieved” benefits by geographic region.

Very Satisfied w/ Results Overall	Overall	NA	Europe	APAC	LATAM
Cost	38%	40%	34%	44%	40%
Speed	50%	53%	46%	44%	62%
Bus. Enablement	43%	47%	43%	37%	43%
Service Levels	48%	53%	44%	45%	51%
Resilience/ Bus Continuity	44%	45%	43%	45%	43%
Average	45%	48%	42%	43%	48%

Table 4: Percent “very satisfied” with cloud outcomes achieved by geography.

Understanding barriers to cloud adoption

Whether a business falls into the three higher-performing categories or not, most are still in a position to achieve more value. To do so, it's important to first identify the specific obstacles standing in their way.

We asked our business and IT leaders to identify and rank the barriers to their efforts to drive their cloud agenda and achieve their goals.

The barrier noted most frequently by respondents in their top three (across all cloud adoption rates and cloud models) was “security and compliance risk” (46%). It was also the most frequently mentioned top barrier at 21%. This was also the top concern in our 2018 survey.

“Legacy infrastructure & application sprawl” and “misalignment between IT and the business” were the next most frequently cited barriers at 40%. It should be noted, however, that every barrier listed was included by more than a third (36%) in respondents Top 3 (Figure 4). So, all require thoughtful consideration if the full value of cloud is to be achieved.

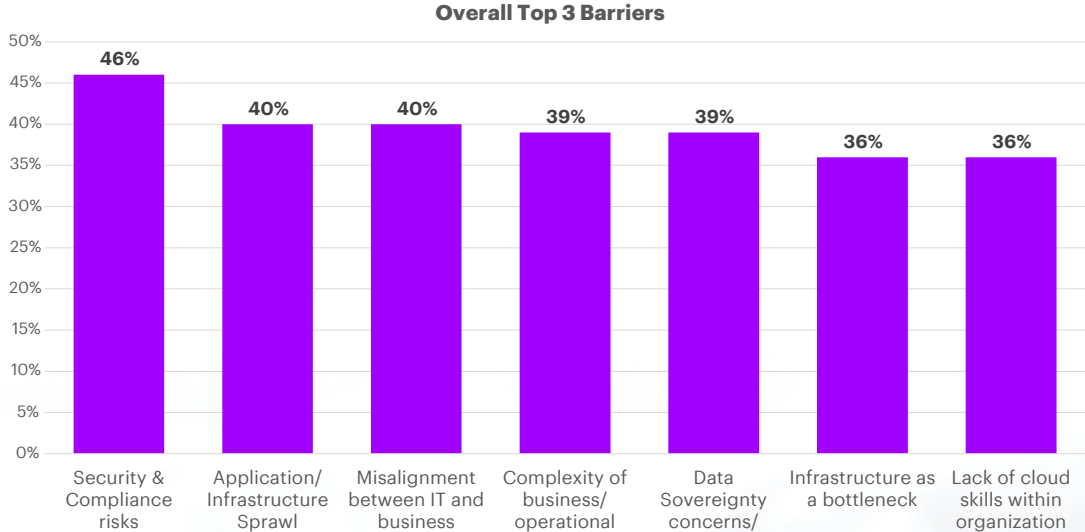


Figure 4: Percent reported in Top 3 barriers to achieving expected cloud outcomes.

Considering barriers by adoption rate (Table 5), we found that low cloud adopters were most concerned about a lack of skills, security and data sovereignty matters. Moderate adopters' top concerns included security, legacy infrastructure/application sprawl and misalignment between IT and the business. High adopters ranked security, complexity of business and organizational change, and misalignment between IT and the business as their top issues.

Rank	Low Adopters	Moderate Adopters	High Adopters
1.	Lack of skills (46%)	Security (45%)	Security (52%)
2.	Security (45%)	Legacy Sprawl (43%)	Complexity (48%)
3.	Data Sovereignty (43%)	Misalignment (40%)	Misalignment (43%)

Table 5: Percent reported in Top 3 barriers to achieving expected cloud outcomes

While security is a constant theme across all levels of cloud adoption, concerns over having the proper cloud skills diminishes as adoption increases (low 46%, moderate 36%, high 30%) and companies hire or train more cloud talent. That said, three in ten high adopters still view this as a top barrier. Underscoring this point is the fact that 54% CEOs overall rank the skills issue highest as a Top 3 concern.

Perhaps most concerning is the trendline around “misalignment between IT and the business” which respondents report grows as cloud adoption increase – from 38% for low to 40% for moderate and 43% for high adopters. This is a fundamental requirement to cloud success and yet appears to be a challenge a large percentage of organizations. It is also potentially the most destructive barrier to value. As complexity increases, alignment on goals and the full breadth of what’s needed to achieve them is even more important for businesses to derive cloud value. A further caution, 46% CIOs rate misalignment their top concern versus only 29% of CEOs.

Barriers also vary according to business title. It was somewhat surprising that no two titles shared a common response as the most frequently listed barrier in their Top 3. It appears that the lens of responsibilities influences the perceived barriers to cloud success.

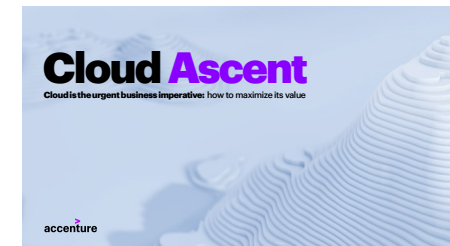
Barriers vary greatly according to business title. In fact, no two titles shared a common response as the most frequently listed barrier in their Top 3.

Achieving expectations

Becoming Cloud First is an essential component to digital transformation and it's clear that to achieve cloud's full potential requires much more than technology. It requires organizations to adopt fundamentally new ways of working, shifting to new operating models and developing new roles and skills. Four key areas companies should address include:

- **Business value focus.** Develop an optimal cloud strategy anchored to comprehensive economic business cases to identify revenue upside and cost efficiency opportunities while aligning goals and putting company leaders on the same page.
- **Workforce and culture change management.** Implement talent readiness programs and new operating models to evolve culture, transforming how people work and what work they do to meet rapidly changing needs.
- **Data and AI.** Unlock industry- and function-specific data insights and intelligence trapped in legacy systems with the power of cloud data models.
- **Partnering for success.** Leverage the skills and experience of the appropriate partners to augment your own capabilities. Cloud managed services is often an option for companies looking to access the right skills while maintaining cost efficiency.

For more information on how you can maximize the cloud value, read our whitepaper: ["Cloud is the urgent business imperative: how to maximize its value"](#).



References

¹Everest Group Research, “Business Transformation through Multi-cloud” https://www.accenture.com/_acnmedia/PDF-111/Accenture-Business-Transformation-through-Multi-cloud.pdf#zoom=50

²Cloud Outcomes: Expectation vs. Reality. <https://www.accenture.com/us-en/insights/cloud/cloud-outcomes-perspective>

³High Adopters (≥75% workloads in cloud); Moderate Adopters (31-74% workloads in cloud); Low Adopters (≤30% workloads in the cloud)

Accenture Cloud First

Accenture Cloud First is a multi-service group that provides the full stack of cloud services to help clients across every industry become “cloud first” businesses that accelerate digital transformation, innovate faster, and create differentiated, sustainable value. Powered by 70,000 cloud professionals, and a \$3 billion investment over the next three years, we bring together wide-ranging cloud expertise, industry cloud solutions, ecosystem partner capabilities and assets that help clients realize greater value at speed and scale. Visit us at www.accenture.com/cloud.

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About the Accenture Research

Accenture surveyed senior Business (CEO, COO, CFO, Line of business EVP/VP) and IT executives (CIO, CTO, VP/Directors of IT, VP/Directors of Cloud) from companies around the world to discover to what extent those leveraging cloud have achieved the expected benefits and their level of satisfaction with these achievements. The blind survey was conducted during July and August of 2020 with 750 companies having revenues in excess of \$1 billion annually across 11 industries in 17 countries.

For more information, visit www.accenture.com/research