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IT Transformation: Planning, Execution & Objectives in Europe



Survey conducted by IDG Connect on behalf of CA Technologies, via telephone interviews

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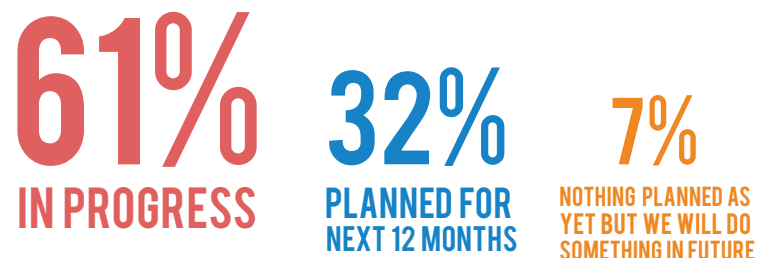
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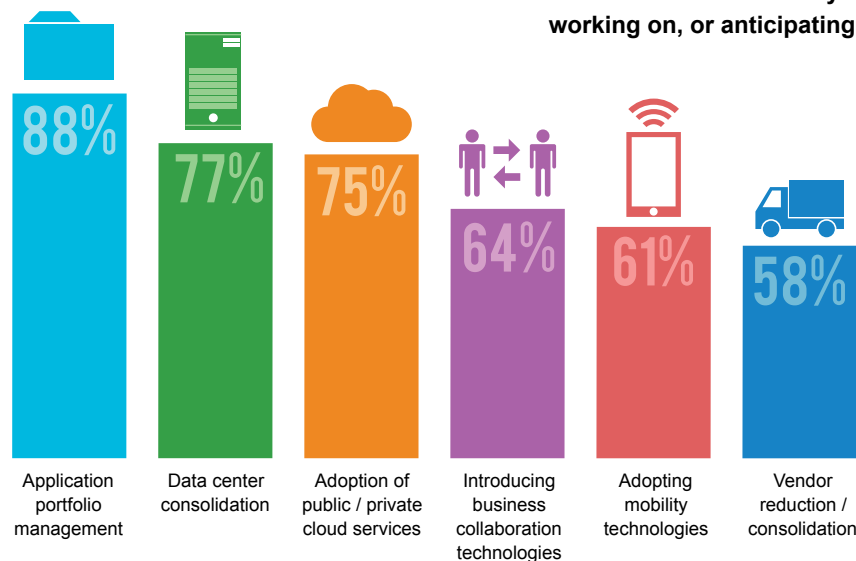

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Summary of research

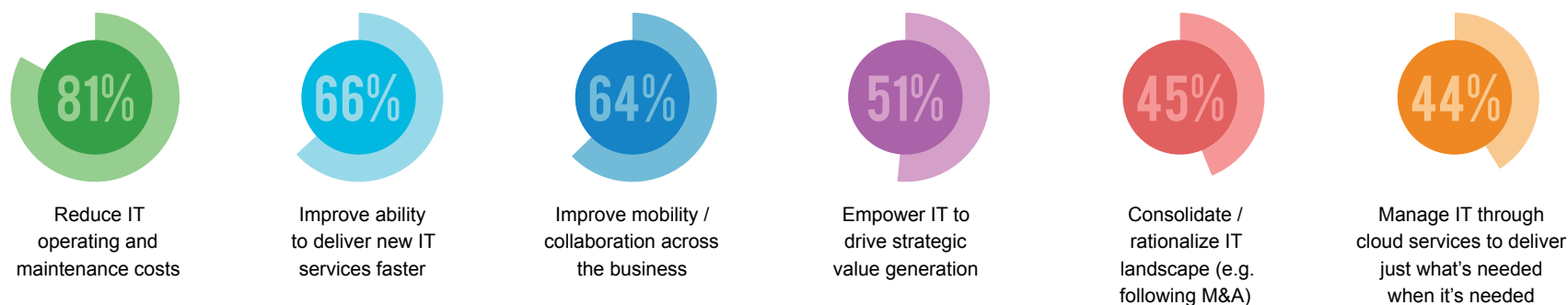
What is the status of IT transformation in your organization?



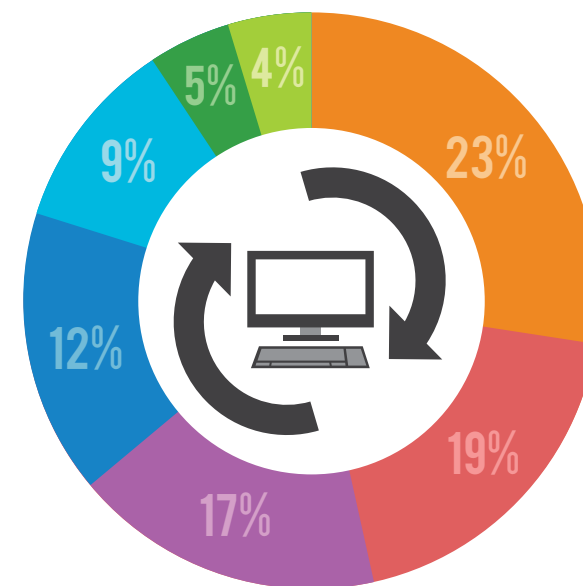
What kind of IT transformation initiatives are you working on, or anticipating?



What are the key goals of your IT transformation effort?



What would you describe as the main challenges to successfully delivering on IT transformation initiatives in your organization?



- Prioritizing initiatives that will deliver the best return
- Difficulty understanding current state of IT (e.g. state of your application portfolio)
- Budget, money or resource constraints
- Problems with executing the transformation roadmap
- A lack of clear business priorities
- Disruptive effect of increasing demand from business for IT services
- Educating others in business/change adoption/management

It's a fact: IT transformation is happening

There is no doubt that companies are looking to transform their IT operations. Typically, IT transformation is an incremental process, involving increasing levels of complexity. For example, IT organizations may begin by taking a concerted approach to managing their portfolio of applications, before progressing to data center consolidation and finally, migration to cloud-based services. In its broadest sense, IT transformation can sometimes encompass reducing supplier numbers and rolling out collaborative or mobile technologies across the enterprise.

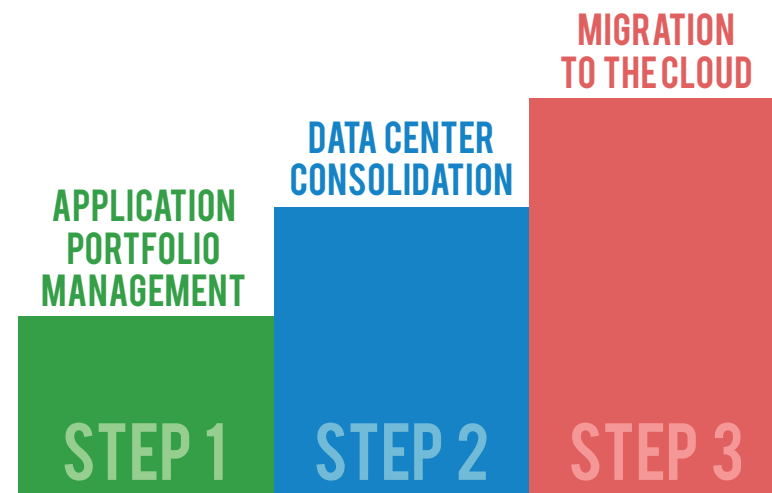
IT transformation takes place against an industry-wide backdrop described by some as the “new normal”. Following the deep budget cuts of 2008-2010, IT decision-makers have emerged into a world of flat or declining investment, in which demands from the business continue to grow. For many IT organizations, increasing efficiency, adding improved business value, reducing costs and enhancing business-IT alignment have become the permanent core mission.

This survey of 300 IT professionals with responsibility for IT transformation initiatives in large companies asks how far, and how fast, efforts at IT transformation are proceeding in Europe.

The findings of this survey of IT decision-makers working for some of Europe's largest companies confirms the existence of significant momentum behind IT transformation efforts right across the continent.

Significantly, respondents say that on average 28% of their organization's IT budget is now devoted to one or more IT transformation initiatives (i.e.: application portfolio management, data center consolidation, migration to the cloud, the roll out of mobile and collaborative applications, and reduction in vendor numbers).

Nearly two-thirds (61%) of respondents say that IT transformation programs are underway inside their organizations. A further 32% say they expect programs to be launched within the next 12 months. Only a small minority – 7% -- have yet to launch IT transformation initiatives.



IT transformation: The infrastructure view

In order of importance, respondents rank their objectives as follows: reducing opex (94%), improving delivery of new IT services (84%) and better mobility/collaboration across the business (82%).

The momentum behind IT transformation appears to be profound. However, these survey findings will prompt anyone who believes that IT transformation is a neatly-classifiable phenomenon to pause for thought.

In this paper, we identify four characteristic ways of thinking about IT transformation -- radical, conservative, tactical and strategic. These four approaches combine in different ways to influence companies' investment approaches.

The survey results also point to significant levels of internal debate about what needs to be done, how soon and at what cost in order to maximize the chances of successful IT transformation.

(1) Survey conducted in November 2011, via telephone interviews with 300 IT decision-makers responsible for IT transformation projects in France, Germany, Italy, Spain and UK (50 respondents per territory), as well as Belgium/Netherlands (25 respondents) and Sweden (25 respondents). All respondents work for companies or organizations with more than 1,000 employees. In this study, small organizations are defined as having 1,000-4,999 employees, medium-sized organizations as having 5,000-9,999 employees, large organizations as having 10,000-19,999 employees and extra large organizations as having 20,000+ employees.

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Application portfolio management is the key for IT decision-makers

We interviewed 300 senior IT professionals who told us that they have already launched IT transformation efforts, or plan to do so in the future.

Do these decision-makers share an understanding of what's implied by IT transformation?

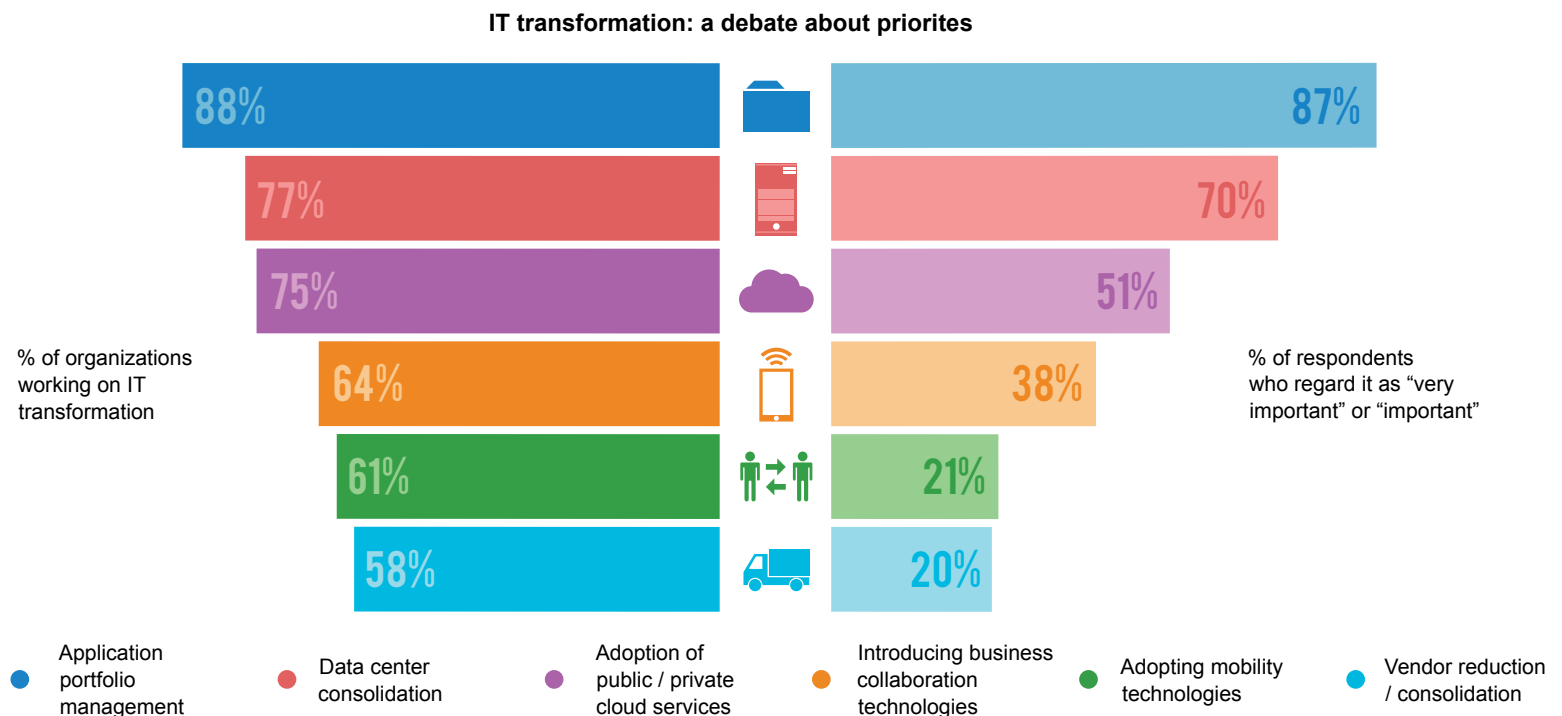
The data suggests a significant level of agreement. For our respondents, IT transformation is emphatically about infrastructure, the data center and core applications. Fully 88% said that they are actively managing their portfolio of applications, or anticipate doing so. Three-quarters of respondents are consolidating data center resources. A similar number (75%) say they are adopting cloud-based services, or expect to do so.

However, the findings also suggest sharp differences of opinion about how initiatives should be prioritized.

For example, respondents told us 61% of the organizations that employ smartphones and tablets are rolling them out to employees in an

effort to increase mobile connectivity. Yet, only 21% of respondents regard such efforts as "very important" or "important". Skepticism also surrounds efforts to reduce preferred supplier lists (58% of organizations are doing this, but only 20% of respondents regard it as "very important" or "important") and roll out business collaboration technologies (64% of organizations are doing this, but only 38% of respondents regard it as "very important" or "important").

Elsewhere, there's evidence of much more harmony. On a pan-European basis, for example, our respondents frequently describe application portfolio management and data center consolidation as "very important" or "important". Of the six initiative types identified by our research, these efforts were also the most likely to be underway, or in the planning stages. Infrastructure initiatives of this kind have not only been widely actioned; there's strong and general agreement on their importance.



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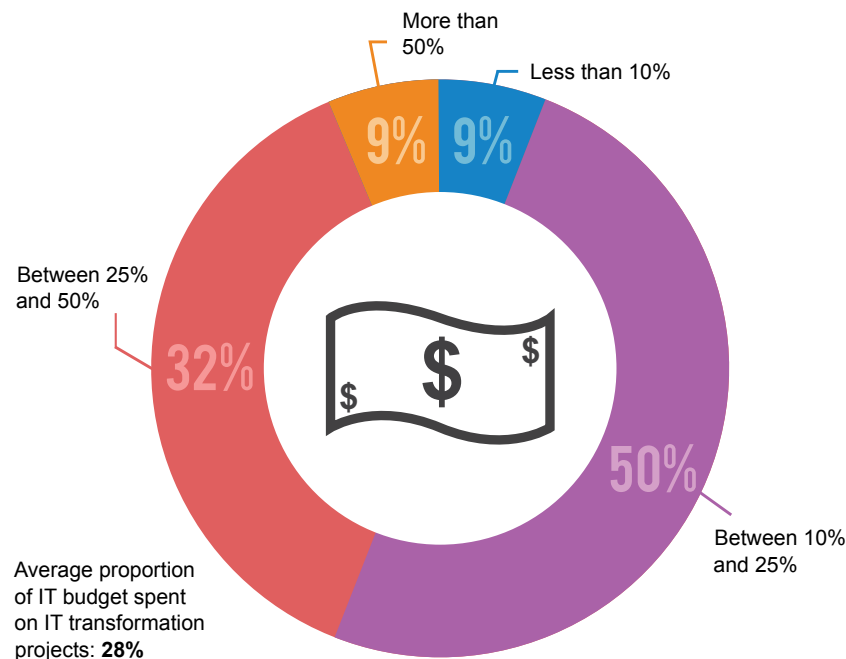


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Invest today, innovate tomorrow: budgeting & objectives



What percentage of your organization's IT budget is being invested in IT transformation projects of the kind we mentioned earlier?

Theorists of the “new normal” point to the high proportion of IT department expenditure routinely committed to “keeping the lights on”.

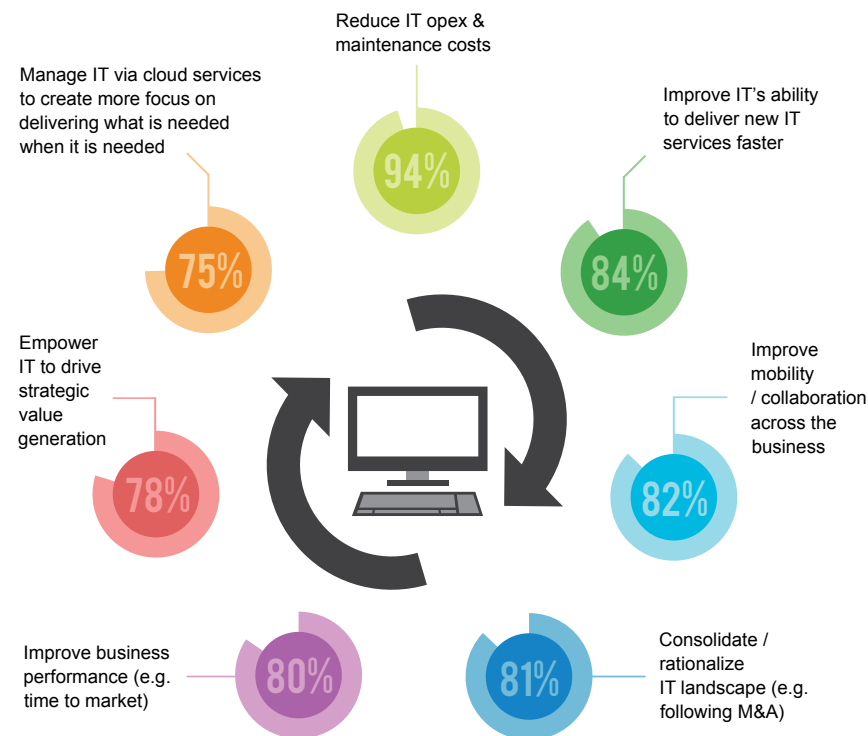
If IT transformation initiatives can reduce these costs, some or all of the savings can be channeled into new, potentially more strategic, initiatives. Small savings from big maintenance budgets can finance a significant amount of IT-driven innovation.

The attractions of this appear evident to the decision-makers we surveyed. Indeed, if we accept that up to 70% of IT budgets are devoted to “keeping the lights on”, it's surely notable that European IT decision-makers are devoting 28% of their IT budgets, on average, to IT transformation.

Predictably, reducing IT operating and maintenance costs emerges as the most important objective of IT transformation.

However, our respondents weighted the importance of six other objectives very similarly. For example, 84% want to improve IT's ability to deliver new IT services faster. But 78% also want to empower IT to drive “strategic value generation”.

It's hardly surprising that decision-makers envisage IT transformation achieving multiple goals. As we've already seen, IT bosses tend to think about transformation in terms of core infrastructure, apps and data centers. By definition, revamping activities which sit at the core of the IT department should result in broad and generalized benefits for both IT and the business.



What are the most important aims of IT transformation?

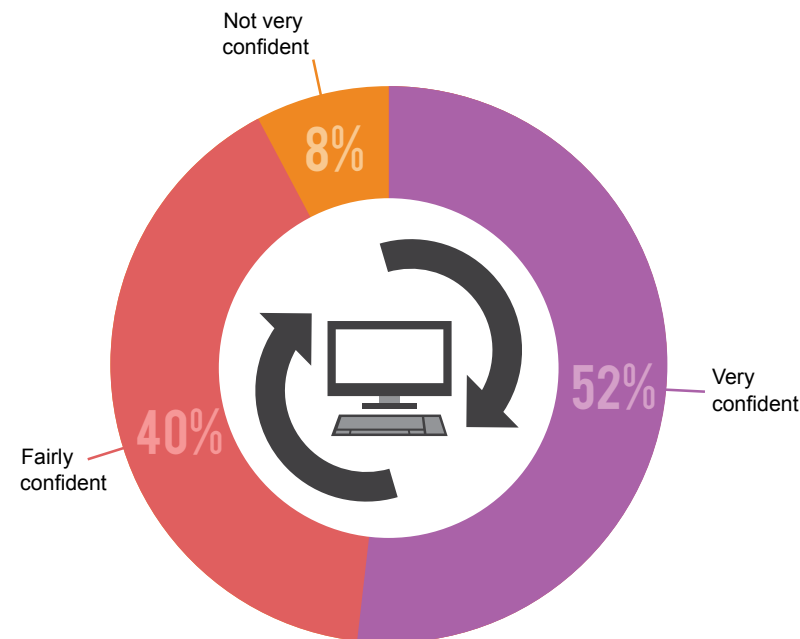
Risk and reward: Corporate attitudes to IT transformation

We asked respondents to describe their organization's approach to IT transformation, offering four possible options from which to choose:

- "Our approach is fundamentally cautious"
- "We are picking off the low-hanging fruit, going for easy wins"
- "Our approach is pragmatic but thorough"
- "Our approach involves a genuinely radical re-think"

The results offer some insight into the seriousness with which IT transformation programs are being undertaken, as judged by those who are in the best position to know: IT decision-makers themselves.

The large number of IT decision-makers pursuing approaches which are "pragmatic but thorough", or which involve a "genuinely radical re-think"



How confident are you that your organization has the capacity to successfully plan, execute and control IT transformation initiatives?

re-think" is striking. Nearly three-quarters place themselves in one of these two categories.

Only 27% say that their organization's approach is "fundamentally cautious" or involves "going for easy wins".

Considered alongside the high level of investment in IT transformation and the animated debate about priorities, these figures suggest that momentum behind IT transformation is significant.

However, in such a high stakes/high risk context, it's perhaps not surprising IT decision-makers find themselves split down the middle when asked how confident they are that their efforts will be successful.

Slightly more than half say they are "very confident" about their organization's ability to plan, control and execute. Slightly less than half say they are "fairly" or "not very" confident.

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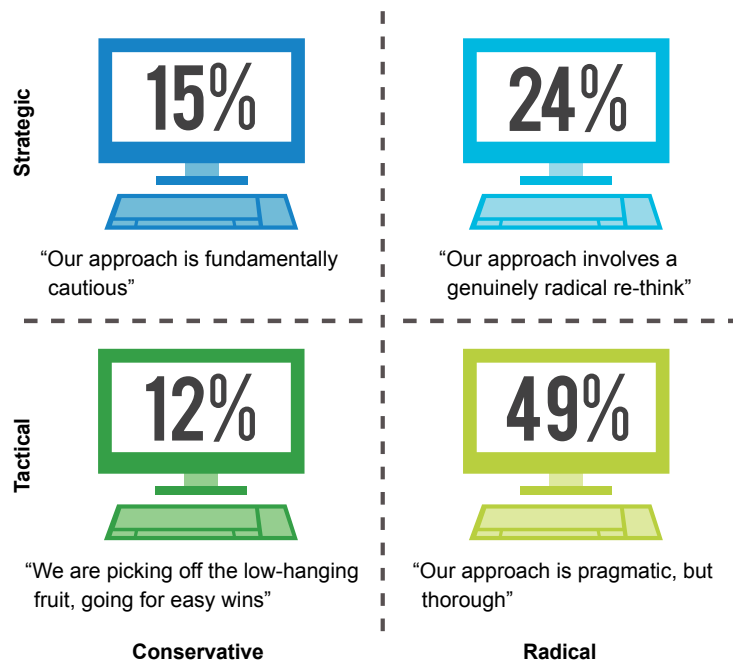
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How would you describe your organization's approach to IT transformation?



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IT transformation: Obstacles

At first glance, it seems remarkable that deciding which initiatives will generate the best returns should be the most commonly-encountered challenge among those running transformation programs.

However, this finding correlates with the suggestion that intense debate surrounds efforts to prioritize transformation projects.

In addition, the task of assessing potential returns may be complicated by several factors. In large organizations, sprawling application portfolios can contain large expanses of terra incognita, where the nature and usefulness of specific applications is unclear. Notably, 38% of large organizations on our sample described “confusion over current assets and resources” as the biggest single obstacle, compared with 16% of small organizations and 17% of medium-sized organizations.

The returns on investment from cloud services continue to be debated. Note, too, how deciding which initiative to pursue may involve deciding between working on infrastructure (e.g.: data center consolidation) and rolling out services for the business as a whole (e.g.: expanding business collaboration technologies).

Determining the right mix of initiatives to pursue not only involves assessing the relative value of a particular project to the business, but also importantly means having to make objective decisions between different types of transformational activities, e.g. infrastructure focused activities including data center consolidation, and business process efficiency improvements such as expanding business collaboration technologies.

For this question, respondents were allowed to specify additional obstacles they had experienced.

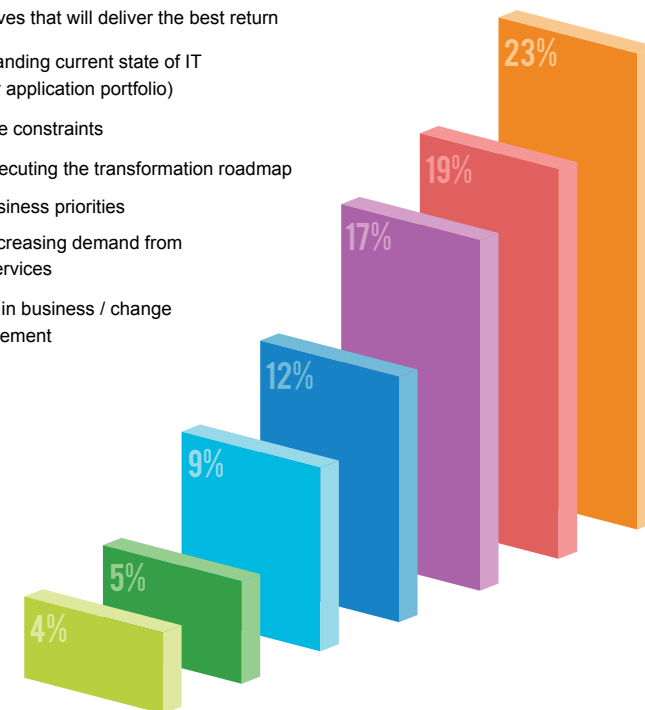
The list was a long one (104 verbatim replies in total). The most frequently mentioned “additional” difficulties involved people, both in terms of skills shortages (“staff training”, “finding good people”) and cultural obstacles (“resistance to change”, “adoption”, “business management team”, “change management with the users”).

17% specified “budget or resource” as the primary constraint. In addition, 5% specified the challenge of increased demand from business units (which in turn restricts the amount of attention and resourcing available for transformation projects). Ultimately, both of these “obstacles” boil down to resourcing. However, small and medium organizations tended to cite “budget/money/resource constraints” as the major obstacle, while large and extra-large organizations with resourcing problems tended to cite ballooning demand from business units for IT services.

For resource-constrained respondents struggling to deal with declining budgets and increasing demand, IT transformation may well feel like an impossible task.

What would you describe as the main obstacles to delivering IT transformation programs in your organization?

- Prioritizing initiatives that will deliver the best return
- Difficulty understanding current state of IT (e.g. state of your application portfolio)
- Budget or resource constraints
- Problems with executing the transformation roadmap
- A lack of clear business priorities
- Background of increasing demand from business for IT services
- Educating others in business / change adoption / management



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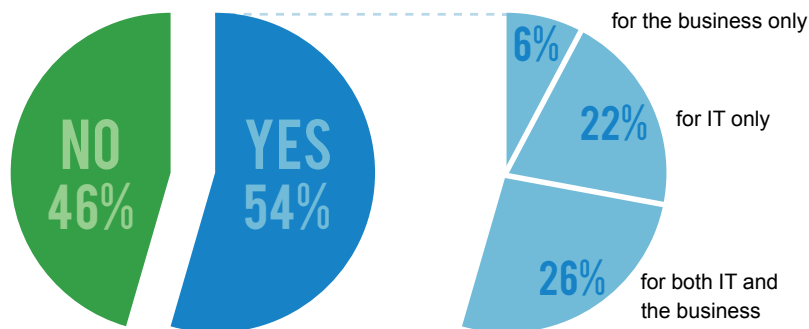
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Big ambitions require better planning

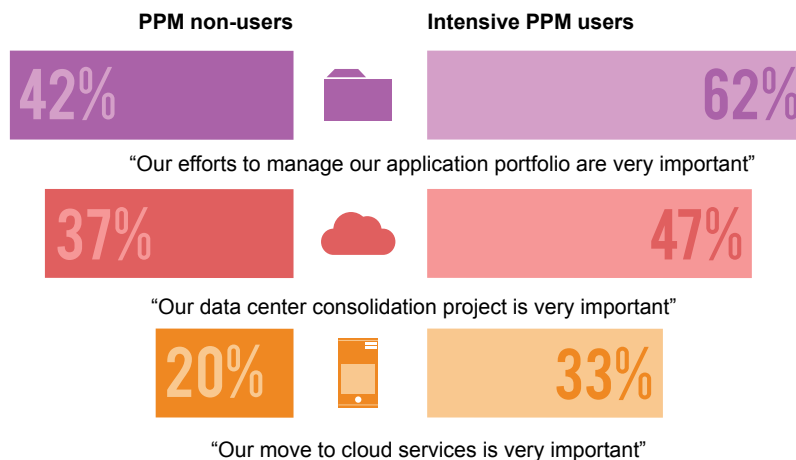
IT transformation is not without risks. Budgets remain tight and resources are relatively scarce. Prioritizing the wrong projects will result in sub-optimal returns for the business. In addition, 12% of respondents say problems with execution are the main obstacle standing in the way of IT transformation projects.

Effective planning can help with all of these challenges. Accordingly, we asked respondents whether they used a project and portfolio management (PPM) solution. Slightly more than half of respondents said

Does your organization use a project and portfolio management (PPM) solution?



Organizations that use PPM intensively regard IT transformation as more important than organizations that don't use PPM



their organization uses PPM (for either IT or business unit planning, or for both).

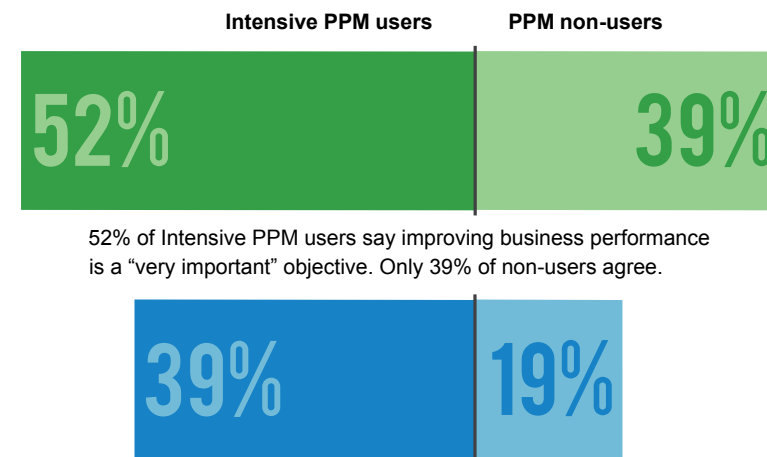
PPM users tend to be more confident than non-users about their organization's ability to plan and execute IT transformation projects. 62% of IT decision-makers in organizations that use PPM intensively (for both business units and the IT department) say they feel this way.

In addition, IT decision-makers working for PPM-intensive organizations tend to harbor more ambitious hopes for IT transformation projects. These respondents also place a relatively high priority on more ambitious (or holistic) objectives, including IT's ability to drive innovation, generate strategic value and improve business performance (as measured by metrics like time to market).

By contrast, IT professionals working in organizations that don't use PPM tend to emphasize less ambitious objectives, such as prioritizing cost reductions and the ability to deliver IT services faster.

Outcomes of IT transformation rated "very important"

IT decision-makers working in organizations that use PPM intensively have more ambitious aims for IT transformation



39% of Intensive PPM Users say driving innovation and generating strategic value is a "very important" objective. Only 19% of non-users agree.

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IT transformation: differences across Europe

What are the main obstacles encountered by those running IT transformation initiatives? In this table, we highlight the biggest challenge identified by respondents in each of seven European territories. Predictably perhaps, a lack of budget and resources is cited most frequently as a challenge by the largest number of respondents. The verbatim comments in our interviews strongly suggest that skills shortages are a major part of the problem.

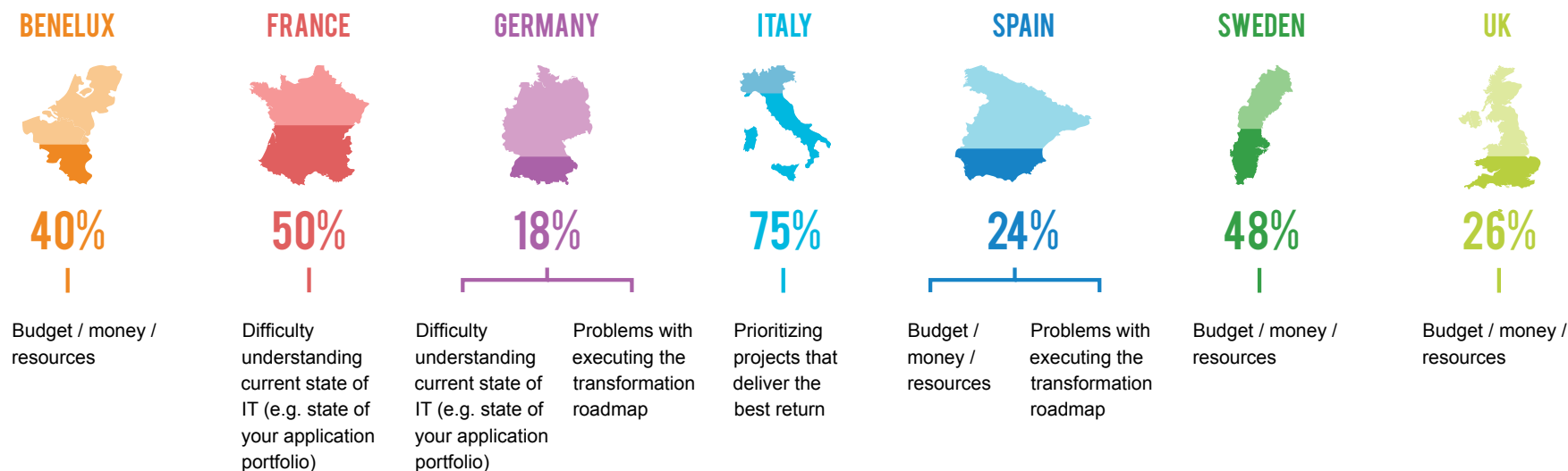
But respondents also cited other challenges. In France and Germany, the most-frequently cited obstacle was difficulty understanding the current state of IT resources (e.g.: state of your application portfolio). In Italy, three-quarters of respondents (a very high proportion indeed) cited the challenge of prioritizing projects that deliver the best return.

More broadly, the evidence suggests that efforts at IT transformation are backed by significant momentum. Substantial investments are occurring. Over eight out of 10 respondents say their organizations are undertaking the most popular IT transformation initiative (application portfolio management). Yet more than six out of 10 say their organizations are also working on less popular initiatives like increasing enterprise-wide mobility.

However, in the background, behind these high levels of activity, differences of opinion do exist. IT decision-makers consider some IT transformation initiatives to be much more important than others.

For example, in Spain, **all** of the 50 respondents we interviewed said their organizations are encouraging the adoption of smartphones and tablets. Despite this, only 8% of IT decision-makers we interviewed regard this effort as “very important” or “important”. Similarly, in Benelux, **all** of the organizations employing survey respondents are reducing supplier numbers. However, only 8% of senior IT managers regard this as “very important” or “important”.

At the other end of the scale, some evidence of what we might describe as pent-up demand for specific IT transformation programs appears to exist. In the UK, for example, 70% of respondents’ organizations are consolidating their data centers, even though a larger number of respondents (86%) believe that this is “very important” or “important”. Similar evidence of pent-up demand exists in the case of cloud computing in Italy and application portfolio management in France.



Main obstacles to IT transformation by country

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Conclusion

Across Europe, inside large companies and organizations, IT transformation programs are receiving significant levels of funding. A very high proportion of the organizations for which our respondents work have embarked upon application portfolio management (88%), data center consolidation (77%) and migration to the cloud (75%).

Smaller (but still very large) numbers of organizations are introducing new business collaboration technologies (64%) and expanding workforce mobility (61%).

IT transformation initiatives like these appear to be consuming the lion's share of the available funds for IT investment within IT departments across Europe.

Unsurprisingly, there is evidence of significant debate about priorities, which augurs well for the success of programs already under way. In addition, a majority of respondents (52%) say they are "very confident" that their IT transformation programs will be successful. A further 40% say they are "confident".

All of this is positive. Yet these survey findings also point to unacknowledged risks. While it's true that a majority (54%) of respondents are using PPM software to plan and execute their initiatives, a substantial minority are not.

This survey confirms that non-PPM users are *less confident* about the likelihood of success than respondents who work in organizations where PPM is used intensively. The evidence also suggests that non-PPM users' expectations of IT transformation are limited, and predominantly confined to achieving cost reductions and being able to deliver IT services faster.

By contrast, a strong correlation exists between organizations that use PPM and those which expect to reap ambitious (or holistic) rewards

from IT transformation, including the ability to drive innovation, generate strategic value and improve business performance (as measured by metrics like time to market).

IT transformation should mean what it says. This substantial wave of investment should be about more than cutting costs. It should ultimately lead to a qualitative change in IT's ability to contribute to the business.

For organizations that aim high, the risks of not fully exploiting the potential of IT transformation appear all the greater. No doubt this explains why they have chosen to use sophisticated tools to plan and execute their IT transformation programs.

