



The 2010 Applications Management Survey Whitepaper

Introduction from HP

It has widely been reported that while Europe was going through the worst recession for 70 years, CIOs and IT Directors were under scrutiny to get IT costs firmly under control. Austerity was the name of the game, seen for the first time since the beginning of the Millennium. Budgets were squeezed, costs across the business cut and many major IT developments were put on hold. CIOs identified that as a result of the “years of excess” application and server sprawl had become key challenges for their organisations. Whilst the effective management of the applications portfolio can derive real competitive advantage and can be critical to business success, the number of applications in use, their varying levels of business criticality and the age of systems all contribute to the complexity of the task.

The management of core and indeed commodity applications across a business is vital for the successful functioning of an organisation. The vast number of different applications, bespoke and off the shelf add to the complexity and CIOs have a difficult task in just keeping up to date with what is being used, by whom and to what business advantage.

We wanted to explore this area further across Europe and test a few hypotheses that we had developed and HP therefore commissioned ‘The 2010 Applications Management Survey’, which was independently conducted by Coleman Parkes Research.

Outlined in this white paper and made available for you to read are the results from this survey. I hope you can find a few minutes to read the results and I’d be very interested to hear your thoughts. We know that many organizations are looking to move budget and resource away from ongoing management to be able to invest in new capabilities, new projects and innovation for the business. I believe that effective management of the applications environment will yield many efficiency improvements and opportunities to eliminate unnecessary costs and improve effectiveness. This is where we’ve been investing resources and intellectual property from across all of HP’s businesses – from our services and our software teams – and where we know many of our clients are currently focused to improve the management of their application environments.

I hope you find this report useful and thought-provoking.

Please do not hesitate to contact me if you have any comments or questions.

Regards,

Stuart Bladen
HP Applications Services Leader, Europe, Middle East and Africa
November 2010

Survey Background

500 CIOs or IT Directors in companies with more than 1,000 employees were polled in July 2010 by Coleman Parkes Research Limited, the independent market research firm. Companies in the UK (100); France (100); Italy (100); The Nordics (100) and Germany (100) took part with the following industry groups being polled:

Vertical Sector	Number of Interviews
Financial Services	150
Manufacturing	155
Utilities/Telecommunications	81
Public Sector	114
Total	500

This research set out to determine a few key facts with regard to application management and IT issues in general in large European private and public sector organisations:

1. Are there under-utilised applications still being supported in major businesses across Europe, and if so how much is this costing those businesses?
2. Is cloud computing a real opportunity or is it vapourware?
3. Can social media be truly harnessed in a business context and are CIOs concerned about its impact?
4. What is holding CIOs back from applications modernisation programmes?

Executive Overview of Results

The research revealed that almost 6 per cent of the annual IT budget is being wasted supporting under utilised applications that do not make sufficient business impact. This is investment that could be used to redress the imbalance between operational IT and innovation IT investment – often mentioned as a critical issue by CIOs. But this also identifies a deeper issue in that CIOs and their teams are strapped for time and resources to manage the current applications portfolio sufficiently to avoid incurring unnecessary costs. More efficient ways of managing the current applications – and preventing known applications sprawl – should be analysed as there is clear evidence that costs could be saved as well efficiency improved.

Hype about the move to the cloud is nothing but hype at present for large firms. Even for commodity type applications the move to cloud based models for some applications will not gather pace until the end of 2012 and even then it is unclear which applications will be cloud based. Mission critical cloud based applications will be minimal – even after 2012 as CIOs see the mission criticality of the applications as being a key driver not to move those applications to being cloud based. SOA will fare a little better but even then there is concern amongst CIOs about its usage and impact.

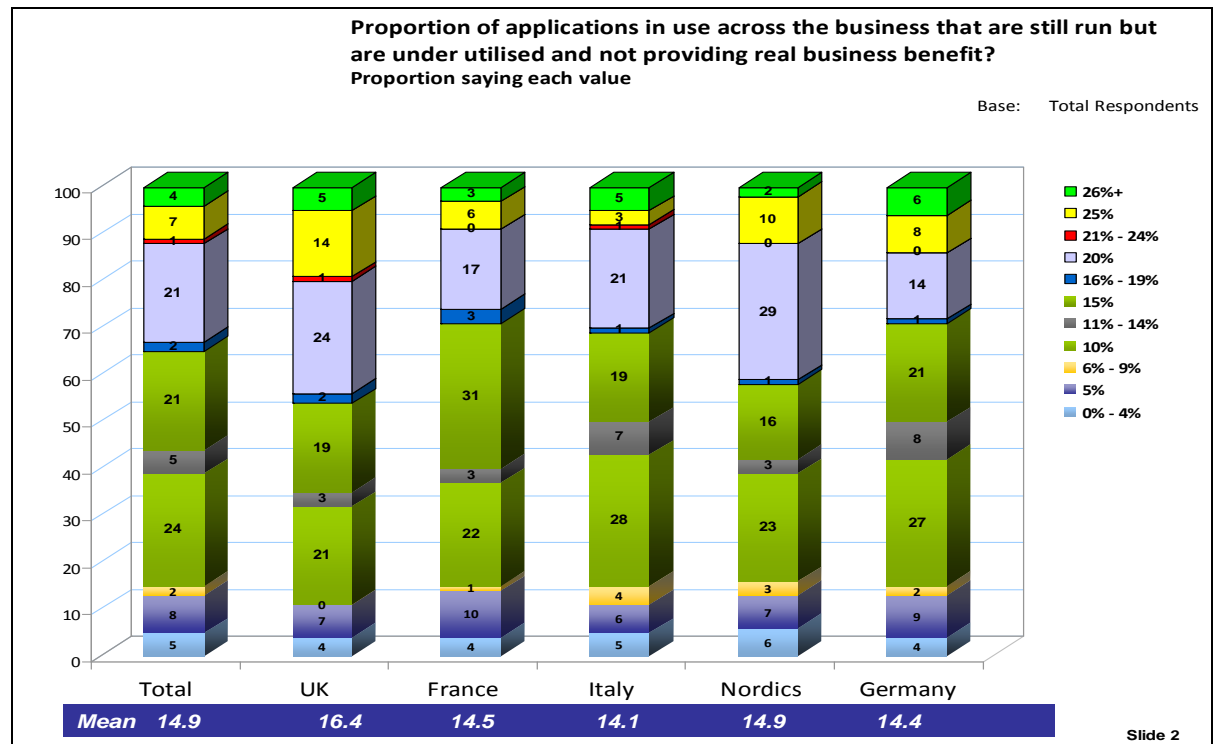
Automation and application modernisation are seen to be important but CIOs are being hampered by the business teams' fears around the risks involved in any form of applications migration. But to be truly effective CIOs need to get better control of the applications portfolio in use and make it work harder for the organisation to drive business gain. Automation is seen as a key step – funding could come from the costs saved from stopping support of under utilised applications.

Attitudes to Web 2.0 are laissez faire at the moment but CIOs have already identified that this needs to change and plans are already in place to introduce policies and procedures that restrict the download of information and use of social networking sites. CIOs seem to be happy at present to see how things play out, let the employees have a little fun, seek the business benefits from Web 2.0 and social networking and then clamp down on the rest. Identifying the business benefits of Web 2.0 is a key issue and CIOs are rightly looking and seeing what works and what needs to be carefully controlled in time.

Application usage is the key to business success. CIOs are currently struggling to manage those applications in use effectively, are trying to avoid additional application sprawl and can see a few solutions on the horizon but are being held back by the business counterparts' concerns about the risks of change.

Supporting under-utilised software applications costs European Business billions

There is clear evidence from the survey based on reports direct from CIOs and IT Directors that large companies in the sectors under study admit that almost 15 per cent of IT applications in use across the business are still run but are under utilised and not providing real business benefit with UK CIOs reporting the highest proportion of under utilised applications and the Italian CIOs the least. In addition 33 per cent of all respondents suggested the proportion of under utilised applications was 20 per cent or higher in their organisation.



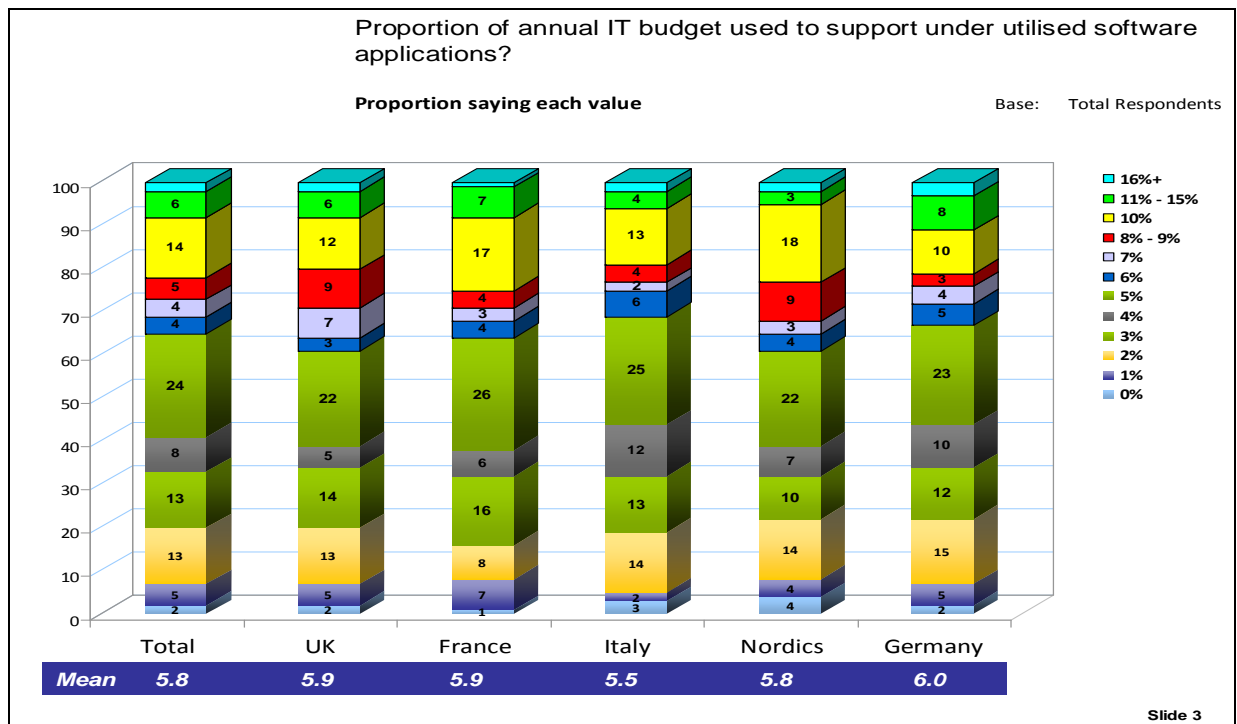
Public Sector CIOs are most likely to report the highest concentration of under utilised applications that are failing to provide real business benefit compared with any other sector under study, a situation that is sure to change given the impending budget cuts across the sector for the next few years. 16 per cent of current applications are said to be under-utilised in the sector compared with 14.5 per cent amongst European Manufacturing firms.

Proportion of applications in use across the business that are still run but are under utilised and not providing real business benefit?	Total	Financial Services	Manufacturing	Utilities / Telcos	Public Sector
Mean	15%	15%	14.5%	14%	16%

What seems remarkable is that CIOs have been under real scrutiny to reduce IT costs and still they report a high proportion of under utilised assets. When questioned further 96 per cent of all CIOs with little difference by country or indeed vertical sector studied, agreed that they have good visibility into the total IT budget spent on applications across the business,.

It is estimated that major companies in Europe waste valuable IT resources on supporting under utilised applications that are providing no real business gain at all. The survey found that almost 6 per cent of the annual IT budget is being invested on maintaining under

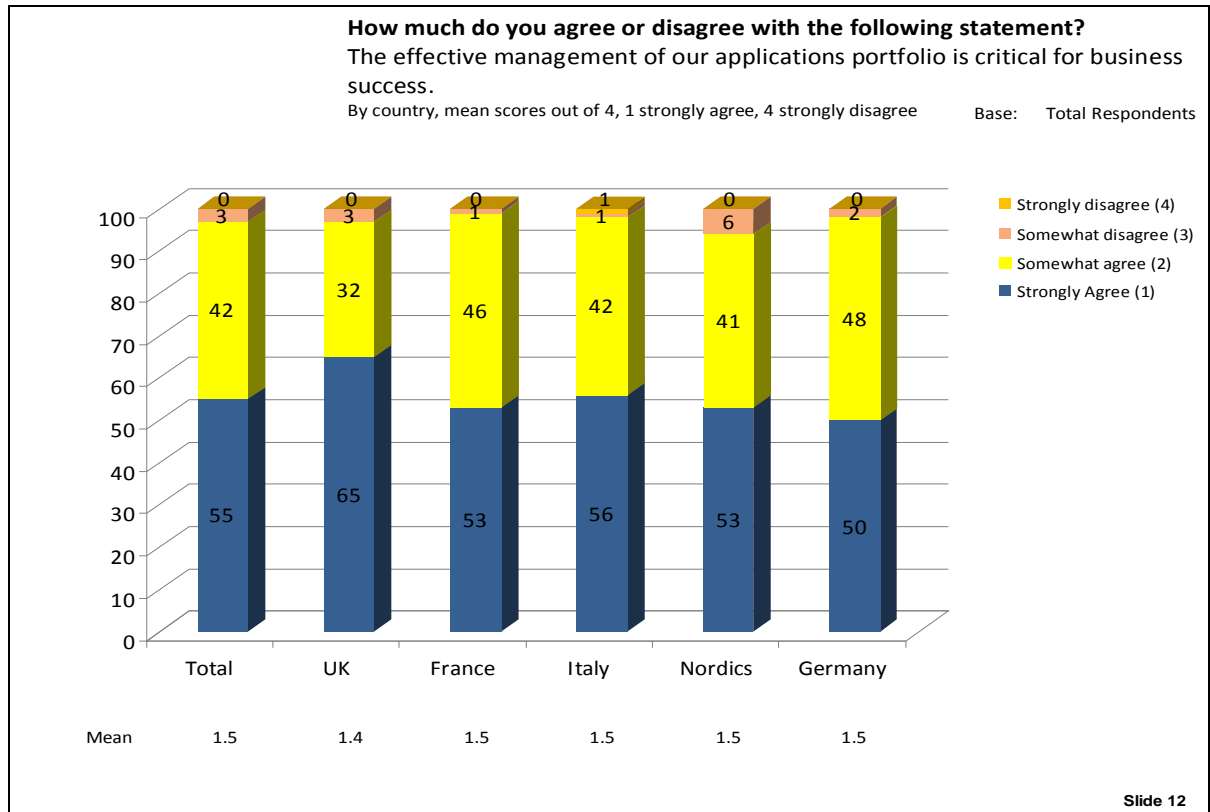
utilised applications with German CIOs reporting the highest level of “wastage” and Italians the lowest. In addition one fifth of respondents reported that they were spending more than 10% of their budget supporting under-utilised applications.



Public Sector CIOs report that fully 6.6 per cent of their annual IT budget is currently used to support under utilised applications across the organisation. With the impending cost cuts planned by European Governments it seems imperative that CIOs in the Public Sector especially but across the board in all sectors start to identify the under performing applications and manage them appropriately. In this way they can mitigate the risks of the likely budget cuts to some degree. Managing the current applications portfolio better seems imperative to business success and better budget utilisation.

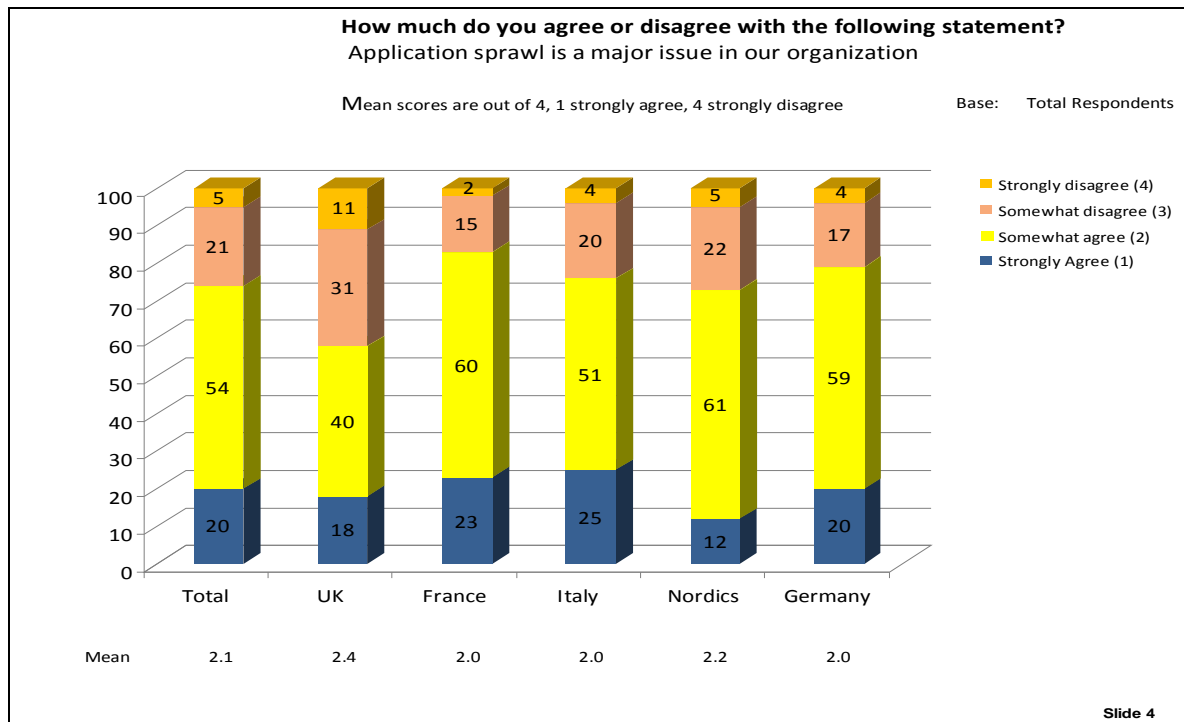
Proportion of the annual IT budget used to support under utilised software applications?	Total	Financial Services	Manufacturing	Utilities / Telcos	Public Sector
Mean	5.8%	5.7%	5.5%	5.6%	6.6

The findings here are even more concerning when the survey also established that 97 per cent of all CIOs, with little difference by region or sector, agree that the effective management of the applications portfolio is critical to business success – but the question remains with so much potential waste in terms of budget how effective is that management? Or what is preventing them from making the changes that they should be making to eliminate under-utilised applications?



Application Sprawl – The reality

A contributing factor to the challenges in managing the applications infrastructure may be applications sprawl. 74 per cent of all CIOs questioned and fully 83 per cent in France but only 58 per cent in the UK agree that application sprawl is a major issue in the organisation. This in itself identifies the difficult job that the CIO has. Utilities and Telecommunications firms are more likely to suffer applications sprawl than any other sector but it affects all types of large firms across Europe.



73 per cent of CIOs also agreed that in future they believe that increased automation will be the key driver for improved efficiencies and cost savings in managing the applications portfolio.

Whilst the vast majority of CIOs report clear visibility into the total IT budget spent on applications across the organisation less than one fifth have complete confidence that their spend on software applications is directed towards the most business critical applications. Getting closer to the application being run would appear essential for CIOs to regain total control of the IT infrastructure in place.

54 per cent of all CIOs questioned (68 per cent in Italy) also agreed that they need to modernise the applications environment but the business is concerned about the risk of making the changes which again will hold back CIOs from having a real impact in terms of improving applications management across the organisation

Europe – up in the clouds with cloud computing

There is clear evidence from the survey that most European CIOs are lukewarm with regard to cloud computing but British CIOs do show a little more enthusiasm than their mainland European counterparts when looking at commodity applications. When questioned, under half of all CIOs and just over half in Italy agreed that they will move away from licensed based software models to cloud based models in the next two years to reduce cost and complexity. European Public Sector establishments (37 per cent) are least likely to agree with this approach.

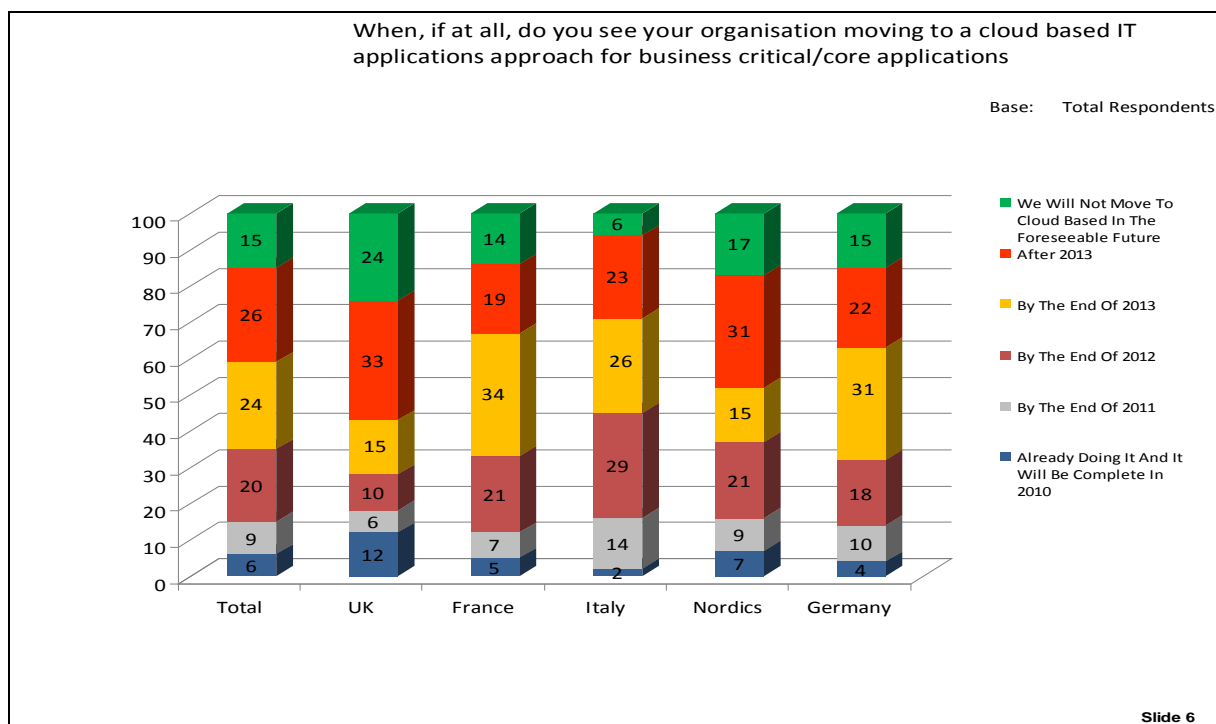
How strongly do you agree or disagree with the following statement regarding cloud computing? Rating scale of 1 strongly agree to 4 strongly disagree. % Rating 1 or 2 only so strongly or somewhat agree	Total	UK	France	Italy	Nordics	Germany
We will move away from licensed based software models to cloud based models in the next two years to reduce cost and complexity	44%	46%	42%	51%	45%	35%
We are planning to move our existing bespoke applications to standardised cloud based applications	35%	29%	38%	43%	33%	36%
We are prepared to consider the public cloud for less critical or commodity type applications but will not use the public cloud for business critical applications in the foreseeable future	48%	52%	42%	55%	55%	37%

Just over one third of all companies, with 29 per cent in the UK and 25 per cent in the Public Sector across Europe will move existing bespoke applications to standardised cloud based applications – fears around the risks involved are sure to be playing their part here as we have already seen. Even at the commodity application level, the true heartland of cloud based approaches, less than half of CIOs but 52 per cent of UK based IT leaders are prepared to consider the public cloud for less critical or commodity applications.

How strongly do you agree or disagree with the following statement regarding cloud computing? Rating scale of 1 strongly agree to 4 strongly disagree. % Rating 1 or 2 only so strongly or somewhat agree	Total	Financial Services	Manufacturing	Utilities / Telcos	Public Sector
We will move away from licensed based software models to cloud based models in the next two years to reduce cost and complexity	44%	47%	43%	49%	37%
We are planning to move our existing bespoke applications to standardised cloud based applications	35%	37%	39%	40%	25%
We are prepared to consider the public cloud for less critical or commodity type applications but will not use the public cloud for business critical applications in the foreseeable future	48%	48%	51%	46%	47%

So even though there is a strong acceptance that automation is required and also applications modernisation will assist in moving the businesses forward, for many CIOs this will not manifest itself in moving to the cloud. So again, there will be added pressures to ensure that the applications portfolio is being properly managed and exploited for real business gain .

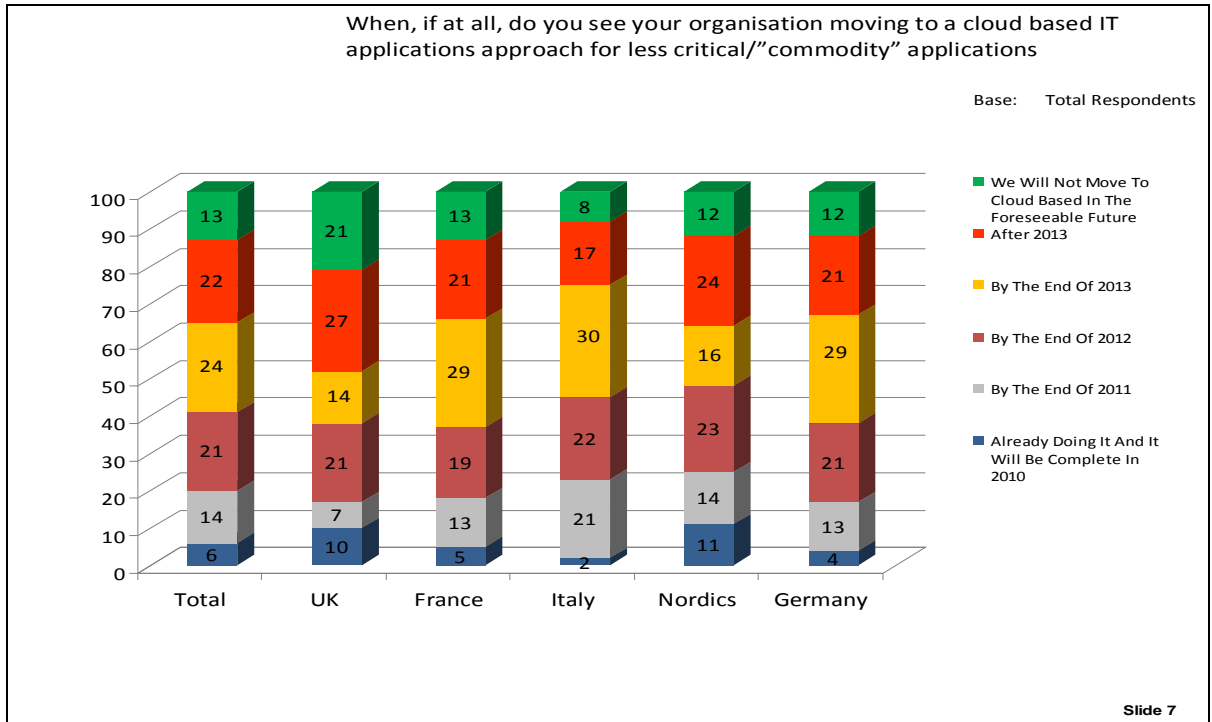
When questioned further with regard to the cloud it became clear that any moves towards the cloud will not be soon. CIOs do not see any major moves towards using the cloud for business critical applications until at least the end of 2012 and for many it will be beyond 2013. At best by the end of 2013 59 per cent of companies will have some business critical applications cloud based with France and Italy leading the way and the UK some way behind. Utilities and Telecommunications (67 per cent) and Financial Services firms (64 per cent) will also lead the way across Europe.



Even when it comes to commodity based applications there is still reluctance amongst CIOs to move swiftly to the cloud. By the end of 2012 only 41 per cent of all firms across Europe led by firms in the Nordic region will have moved some of their commodity applications to the cloud and by the end of the following year this will have risen to 65 per cent, only marginally higher than for business critical applications. There is a surprising level of apathy towards the cloud given the recent hype but it reflects a clear concern amongst CIOs as to what the business benefits and commercial risks may be of moving to cloud based technologies in larger firms.

Interestingly CIOs in different vertical sectors have similar attitudes towards when they will move towards the cloud for commodity/non core applications. Around one in 9 companies will not move to the cloud at all and by the end of 2012 only 35 per cent of Utilities and Telecommunications firms will have moved some applications to being cloud based compared with 44 per cent of Manufacturing companies and 42 per cent of Financial Services organisations.

When, if at all, do you see your organisation moving to a cloud based IT applications approach for less critical/ commodity applications %	Total	Financial Services	Manufacturing	Utilities / Telcos	Public Sector
Already doing it and it will be complete in 2010	6%	6%	6%	9%	5%
By the end of 2011	14%	13%	18%	15%	8%
By the end of 2012	21%	23%	20%	11%	28%
By the end of 2013	24%	28%	16%	30%	24%
After 2013	22%	17%	25%	25%	24%
We will not move to cloud based in the foreseeable future	13%	14%	15%	11%	11%



The slow movement toward using the cloud can be attributed to a number of different factors including:

- Fears amongst CIOs of additional applications sprawl.
- Concerns in the market about the risks involved with modernising the applications environment.
- Concern about managing an extended applications portfolio.
- Keeping the close link between the IT provision and the needs of the business.

Service Oriented Architecture (SOA) fails to provide the answer either

Not only will cloud uptake be slower than anticipated but only 62 per cent of all CIOs taking part in the survey accept that SOA provides a viable alternative to achieving cost savings and efficiency improvements demanded by the business. This is more likely to be the case amongst CIOs in the Nordic region and also those in the Utilities and Telecommunications sector but Public Sector CIOs will be slowest to move to SOA.

SOA provides us with a viable alternative to achieving the cost savings and efficiency improvements demanded by the business	Per Cent agreeing
Total	62%
UK	58%
France	59%
Italy	64%
Nordics	66%
Germany	59%
Financial Services	62%
Manufacturing	63%
Utilities / Telcos	67%
Public Sector	53%

Social Media - Let them play and have fun: lenient bosses relaxed about social networking at work...for now

Most European CIOs are adopting a *laissez faire* approach to the spread of Web2.0 and social networking services in the workplace. Only one third of all CIOs across Europe, marginally more in the UK and the Nordics, agree that Web 2.0 generates huge risks to the business because it is uncontrollable at present.

Public Sector CIOs are also least likely to agree with the view that Web 2.0 generate huge risks to the business due to it lack of control. Financial Services CIOs are more concerned than most in this respect.

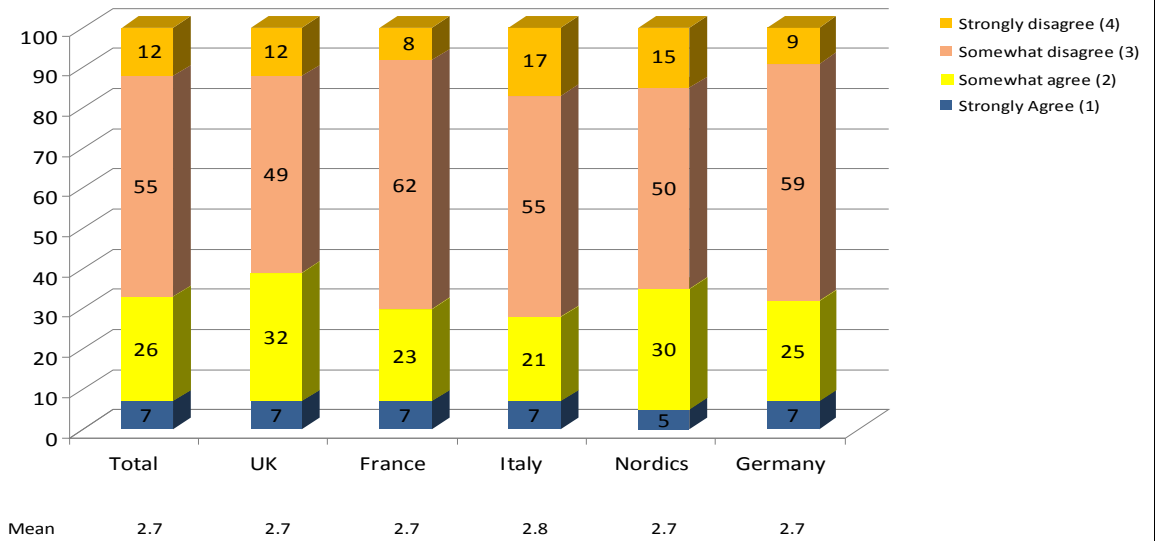
A similar percentage, namely 36 per cent, of CIOs agreed that Web 2.0 generates huge costs to the business with UK and France-based IT decision makers marginally more likely to agree with this than any other country and those CIOs in the Finance Sector also marginally more likely to share the view. But 43 per cent of CIOs and 54 per cent in France do agree that a big challenge is managing the controlled introduction of Web 2.0 and social networking in the business. Utilities and Telecommunications CIOs are more likely to say this is the case as well.

How much do you agree or disagree with the following statements?

Web 2.0 generates huge risks to the business because it is uncontrollable at present

Mean scores out of 4, 1 strongly agree, 4 strongly disagree

Base: Total Respondents



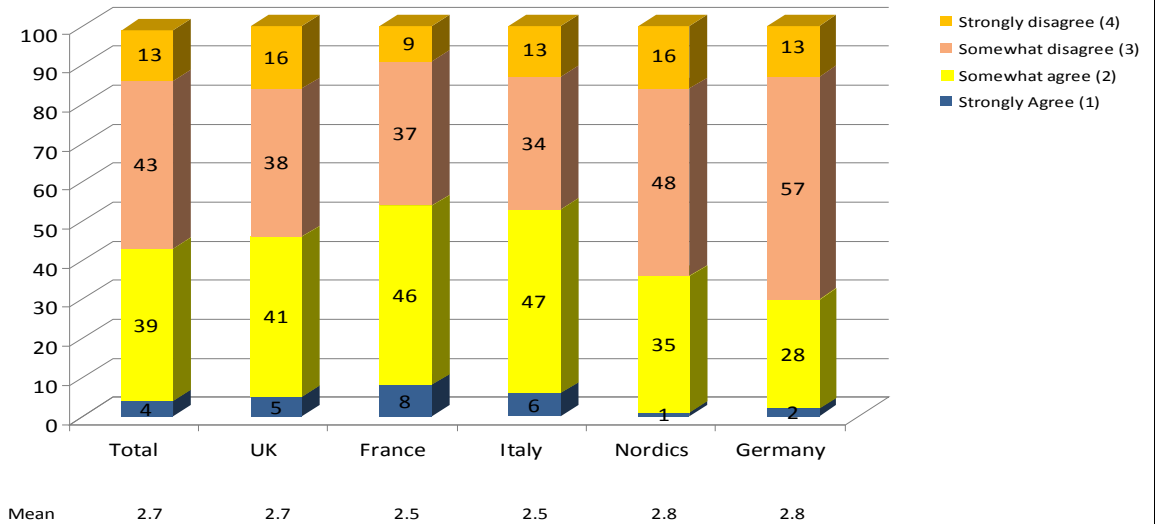
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How much do you agree or disagree with the following statements?

One of my biggest challenges is managing the controlled introduction of web 2.0 and social networking in the business

Mean scores out of 4, 1 strongly agree, 4 strongly disagree

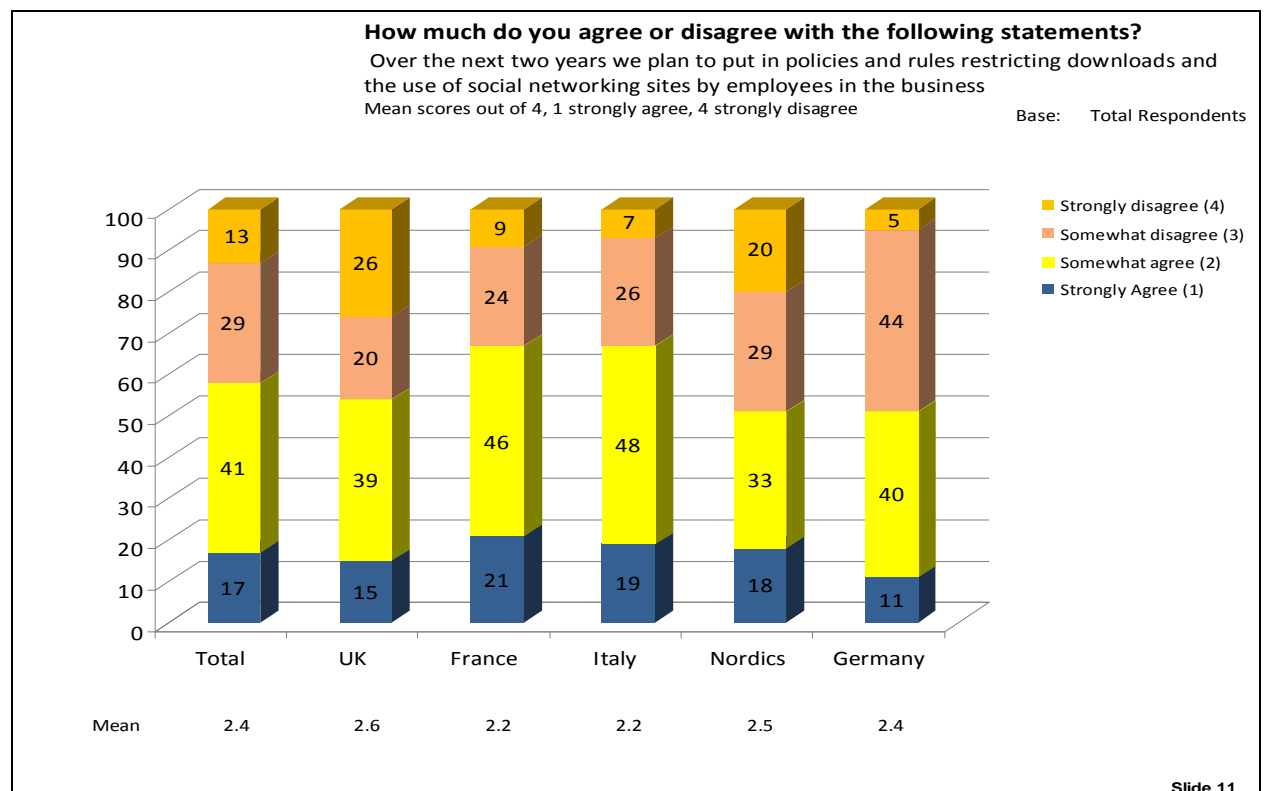
Base: Total Respondents



Slide 10

How strongly do you agree or disagree with the following statements? Rating scale of 1 strongly agree to 4 strongly disagree. % Rating 1 or 2 only so strongly or somewhat agree	Total	Financial Services	Manufacturing	Utilities / Telcos	Public Sector
Web 2.0 generates huge risks to the business because it is uncontrollable at present	33%	38%	34%	32%	26%
Web 2.0 generates huge costs for the business	36%	39%	36%	38%	35%
One of my biggest challenges is managing the controlled introduction of web 2.0 and social networking in the business	43%	48%	43%	53%	33%
Over the next two years we plan to put in policies and rules restricting downloads and the use of social networking sites by employees in the business	58%	62%	56%	64%	51%

But things are set to change! 58 per cent of all CIOs, 67 per cent in France and Italy and 64 per cent in the Utilities and Telecommunications market will put policies in place to restrict the use of social networking sites by employees in the business in the next two years. So it would appear that CIOs will use the next couple of years to assess the real business risks of Web 2.0 and social networking and then put in place appropriate policies that mean that any business risk is mitigated.



Conclusions

It is clear that CIOs recognise the importance of managing their application portfolio, understand that effective management of the applications portfolio is critical for business success and have relatively good visibility of IT applications budgets in particular which has

allowed them to identify under-utilised applications. But as yet they have failed to eliminate these entirely from their organisations. CIOs still need to do more to build the business case and reduce the perceived risks of changes in the eyes of the business as they look to embark on a more ambitious modernization journey. But help is at hand. Managing the intricacies and risks of modernisation is what IT services organisations do. They can leverage the skills and expertise gained from the modernization and consolidation of the infrastructure and apply the same learnings and experiences to the applications environment. In this way CIOs immediately mitigate the risks involved in applications change while also eliminating under utilised applications.