Cloud Computing 2012
Adoption, Impact and Outlook

October 2012
“Cloud computing has reached a tipping point.”

- The Wall Street Journal, September 2012

About This Report

• SAP and Knowledge@Wharton have combined forces to investigate the impact of cloud computing on global business

• The first phase of this work focuses on current expectations, levels of adoption, the impact, and the outlook for the future

• This analysis provides a summary of the key findings from a related survey conducted by SAP’s Performance Benchmarking group

For more information and analysis, visit:
http://kw.wharton.upenn.edu/sap-innovation-value
https://valuemanagement.sap.com
Survey Demographics

More Than 360 Participants Globally Responded to the Survey

Industry Mix (% of Respondents) N = 364

Revenue (% of Respondents)

Region (% of Respondents)

Line of Business (% of Respondents)

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
# Key Findings

## I. Why Cloud Matters
- 85% believe cloud computing will transform their business and/or industry
- 47% see cloud computing as a driver for innovation and differentiation

## II. Current Adoption
- 21% have only “minimal” or even “no” familiarity with cloud topics
- 18% have “completely” or “extensively” adopted cloud solutions

## III. Business Impact
- 37% run cloud solutions that meet only “some” or “minimal” business needs
- 77% using an integrated suite of solutions say they meet “most” or “all” needs

## IV. Future Impact
- 68% expect a major impact on company performance within five years
- 65% expect cloud to amplify and accelerate other technology megatrends

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Outlook: Why Cloud Matters
The Cloud Will Transform Businesses

Key Takeaway: Almost all respondents believe cloud computing will have a major impact on their organization, through new efficiencies, process innovation, or competitive differentiation.

Q: “To what extent do you believe cloud computing can transform your organization or industry?”

- 85% see cloud computing impacting their business/industry
- 20% believe cloud computing will be a competitive differentiator
- 27% believe cloud computing will lead to innovation in major business processes
- 38% believe cloud computing will lead to measurable efficiencies
- 4% believe cloud computing will not have any impact
- 11% believe cloud computing will lead to minor improvements

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
The Cloud Will Accelerate Other Technology Megatrends

Key Takeaway: Even beyond the impact on IT infrastructure, cloud computing also is expected to fuel innovations and trends in other new areas, such as mobility, analytics, and Big Data.

Q: “To what degree do you believe cloud computing will amplify or accelerate other technology megatrends?”

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
The Cloud Will Create New Strategic Options

Key Takeaway: Businesses are investing in cloud computing in order to better respond to market challenges and opportunities, and to pursue new sources of competitive advantage

Q: “Which cloud computing benefits do you see creating the most business advantage?”

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Adoption & Integration: Current Perspectives
Despite Cloud’s Potential, Understanding Is Mixed

**Key Takeaway:** While many respondents now consider themselves very familiar with cloud computing, more than two-thirds do not feel that they have a good understanding of the topic.

Q: “How familiar are you with cloud computing?”

- **30%** Very familiar/experts
  - Expert: 3.5%
  - Very Familiar: 26.9%

- **21%** Minimal/not familiar
  - Some Understanding: 48.7%
  - Minimal Awareness: 16.5%
  - Not Familiar: 4.4%

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Many Have Not Yet Moved Onto the Cloud

**Key Takeaway:** Despite widespread agreement on the potential impact and benefits of cloud computing, almost half of respondents say they still have minimal, or even no, adoption.

*Q: “To what degree have you adopted cloud solutions in your line of business or organization?”*

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Basic Applications and Point Solutions Are Most Common

**Key Takeaway:** While many companies have moved beyond basic applications, only 10% have reached full integration of cloud solutions across their organization.

*Q:* “What type of cloud solutions are you using today?”

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Security & Integration Remain the Biggest Concerns

**Key Takeaway:** Security remains by far the biggest concern for many companies, with issues around the integration with other solutions and with existing IT landscapes next

**Q:** “What are your main concerns with cloud computing?”

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security breaches &amp; data losses</td>
<td>67.0%</td>
</tr>
<tr>
<td>Cost of 3rd party integration</td>
<td>39.0%</td>
</tr>
<tr>
<td>Difficulty integrating multiple point solutions</td>
<td>38.0%</td>
</tr>
<tr>
<td>Mismatch with organizational requirements</td>
<td>35.0%</td>
</tr>
<tr>
<td>Point solutions may not be supported long-term</td>
<td>32.0%</td>
</tr>
<tr>
<td>Data 'silos' that may slow the enterprise</td>
<td>24.0%</td>
</tr>
<tr>
<td>Other concerns</td>
<td>21.0%</td>
</tr>
</tbody>
</table>

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Business Impact: Benefits & Value
Only 1-in-4 Have Cloud Solutions That Fully Meet Needs

Key Takeaway: Many organizations are not yet satisfied with the impact of their cloud solutions, with more than 70% saying they are able to meet only some or a minimal set of business needs.

Q: “To what degree do your cloud solutions meet your business needs?”

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Those With the Highest Adoption See the Biggest Impact

**Key Takeaway:** The more extensively companies adopt cloud solutions, the more they say cloud solutions effectively meet “most” or even “all” of their business needs.

<table>
<thead>
<tr>
<th>Level of Adoption</th>
<th>Business Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal to No Adoption</td>
<td>% reporting that cloud solutions meet most or all their needs</td>
</tr>
<tr>
<td>Some Adoption</td>
<td>Extensive or Complete Adoption</td>
</tr>
<tr>
<td>Not at All</td>
<td>Meet a Minimal Set of Needs</td>
</tr>
<tr>
<td>37%</td>
<td>61%</td>
</tr>
</tbody>
</table>

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Those With Integrated Solutions See the Greatest Impact

**Key Takeaway:** More than two-thirds of companies that have put into place integrated companywide solutions say cloud solutions are able to meet most or all business needs.

<table>
<thead>
<tr>
<th>Type of Cloud Solutions</th>
<th>Basic Solutions</th>
<th>Point Solutions</th>
<th>Integrated Solutions</th>
<th>Business Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5%</td>
<td>15%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>35%</td>
<td>55%</td>
<td>70%</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>44%</td>
<td>24%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14%</td>
<td>5%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Not at All
- Meet a Minimal Set of Needs
- Meet Some Needs
- Meet Most Needs
- Meet All Needs

% reporting that cloud solutions meet most or all their needs

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Future Impact: Looking Ahead
Expectation I: Business Performance Will Be Redefined

**Key Takeaway:** Regardless of current adoption or current concerns, most respondents expect that the cloud will have noticeable impact on their company’s performance within five years.

Q: “To what degree do you believe cloud computing will change your company performance in the next five years?”

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Expectation II: Cost Savings Will Kick in

**Key Takeaway:** Most respondents expect cloud computing to be cheaper in the long-term; yet one in four still say they do not have a good understanding of the business case.

Q: **“Do you believe cloud computing provides cost savings in the short term (i.e., license costs) and/or long term (i.e., integration, maintenance, upgrades)?”**

<table>
<thead>
<tr>
<th>Cheaper Short Term</th>
<th>More Expensive Short Term</th>
<th>Cheaper Long Term</th>
<th>More Expensive Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>26%</td>
<td>10%</td>
<td>4%</td>
</tr>
</tbody>
</table>

(61% Expect long-term cost savings)

(The remaining 25% say they don’t have a good understanding of the costs)

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Expectation III: Integrated Solutions Will Increase Agility

**Key Takeaway:** Respondents who have adopted integrated company-wide cloud solutions have the highest expectations for flexibility, agility and competitive differentiation.

<table>
<thead>
<tr>
<th>Type of Cloud Solutions Currently Used</th>
<th>Expecting Greater Flexibility and Agility</th>
<th>Expecting Greater Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Solutions</td>
<td>59%</td>
<td>13%</td>
</tr>
<tr>
<td>Point Solutions</td>
<td>76%</td>
<td>26%</td>
</tr>
<tr>
<td>Integrated Solutions</td>
<td>86%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: SAP Performance Benchmarking (https://valuemanagement.sap.com)
Thank you