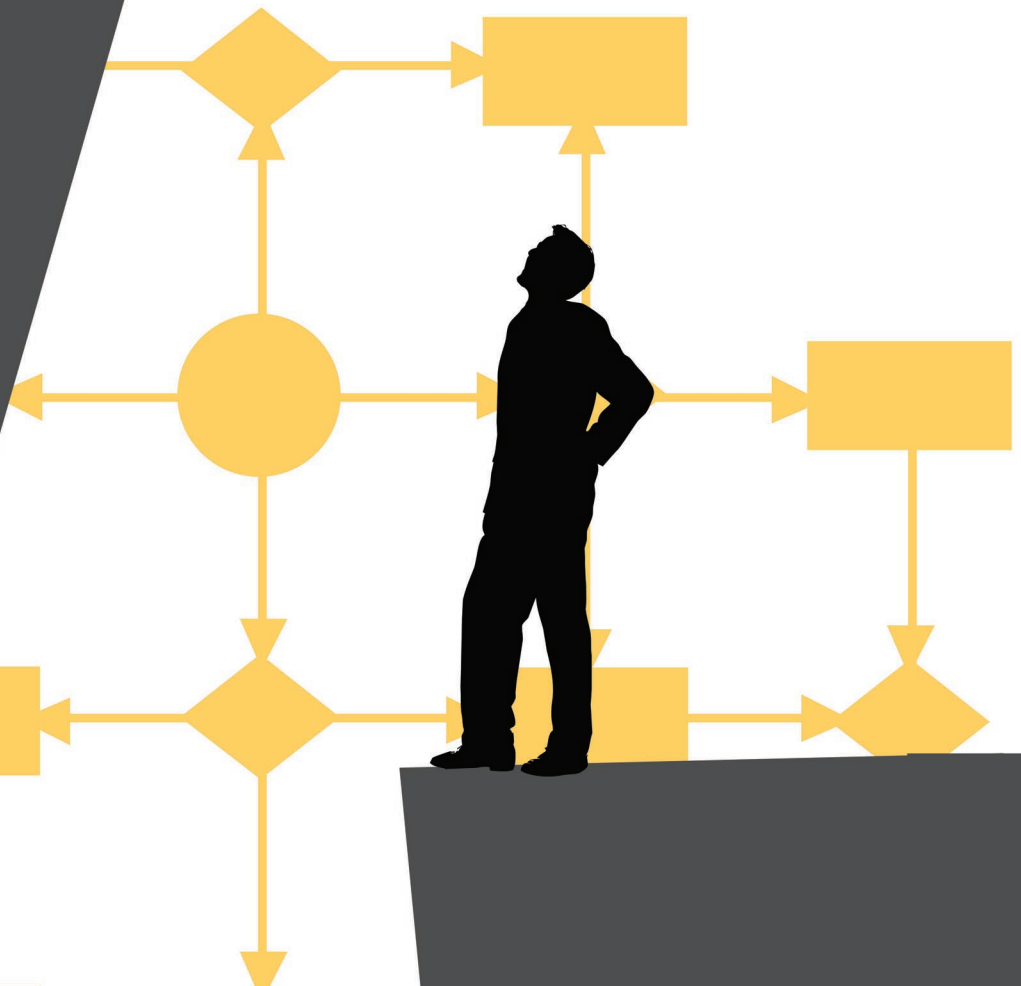
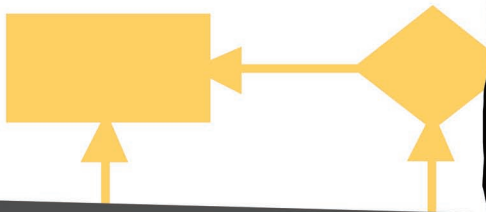
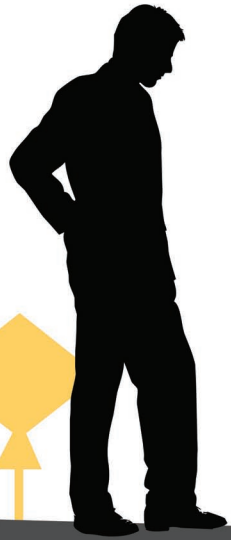


Business Application Strategy Survey 2011

# The Business Applications Deficit



# The Business Applications Deficit

## Executive Summary

Business applications are the tools that a company must harness in order to succeed. There are numerous examples, such as finance systems, CRM, project management, order processing and contract management to name just a few. Many organisations struggle to implement business applications in a timely and cost effective way. Our survey helps to uncover the extent of the problem and the reasons behind it.

The PointBeyond Business Application Strategy Survey asked 209 IT decision makers, in organisations with over 250 staff, a range of questions based on their experience of delivering applications.

The survey revealed that, far from empowering them, there is a backlog of undelivered applications that is slowing organisations down. PointBeyond has termed this backlog the Business Applications Deficit.

This whitepaper describes how, in challenging times organisations can struggle to deliver the applications when and where they really need them. Instead of profiting from their application portfolio, many are chasing a wasteful, potentially crippling backlog. In effect, these businesses are running to stand still.

The Business Applications Deficit is a consequence of various factors including an increasing number of technology options, growing demand from the business and restrictive budgets. The situation is further compounded by a lack of strategic vision. Companies with a Business Applications Deficit now are unlikely to reduce their deficit unless they take decisive action.

So the message is clear: **the winners of the future will reduce their deficit now by adopting a strategic approach to application delivery.** This may include looking at new and innovative ways of delivering business applications. By doing so they will keep pace with the demands of their business using the most appropriate applications and be in a position to realise measurable success. Those that fail to do this will almost certainly regret it.

## Key Findings

- **There is increasing pressure on IT departments to deliver more applications despite considerable challenges.** Far from delivering against business demand, 68% of respondents said they had a moderate or serious backlog.
- **Organisations are being hampered by their technology.** 66% of respondents felt that their technology was constraining their growth and profitability.
- **There is a lack of structured approach to business application delivery.** Over a third of respondents did not follow a defined process for selecting and implementing new applications.
- **The consequences of the Business Applications Deficit can be severe and long lasting.** 64% agreed that their company was running applications that have not lived up to expectations. A further 52% regretted the decision to select at least one application and were now living with the consequences.

## Survey Findings

### Workloads and Backlogs

- 68% of respondents admit to facing a moderate or serious backlog in the delivery of applications to the business.

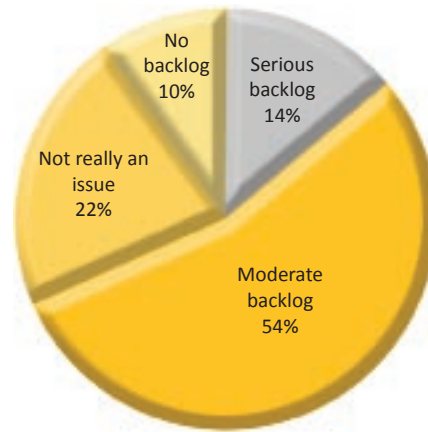


Fig. 1. To what extent do organisations have a backlog of undelivered business applications?

- The main causes of these backlogs are growing demand from the business (54%), budget restrictions (53%) and technology constraints such as pre-existing supplier agreements (34%).

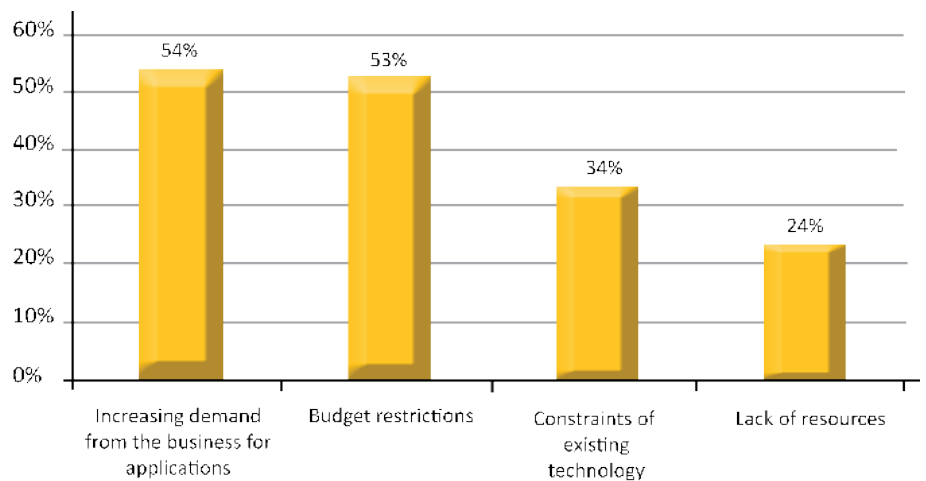


Fig. 2. What factors contribute to the backlog of undelivered business applications?

- Over the past year, the effort allocated to applications delivery work has averaged ninety-eight man days of work. The output from this work has been, on average, the delivery of nine new applications.

## Project Methodologies

- Among companies of 250-750 staff, it is often the IT function that takes the lead in determining application strategy, with 53% of respondents saying this. In larger companies this figure drops to just 38% with more input coming from the business.
- 56% of respondents do not currently measure ROI. Despite this, 67% anticipate being able to demonstrate ROI in relation to their application projects in the next twelve months.
- 46% have regular formal reviews to determine how current processes can be made more efficient.

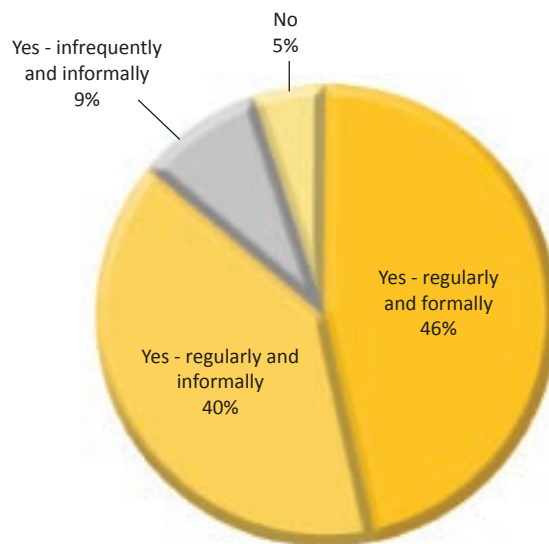


Fig. 3. Are processes reviewed to see if they can be made more efficient?

## Business Application Drivers

- Over the next year, the most popular type of applications that organisations plan to deliver are those required to meet departmental needs. 46% of respondents will be rolling out solutions for IT helpdesks, travel expense management, etc.



Fig.4. What application types are to be delivered in the next 12 months?

- IT security is the number one factor creating demand, with 28% of respondents selecting this as a driver for new applications in their organisation.
- Other significant drivers are business requirements (26%), a desire to improve agility and flexibility (23%), and cloud computing (21%).

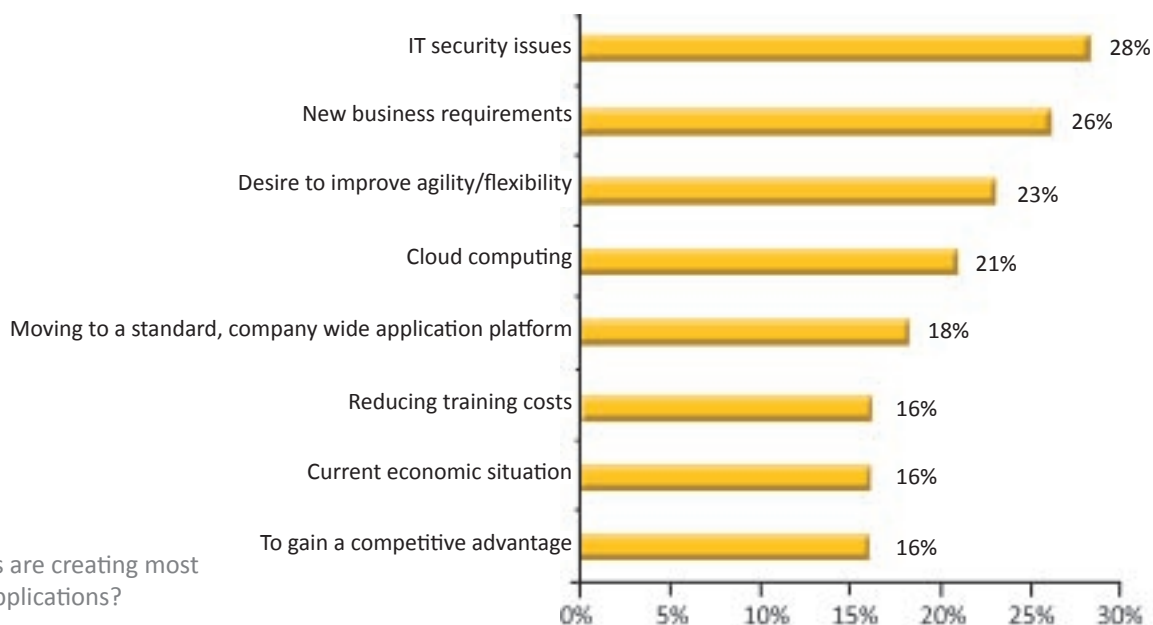


Fig. 5. What factors are creating most demand for new applications?

## Tools and Technologies

- The most popular tool used to deliver business applications is Microsoft Excel, at 56% usage. Another relatively basic tool, Microsoft Access, is popular among 42% of respondents.
- Custom built solutions are also popular. Java is used by around half (51%) of respondents, as is Microsoft .NET (50%).
- 39% of respondents use platform based technologies such as Microsoft SharePoint to deliver their applications.

## Limitations and Constraints

- 66% of respondents feel that their technology is constraining their organisation's growth and profitability.
- 62% of respondents will still be struggling with the same financial constraints this time next year, reflecting the current economic climate.
- A risk averse corporate attitude is compromising the ability of 65% of respondents to deliver new applications.

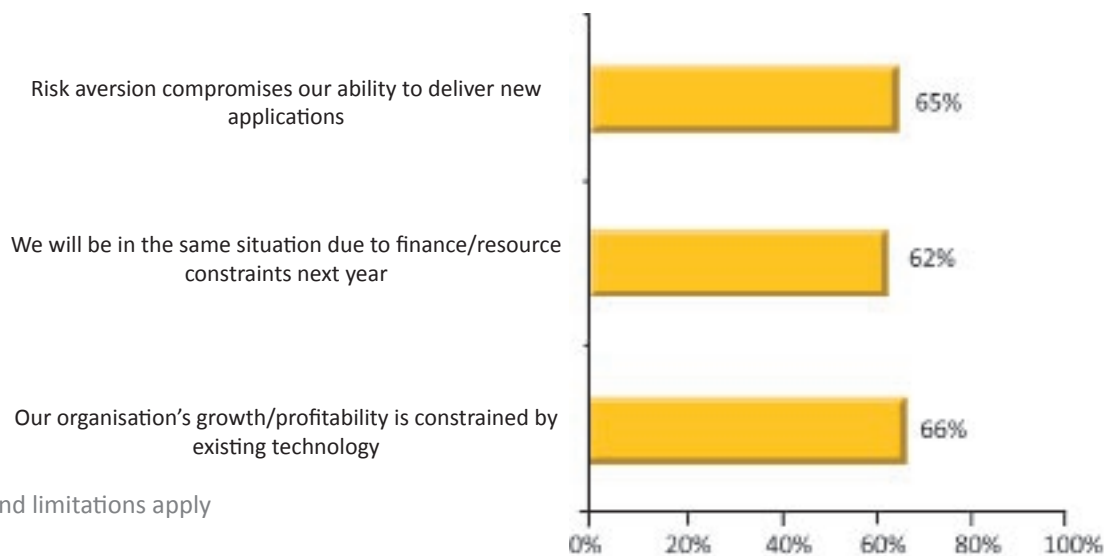


Fig. 6. Which constraints and limitations apply most?

## Successes and Failures

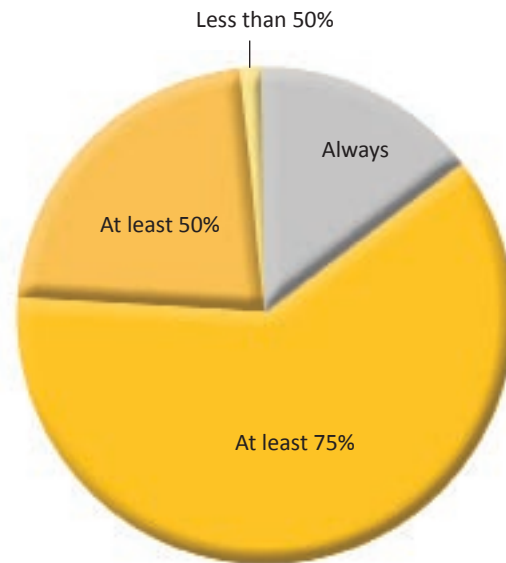


Fig. 7. How often do business application projects run to successful completion?

- Just 15% of respondents believe that the delivery of business applications is always successful in their organisation.
- 64% agree that their company possesses applications that have not lived up to expectations, while 52% regret the decision to select at least one application and are living with the consequences.
- 53% are convinced that past failures are tempering their organisation's attitudes to future application projects.

## The Cloud Factor

- 85% of respondents believe the cloud will play at least some role in their future application strategy.
- One in three respondents say this is mainly because the cloud increases flexibility, lowers total cost of ownership and enables faster application delivery.
- One in five say that most or indeed all of their future projects will involve the cloud.

## Conclusions and Recommendations

### **The Business Applications Deficit means that in challenging times applications are holding businesses back**

“...we find it surprising that, far from empowering businesses, applications are frequently holding businesses back.”

Businesses today are run on applications. Applications are absolutely essential to business success. So we find it surprising that, far from empowering businesses, applications are frequently holding businesses back.

The story of application delivery from our survey is a rather depressing one of constraints, backlogs, failures and regrets, which collectively we call the Business Applications Deficit.

A key point here is the finding that 66% of respondents feel that, far from enabling growth and profitability, their technology is actually constraining it. At a time when absolutely every last drop of value must be squeezed from every operation, this represents tragically unrealised potential.

The problem isn't just affecting growth and profitability. Indeed, it is dragging organisations further into deficit. 68% of respondents admit to facing a moderate or serious backlog in the delivery of their business applications.

At what point do these organisations believe they are going to address these deficits? They are going to need to work twice as hard, or find some radical solutions in order to overcome the backlogs and move their businesses forward.

PointBeyond gained some insight into why these problems exist and we believe they expose a prevailing culture in which business imperatives and IT expedience are failing to complement one another. While business wants to move forward, it is frequently a fear of risk taking in the IT department that is holding it back.

One result that leads us to this belief is that IT security is revealed as being the number one factor in driving demand for applications, with 28% of respondents selecting this as a driver. While IT security is of course vitally important, surely it is business requirements themselves that should first and foremost be defining an organisation’s application portfolio?

We have, of course, seen the disparity between business objectives and IT objectives before. For example in Fujitsu’s 2011 survey *The Growing Need for Portfolio Assessment*, it was found that only a third (35%) of respondents felt their applications portfolio aligned with their business strategy.

Widening our focus exposes further cultural challenges facing today’s IT decision makers. For example, 58% believe it is hard to get the business to adopt new applications; while 41% believe their corporate cultural attitude to new technology can be described as either “conservative” or as “technology laggards”.

‘Conservative’ and ‘laggards’ are not the words of a culture that is forward looking, agile, and ready to embrace change. Even if we can sympathise with the security and risk concerns, we believe our survey has shown a much deeper, ingrained resistance to application adoption in UK businesses.

So what does this mean for success or otherwise in these organisations? Fewer than one in five respondents believe that their application projects are always successful. Over half feel that past failures are tempering their organisation’s attitudes to embarking on future application projects. This looks like a trend set to continue unless fundamental changes are made to the way application portfolios are handled, managed and delivered.

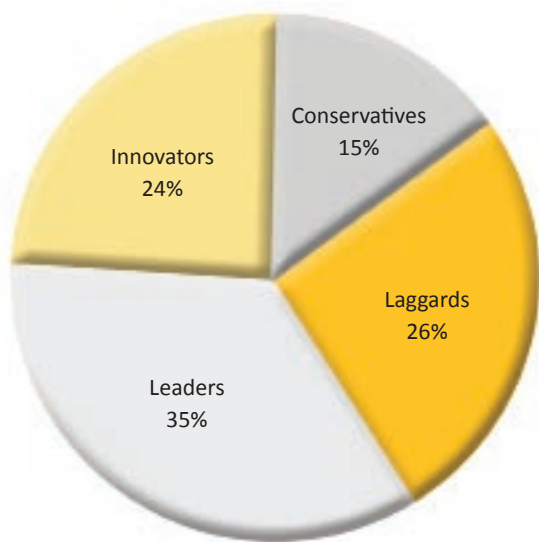


Fig. 8. What is your organisation’s attitude to new technology?

## To overcome this deficit, businesses must adopt a consistent approach to application strategy

“To be successful, you must have an application strategy. You need to know why you have your current applications portfolio, how it supports your business, how it is creating value.”

We are shocked at the proportion of respondents who admit to not having an application strategy, or even an approach to formally review the processes governing their selection and implementation of new applications.

While 64% of respondents say they follow a defined strategic process for their business application delivery, this worryingly implies that over a third do not. Also, while 46% tell us they review current processes to see if they can be made more efficient, taking the inverse figure implies that 54% do not.

Does this really mean that the vast majority of application delivery projects in the UK are not subject to defined processes? Are they really treated on a case by case basis? Are most reviews informal, irregular, or both? If so, this is certainly contrary to best practice.

To be successful, you must have an application strategy. You need to know why you have your current applications portfolio, how it supports your business and how it is creating value. You must be aware of the key business drivers at the heart of your organisation and not be dictated to by the all too prevalent culture of risk aversion. You need to define your strategy, manage it, and all the while understand the benefits and drawbacks of all the emerging tools and technologies.

Without a strategy you are leaving this to chance - and you might just be unlucky. Let's be clear: failure now leads to regrets in the future. Our survey clearly shows this. 64% agree that their company possesses applications that have not lived up to expectations, while 52% say their company regrets the decision to select at least one application and is now living with the consequences. Imagine the effect this must have on morale, without even considering the cost implications.

“In an age of austerity... for around half of the business application projects in the UK, there is simply no clear idea of whether the project was, quite literally, worth the investment.”

Measurement is an integral part of strategy and process, which is why we find it all the more surprising that, in an age of austerity, 56% of respondents do not currently measure ROI. This implies that, for around half of the business application projects in the UK, there is simply no clear idea of whether the project was, quite literally, worth the investment.

This is especially significant given that we found many respondents claiming to be sensitive about value. We asked respondents about the extent to which they weighed up long term benefit over short term cost and 77% agreed, strongly, that they did. We asked them whether they tracked projects post implementation to see if they achieved success, and 74% said yes, they did. We also asked whether they sometimes ended up with a system that was cheaper and compromised on other benefits, and 66% agreed. So, cheaper could be better, it seems, regardless of any concept of true ‘value’.

However, we need to question how people can respond to questions about cost, success and value if they do not have a strategy in place and do not measure ROI. Further, only 16% say they use applications to gain a competitive advantage and 70% said their approach was “give the business a set of tools and let them get on with it”.

“Instead of choosing applications on a case by case basis, we believe that process, driven by strategy, is the most efficient and effective way to achieve success.”

Strategy is not a way of killing creativity. Process enables projects to run to completion, which over half our respondents say they are failing to do consistently. Instead of choosing applications on a case by case basis, we believe that process, driven by strategy, is the most efficient and effective way to achieve success.

We need clarity in strategy and process. As more tools and technologies come to market, this is certainly not going to get any easier.

## The future winners will balance the demands of business with a tough economic environment

“When we asked respondents about their plans for cloud, 85% said that they believed cloud based services will be important, and 65% plan to prioritise cloud based application projects wherever possible in future.”

For the past decade of economic growth, businesses have ticked along quite happily with endemic inefficiency. This must change as inefficiency is simply no longer a realistic option.

The choice of tools is greater than ever before and with the introduction of cloud-based services, it is growing increasingly quickly. Yet we find that many organisations are reluctant to embrace change in their application portfolio. This is clearly borne out by the finding that the most popular tool used to deliver business applications is Microsoft Excel. Another relatively basic tool, Microsoft Access, is also ranked highly. While powerful, these are hardly the tools on which to deliver robust and scalable line of business applications.

The significant new factor to consider in any application strategy is, of course, the cloud. The picture around online services from our survey results is intriguing. When we asked respondents about their plans for cloud, 85% said that they believed cloud based services will be important, and 65% plan to prioritise cloud based application projects wherever possible in future.

And yet, today, less than one third see the cloud as a way of delivering applications more quickly, or believe that the cloud is causing to them to think differently about how to do this. So could this diversity of views represent a turning point?

One thing is certain: the cloud is going to feature heavily in all future application strategy. This makes it imperative that business acts carefully to avoid introducing new complexity into application portfolios. The best way of reducing complexity is through a structured, strategic approach. Know where you are now, and what you want to achieve, then achieve it in a measurable, manageable way.

“Organisations will need more time, more resource, more efficient toolsets, or less demand if they want to clear their deficits.”

The demand for new applications within organisations is constant and sustained. When we asked our respondents how many applications they had delivered to business users over the past twelve months, they said, on average, nine. When we then asked them how many they expected to deliver over the coming twelve months they again said, on average, nine.

How do organisations expect to perform to the same levels, given their backlogs?

Perhaps more importantly, how are organisations going to turn their cultures around if 41% believe their corporate cultural attitude to new technology can be described as either “conservative” or as “technology laggards”?

This is surely an unsustainable position and organisations will need more time, more resource, more efficient toolsets, or less demand if they want to clear their deficits.

If this is a question of efficiency in tough economic times, then businesses need to figure out ways to reduce waste. We found that 64% of respondents agreed that some applications have not lived up to expectations and are just forgotten. We also found that 85% of respondents felt their application projects are not always successful. This is simply wasted effort on a grand scale.

This goes further than wasted effort. A Business Applications Deficit can grow. We’ve already seen that 52% of respondents are living with the consequences of poor application selection and 53% feel that past failures are tempering their organisation’s attitudes to future application projects. Clearly, the time to change is now.

Strategy saves time. Poorly thought through, rushed solutions often waste time. Successful, well organised businesses that think and act strategically will engage most effectively with new technologies to deliver better applications more quickly and at lower cost.

“Successful, well organised businesses that think and act strategically will engage most effectively with new technologies to deliver better applications more quickly and at lower cost.”

Looking to the future, 72% of respondents claim that they will have implemented all their business applications by this time next year. We believe that they will only achieve this if they manage to reduce their Business Applications Deficits as a matter of urgency. They must stop being constrained by security, risk, policy or existing supplier agreements and seek to plug application strategy into business strategy. This is a huge task and should not be underestimated.

A further 67% are confident of being able to demonstrate a ROI for their applications projects in the coming year. If so, this would represent a huge shift in attitudes. However, given the other constraints we have already seen, from budget through to culture, a year is perhaps a slightly ambitious timescale in which to effect this change.

Finally, we are encouraged to note that 68% of our survey respondents plan to have a clearer strategy governing their overall application delivery effort. Perhaps this survey, through highlighting the risks posed by the Business Applications Deficit, will provide that vital additional impetus.

## Appendix

### About the Survey

The survey was conducted for PointBeyond throughout September 2011 by Redshift Research using their survey panel of business and IT professionals.

209 interviews were conducted in UK organisations with over 250 staff. Respondents were working in a variety of industries including Professional Services (22%), Manufacturing (15%), Retail (10%), Financial Services (10%), Government (9%) and Education (7%).

### About PointBeyond

PointBeyond Ltd is a successful and growing Microsoft SharePoint consultancy based in the UK. The PointBeyond team specialises in delivering business applications based on the SharePoint platform whilst assisting organisations with their IT strategy. PointBeyond works across diverse industries including finance, manufacturing, petrochemical, professional services, retail and engineering.

Dr Ian Woodgate, Managing Director of PointBeyond, has a background in financial services and IT, and has worked with SharePoint since its first release in 2001, both as a developer and subsequently as a solution architect. Ian regularly speaks about business application strategy and implementation at events and conferences around the country.

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