State of cloud in the Nordics

Tieto Cloud Maturity Index 2019

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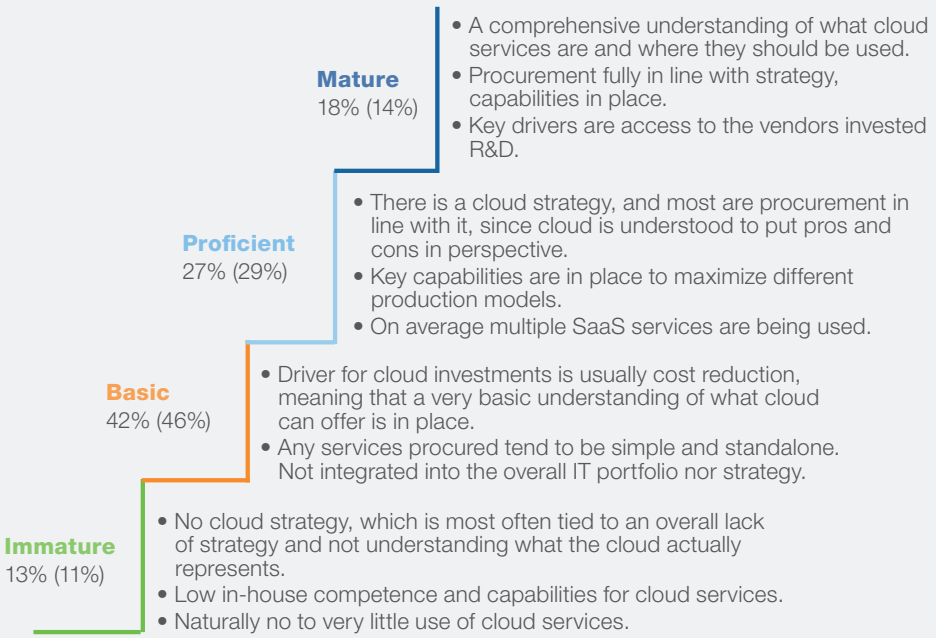
Cloud transformation has increasingly become a key enabler for digitalization and realizing data driven opportunities for organizations across the Nordics.

1. The gap between frontrunners and laggards is widening

The gap between individual top and bottom performers is widening, where the good are getting better and the bad are getting worse. Still only 18 percent of the organizations can be considered as cloud mature, compared with 14 percent in 2017. At the same time, the "Immature" category increased in size, from 11 to 13 percent. The research indicates that mature organizations use cloud services more than immature ones (97% vs. 87%, respectively) and are much more likely to exploit cloud advantages than others. Differences are highlighted in areas like cloud specific strategy and governance. As an example, 62 percent of Mature organizations have a cloud strategy in place for SaaS procurement while only 19 percent of Immature organizations do so.

Maturity levels and typical characteristics

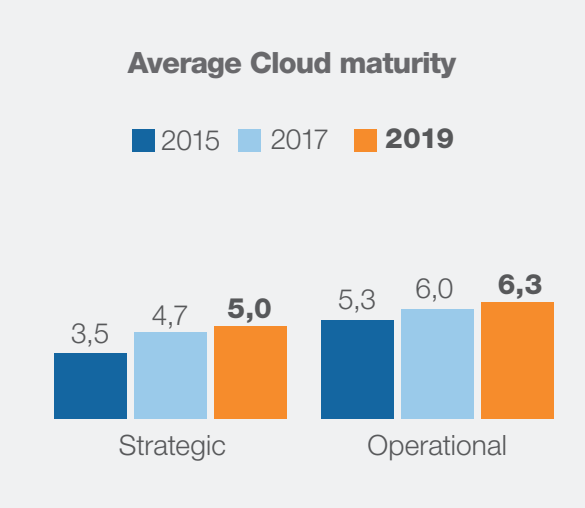
Percentage of organizations in 2019 (2017)



2. Cloud strategy in place, the starting point

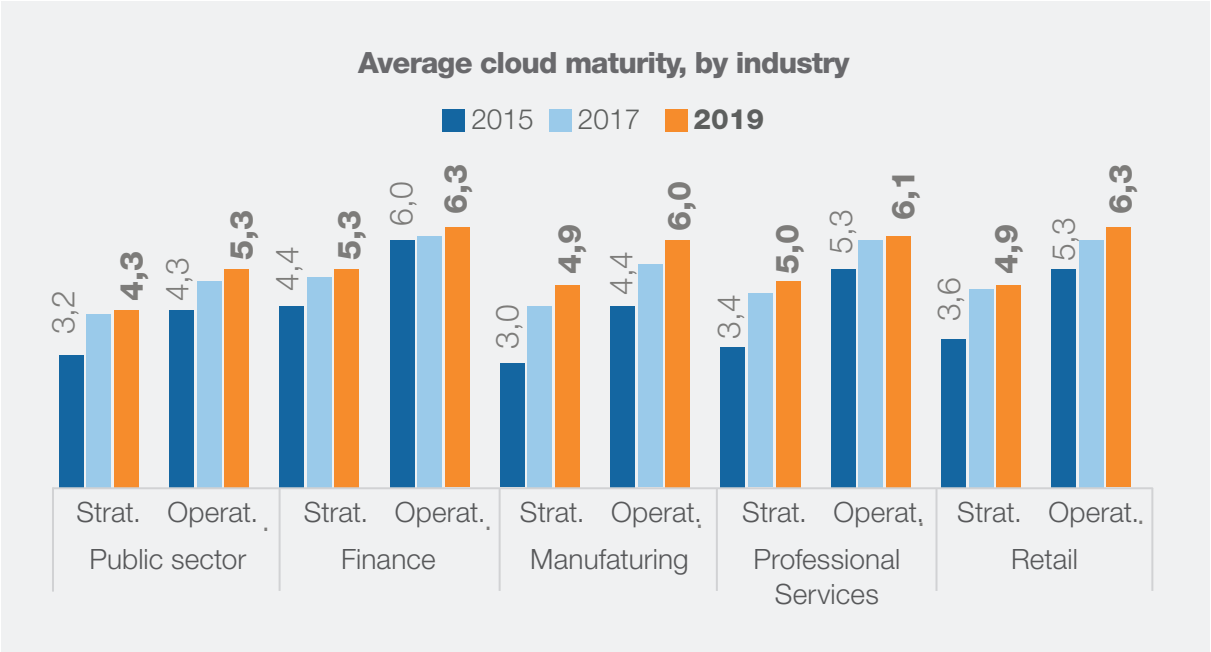
The cloud mature organizations display significantly lower strategic debt than their peers. For the first time, the distance between the top performers and the rest of the organizations has increased, creating a wider gap between the Mature and Immature organizations.

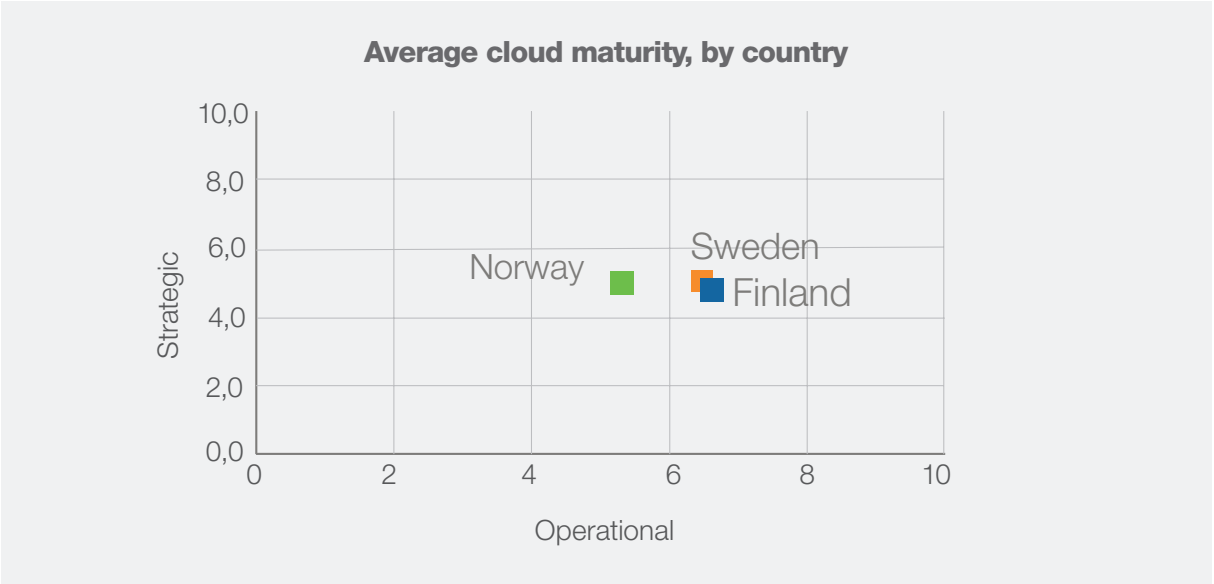
All mature organizations have a strategy in place for cloud services or an IT strategy that covers cloud as a delivery form. They also have a profound understanding of what the cloud is and what it can, and more importantly, cannot do. Their IT portfolios have been analysed from a perspective of potential forms of production and delivery. Strategic maturity leads to being more open for radical changes and rethinking IT production. Mature organizations dedicate more time and resources to strategic initiatives that provide the fundamentals of digital change, such as performance measurements, governance, and architecture.



3. National and vertical differences are decreasing

Norway and Finland are becoming more like Sweden, and all industries regardless of country show higher average levels of maturity for every year. Financial Services displays the highest aggregated cloud maturity, continuing the trend from previous years. Also, Manufacturing is catching up and IT has become a strategic need for business growth, creating the base for continued strong improvement of cloud maturity in the sector. Other industry verticals such as Public Sector and Retail are lagging, particularly in terms of strategic cloud maturity.

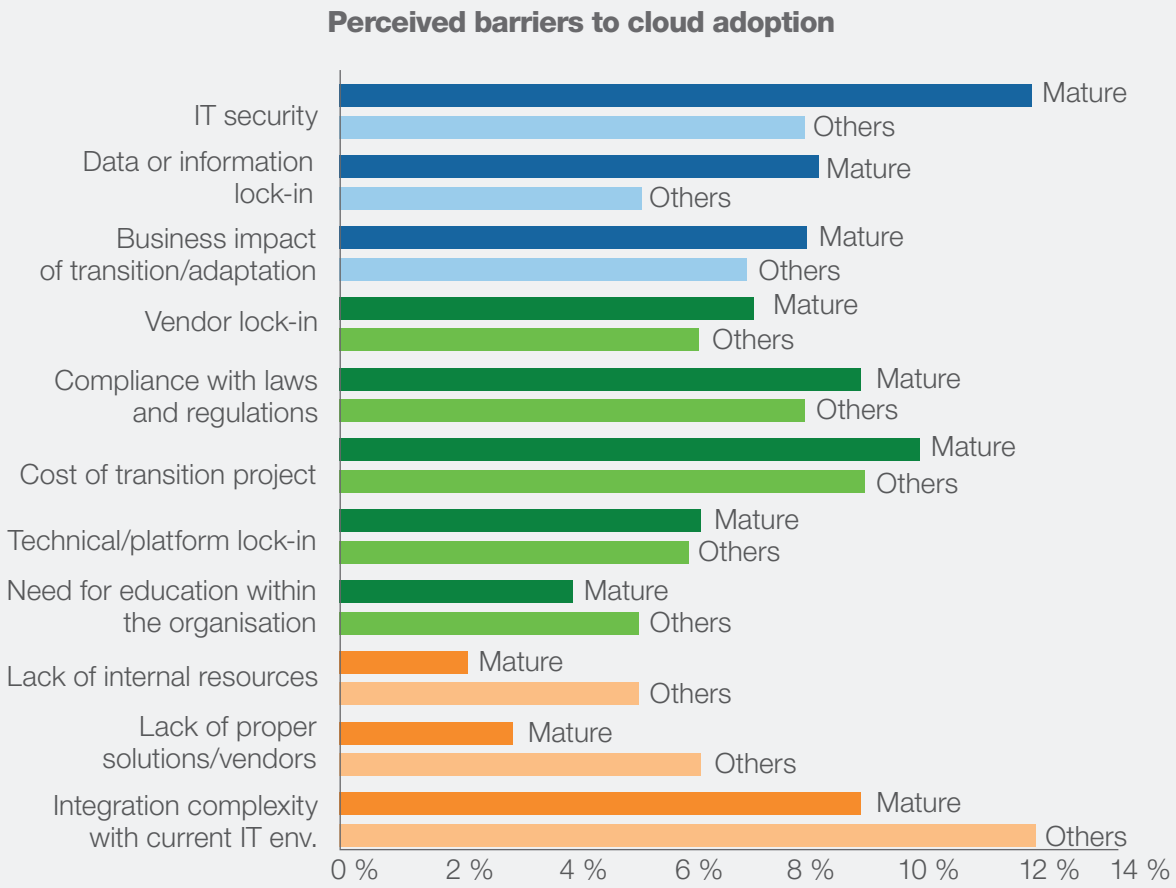




4. Universal barriers for cloud adoption

Although many positive effects of using cloud services are recognized, there are numerous barriers to adoption. Some are more universal and perceived as barriers regardless of maturity level. For example, compliance with laws and regulations, cost of transition and the risk of platform and vendor lock-in are examples of universal barriers.

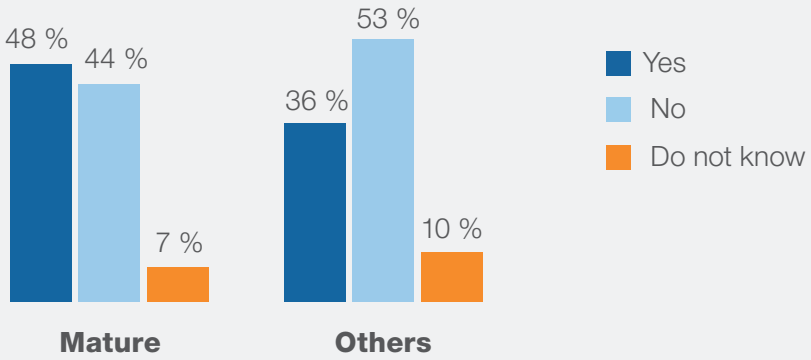
In addition, IT security is seen as a major barrier especially for mature organizations since they have a better understanding of real security issues. Also, as the use of cloud services has progressed, the need to integrate cloud services with other business solutions has emerged, which is seen as a risk for many organizations.



5. Uncertainty around legal jurisdiction and physical location of data

When asked if legal jurisdiction and the physical location of data is a barrier to using more Cloud services, on average two out of five (38 percent) organizations stated that this is the case. This is particularly important for Swedish organizations (49 percent), compared with Finnish (33 percent) and Norwegian (38 percent) organizations.

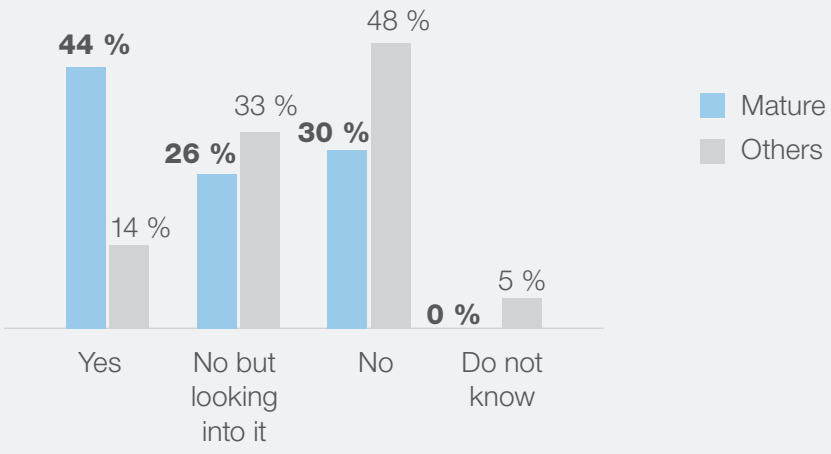
Jurisdiction an impediment for using more cloud



6. Environmental impact entering many organizations' cloud agenda

Roughly one-half of the respondents are already considering the environmental impact of their cloud strategy, such as energy consumption or CO2 emissions. 44 percent of the mature organizations claim that they are considering the impact of their cloud agenda on the environment, while only 14 percent of the immature organizations provide the same answer. When asked if they will start investigating environmental considerations in the future, the share is 26 percent (mature organizations) and 33 percent (immature organizations), while 30 percent and 48 percent, respectively, state that this is not part of their cloud strategy at all.

Consideration of environmental impact of cloud strategy



7. Positive business impact of cloud

Higher cloud maturity has a positive business impact, including more efficient IT spend and a higher capacity to respond to changes and business needs. Cloud mature organizations average 20 percent lower costs in IT operations through the benefits of cloud services, and the IT spend pool available for innovation is 29 percent larger than that of their less mature peers (Chapter 9). Overall, cloud mature respondents assess their capacity to support core business needs significantly higher. Their capacity to support the digitization of the core business is 21 percent higher than peers and they are 15 percent more efficient in increasing business competitiveness. Even if these figures are self-assessed, they strongly indicate that mature organizations are better equipped to support their core business.

Cloud mature organizations

20 %	29 %	17 %
lower cost in IT operations	larger share of IT spending available for innovation	higher capacity to support business

Want more information?

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About Tieto Cloud Maturity Index

Tieto Cloud Maturity Index is based on a survey and interviews with 284 decision-makers in the private and public sectors in Sweden, Finland and Norway. It was conducted by research and analyst company Radar on behalf of Tieto during September and October 2019.

The research measures operational and strategic maturity among organizations and is based on around 30 key performance indicators, assumptions and self-assessed indices encompassing the entire lifecycle of cloud service application, ranging from business rationale, sourcing strategy and business knowledge to actual execution and return on investment. This is the fourth time that Tieto, together with Radar, conducts the study.

Tieto aims to capture the significant opportunities of the data-driven world and turn them into lifelong value for people, business and society. We aim to be customers' first choice for business renewal by combining our software and services capabilities with a strong drive for co-innovation and ecosystems.

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