

PwC EMEA Cloud Business Survey 2023

How businesses will unlock the transformational power of cloud





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As the pace of technology change accelerates, CEOs across EMEA plan to invest in securing the competitive advantage and differentiation that advanced technologies offer – from generative AI to advanced analytics, digital twins and beyond. The key to optimising the value of all these is cloud.

When it comes to cloud maturity, our survey reveals that organisations in EMEA are at a turning point. Those that have already started their cloud journey need to increase velocity and refine their approach.

Companies that have yet to get underway must commit and take action soon or risk being left behind. With our survey revealing that overall in EMEA companies are currently behind their US counterparts on the road to cloud maturity, there's no time to lose.

We asked more than 2,200 business and technology executives across 20 countries in EMEA about the progress that their organisations are making on their cloud adoption journey. We wanted to discover the barriers they face and learn how they see cloud powering their business transformation.

Our survey¹ identified four crucial themes that together are shaping how EMEA businesses approach and adopt cloud. The results reveal the key areas where they need to focus their efforts to unlock cloud's value.

¹ PwC Research, PwC's global Centre of Excellence for market research and insight, conducted this survey.





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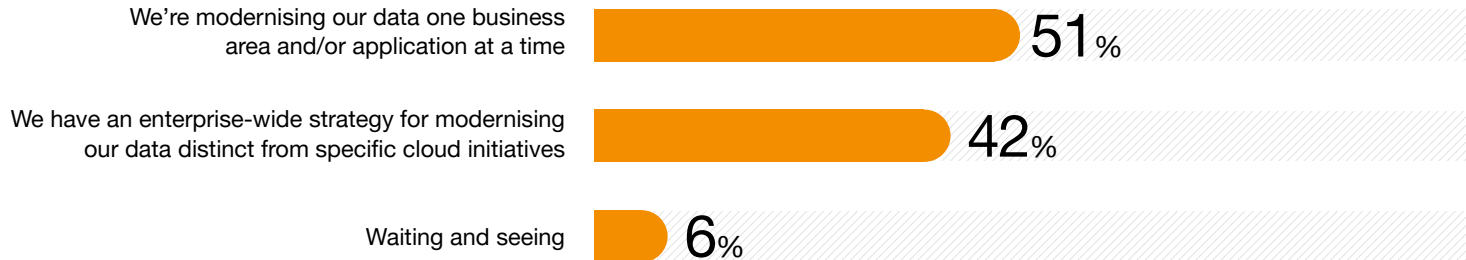
Advanced technologies like generative AI open exciting new possibilities, and cloud adoption is a prerequisite for success. EMEA businesses are ready to make the leap.

Companies have a real sense of urgency about their move to cloud. A primary driver for this? The experience they need to provide to their customers and to their employees. Where the latter is concerned, this is a top priority both for retaining in-demand talent and addressing rapid employee turnover.

Employees expect to be working with modern toolsets and these can be bought out of the box from cloud providers. This trend was vastly accelerated by the pandemic, as companies sought to rapidly move employee-driven functions – such as communications and document management solutions – to cloud to support people working from home.

Having moved employee-driven functions to cloud, we're now seeing companies beginning to move their core business functionality (CRM, Sales, Finance, Supply Chain and so on) to cloud in incremental steps, using step-by-step migrations geared to minimize risk. Companies use each discrete cloud program to accumulate experience and leading practice. The determination of which functions to move – and when – is based on an assessment of their relative criticality and complexity.

Company's data strategy



Around half of EMEA businesses are modernising one area at a time, with only

42%

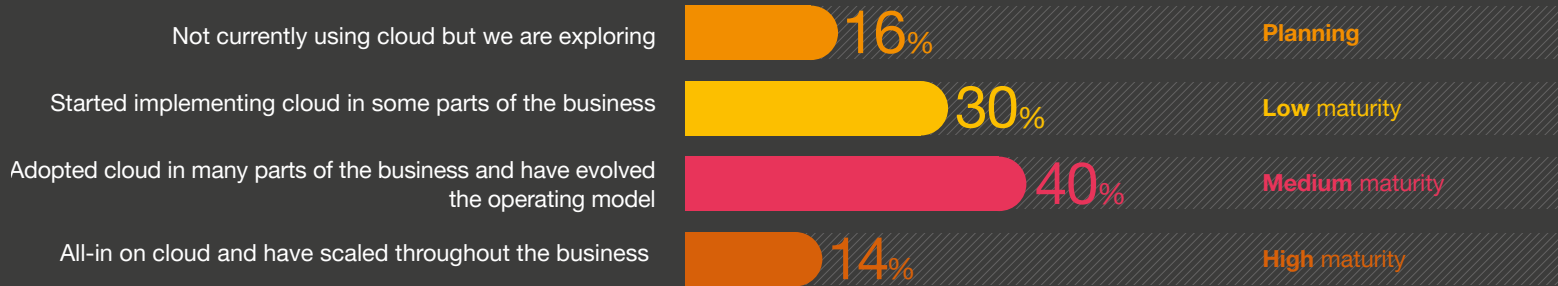
employing an enterprise-wide strategy.

Reflecting the structure of companies' multi-layered systems architectures, strategies for these cloud migrations are most likely to start with the less business-critical presentation layer, before moving on to the analytics layer and vital operational systems. Strategies must enable essential decisions to be made based on the sensitivity of different data classes (customer data, employee data,

payment data, health-dependent data and so on), taking account of related privacy and compliance issues, including GDPR in the EU. For this reason, the compliance workstream will be a core component of every cloud project. Best practice points to setting up a central compliance department, which is supported by local markets to ensure no regulations are infringed.

For the vast majority of businesses (86%) that are not currently all-in on cloud, three-quarters (73%) of them say that they'll have all their operations in the cloud within two years.

Cloud maturity in EMEA



54%

of companies in EMEA have already adopted cloud in all or most parts of their business.

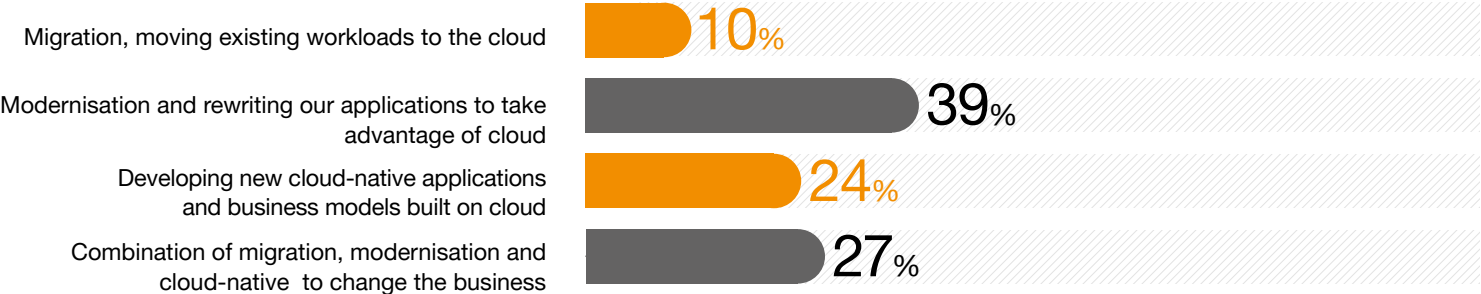
73%

of companies will have all their operations in the Cloud within two years.

The motivation behind this commitment goes far beyond 'lift and shift'. Many EMEA businesses' ambitions exceed migration and modernisation – they are looking to cloud to enable real enterprise-wide transformation.

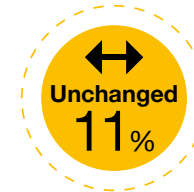
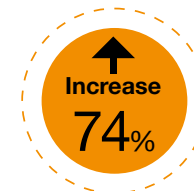
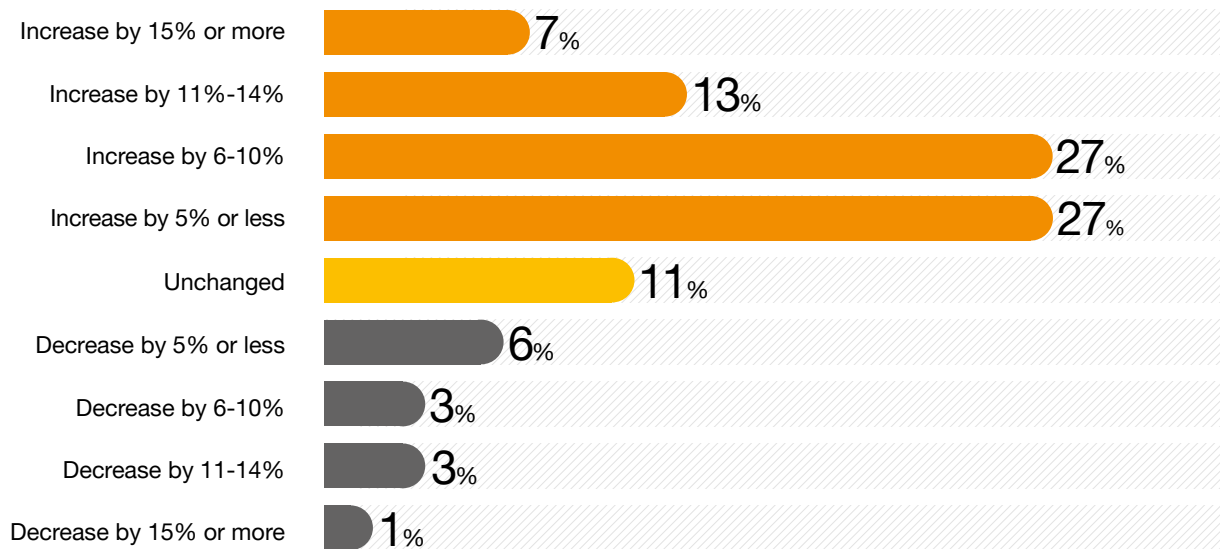


Primary reason for leveraging Cloud technology





How is your organisation's cloud budget changing in 2023?



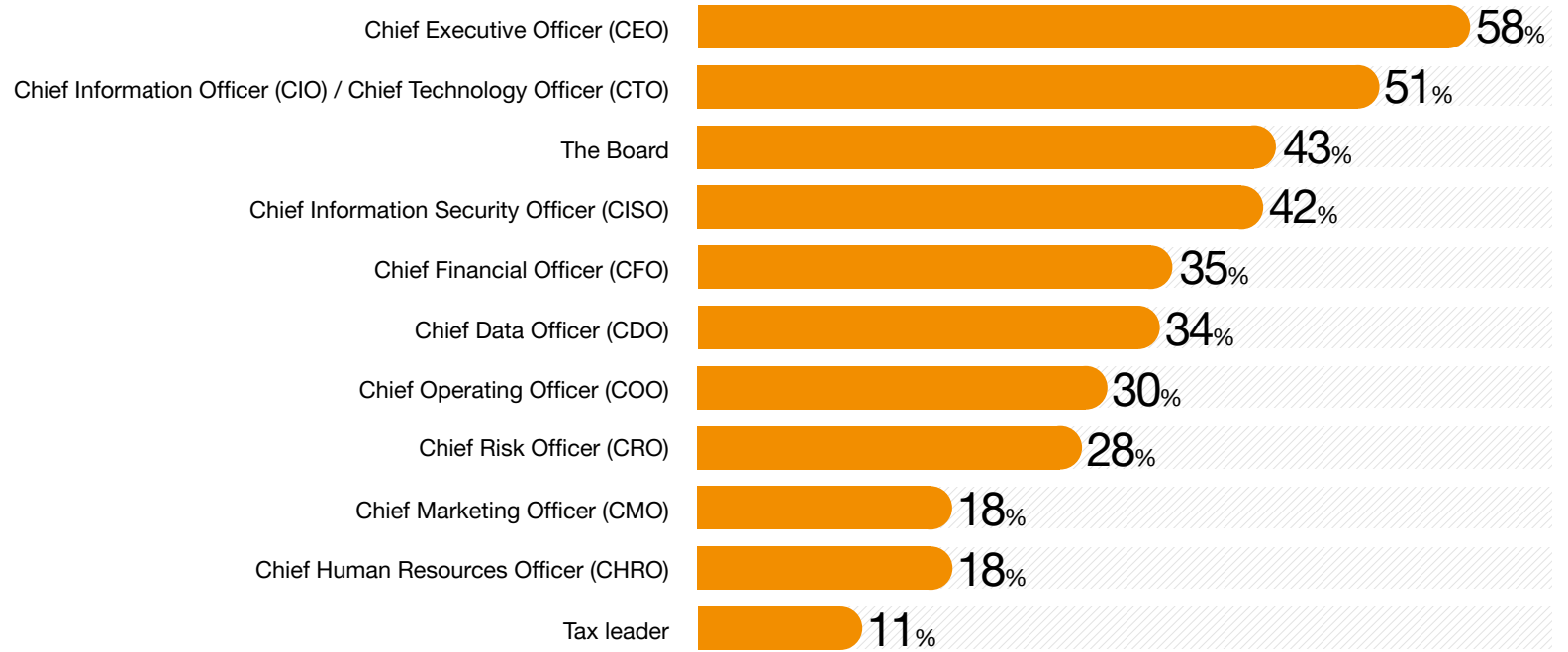
Accordingly, nearly three-quarters

74%

say that they will be increasing cloud spend in 2023.

Reflecting the profound business transformation that cloud enables, our survey shows that the most important cloud decision-makers are CEOs. Cloud is emphatically a C-suite, business-driven priority, rather than a technology-led initiative.

Most important decision makers involved in company's cloud transformation investment





2

Cloud is already generating value for one-third of all EMEA businesses. A further 50% expect to see returns within 12 months.

Having harmonised their business processes ahead of migration to public cloud, companies are ready to capture valuable efficiency gains. That's not all. With easier and faster access to enterprise data, productivity improves.

Real benefits can come through adoption of a data-mesh architecture, where ownership of data is transferred from, say, central business intelligence or department-level to the SME level, with specific data available for consumption on request. This improves decision-making by democratising access to data analytics and ensuring the requisite depth and quality of data to support every request.

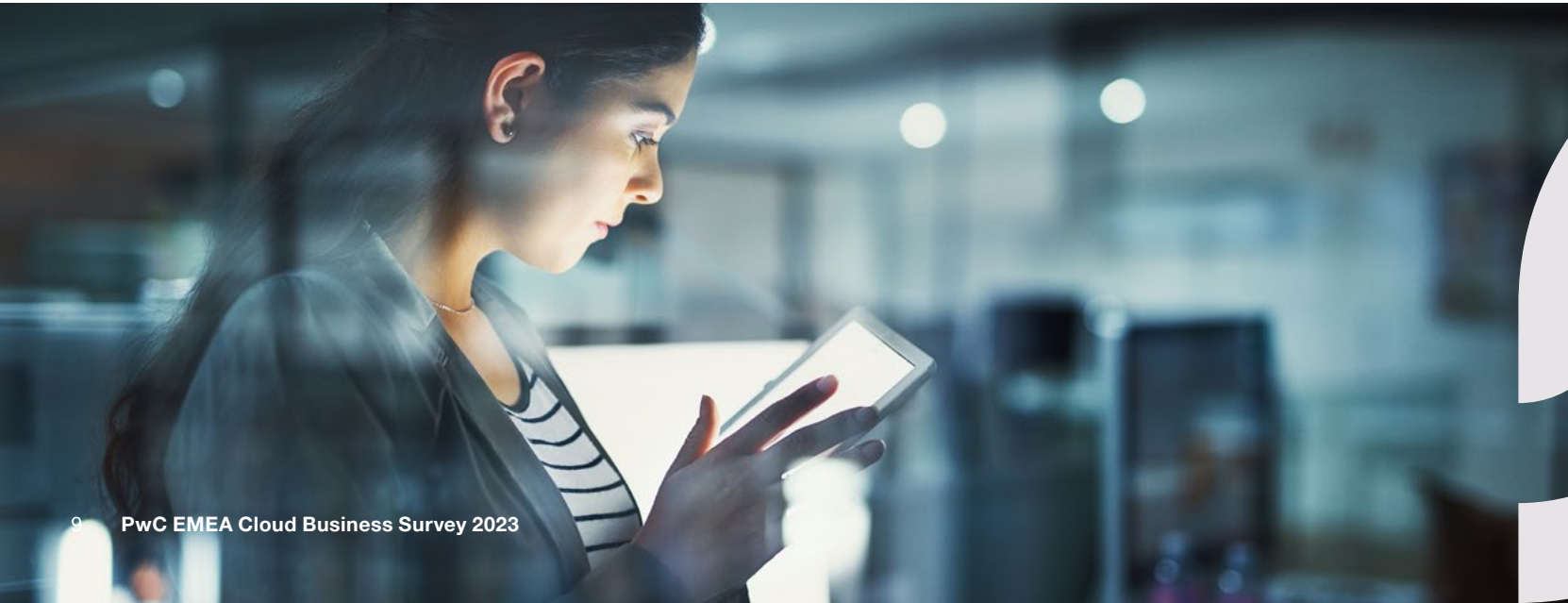
It's well-recognised that cloud can boost productivity and by making data available when and where it's needed, greatly enhance decision-making.

In fact, becoming a data-driven business is impossible without cloud. But some companies are realising other benefits. These range from improved customer experience (the #1 benefit they identify) to greater agility, innovation in products and services, and new revenue streams. The cost savings, that cloud's 'pay-as-you-go' model supports, are also cited as a leading benefit, as is enhanced stakeholder trust.

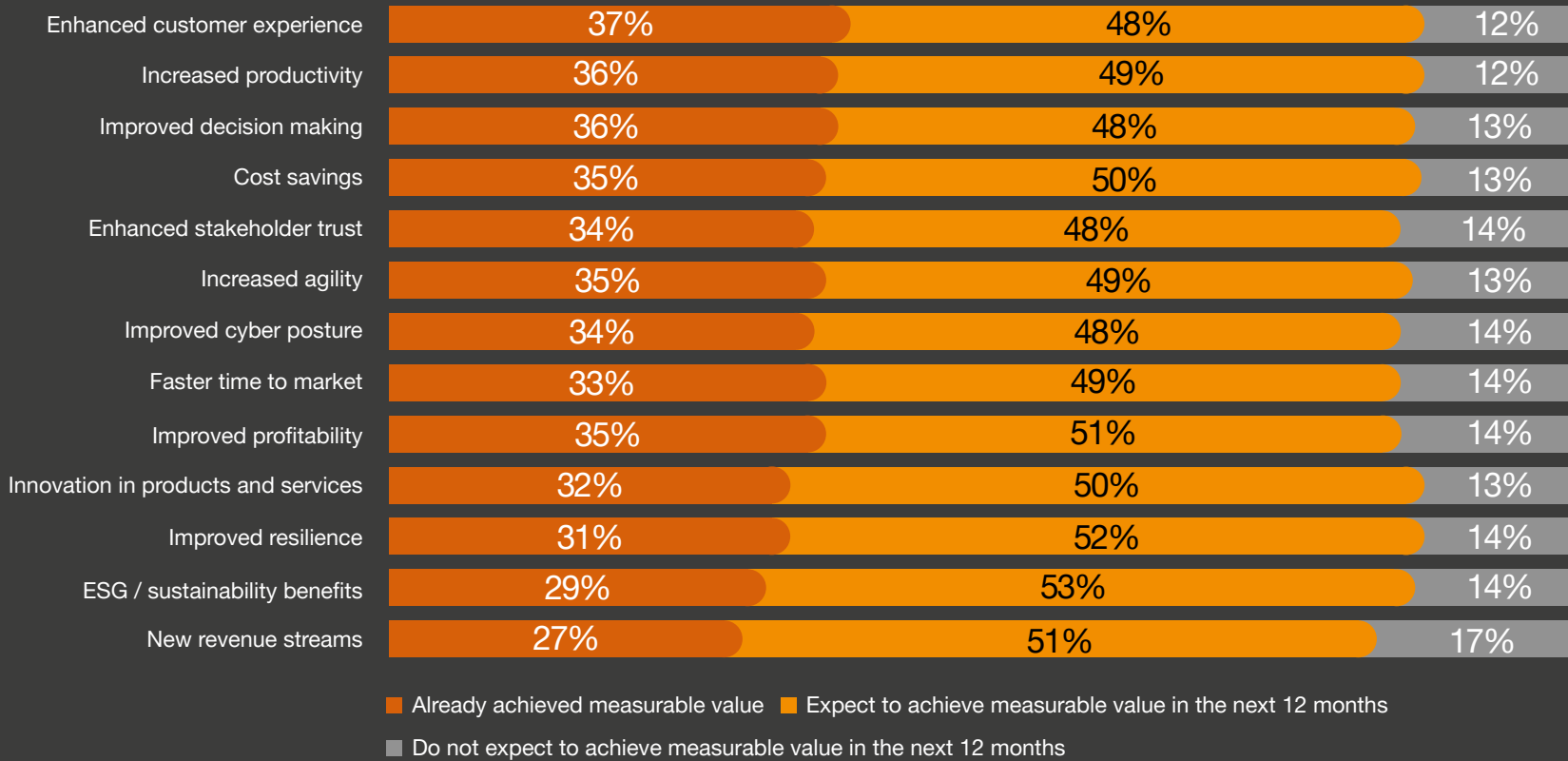
The key areas of value generated by cloud will be highly dependent on each company's industry sector and, within the business, on the stakeholder concerned. Cost-driven companies in highly competitive markets will naturally prioritise the need for efficiency gains. For companies that operate in fast-moving markets, the focus may well be more on the overall front-end experience.

At a functional-level, team leads in production will be seeking greater efficiency. CFOs will be targeting cost savings. CIOs will be looking for increased speed, flexibility and future-readiness. And Sales will be looking to improve the customer experience.

So clearly, while cloud transformations can and should deliver real financial benefits, there are also many non-financial benefits within reach. For this reason, the entire C-suite needs to be involved in the cloud journey from the outset, fully committed to it and prepared to champion it to the wider business. The bottom line? Cloud is not just a tech issue. It's a business-wide undertaking – with business-wide benefits.



Cloud technology delivering measurable value





3

Some barriers remain to
achieving full cloud value

With all spending under real pressure, it's no surprise that companies identify budget as the biggest barrier. They are far from alone.

Our [US survey](#) revealed the same finding. However, most companies also say that they will increase investment in cloud in 2023. So while budgets are a justifiable concern, there's no question that, long term, investments in cloud more than pay their way. Increased efficiency, reduced cost, higher productivity and so on all offset upfront cloud spend.

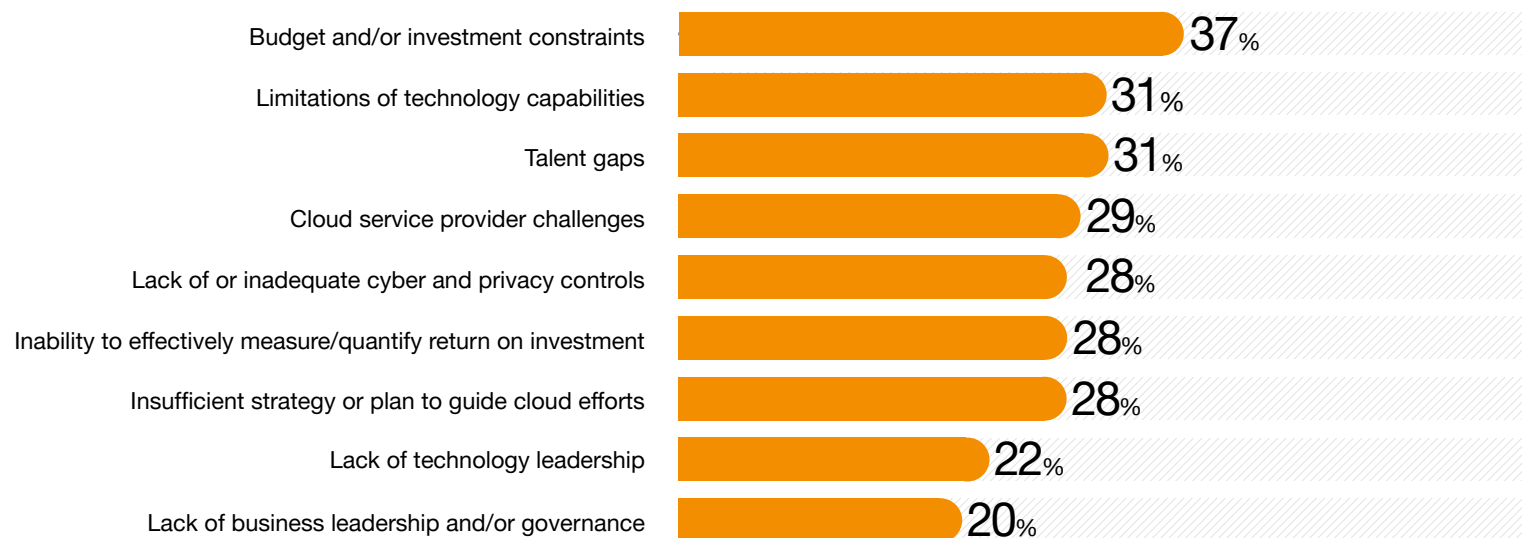
But the second – and third-ranked barriers to value are perhaps less easy for companies to overcome. The lack of skilled cloud talent and limited technology capabilities are a real issue for all businesses. Scarce talent is highly sought after, and companies are competing like never before for the best and brightest with the most in-demand skills.

It's essential, therefore, that businesses move fast to develop the right targeted talent strategies and put resources behind upskilling current employees with the capabilities they need. So what are the areas they need most? As they plan their cloud transformations over the next 12 months, companies in EMEA say that the most

important are cybersecurity and the skills needed to gather requirements for cloud migration and project management.

Dedicated change management capabilities are crucial during adoption of new cloud solutions. Having grown accustomed to the tools they've used over many years, employees need support with their transition to new ways of working. Additionally, recognising that core skills including cyber security and project management are in short supply in the current market, companies can also investigate managed services as a route through which they can dial up and dial down in-demand capabilities as required.

Barriers to achieving measurable value



Retaining/upskilling talent

How do you plan to acquire these skill? – 4 most important technology skills over the next 12 months



For the top 4 important tech skills, almost half of companies are planning to retrain existing talent, with a third seeking to utilise managed services



Insource versus outsource

Overcoming the common challenges and uncertainty involved in modernising applications and moving workloads to the cloud demands insightful planning and diligent execution. While there's no single right answer and every business is different, there are a few important issues every company should bear in mind.

To determine whether to insource, outsource or combine the two, think about the following:

- Start with business goals as the #1 priority: rapidly identifying how your cloud modernisation and migration strategy can help you achieve them.
- Establish a flexible cloud foundation that brings together security, compliance and efficiency. Work iteratively to achieve quick wins and build momentum so you can show ROI from an early stage.
- Develop a comprehensive migration and modernisation methodology that is clearly understood and followed by the whole project team from first steps to final outcomes.
- Use proven automation tools to simplify and accelerate the process from infrastructure deployment and code release to data transfer and security validation.





4

5 key actions to take
to achieve the full value
from cloud

By analysing where companies are achieving multiple measurable benefits from cloud, we were able to identify a leading group: the cloud-powered companies.

They are outperforming other businesses by some margin. 83% of them have increased revenue over the last six to nine months (compared with 67% of other businesses), and 89% expect to increase their revenue over the next 12 months (compared with 78% of others). 60% have implemented an enterprise-wide transformation, compared with 42% of others.

So what sets their approach to cloud apart?



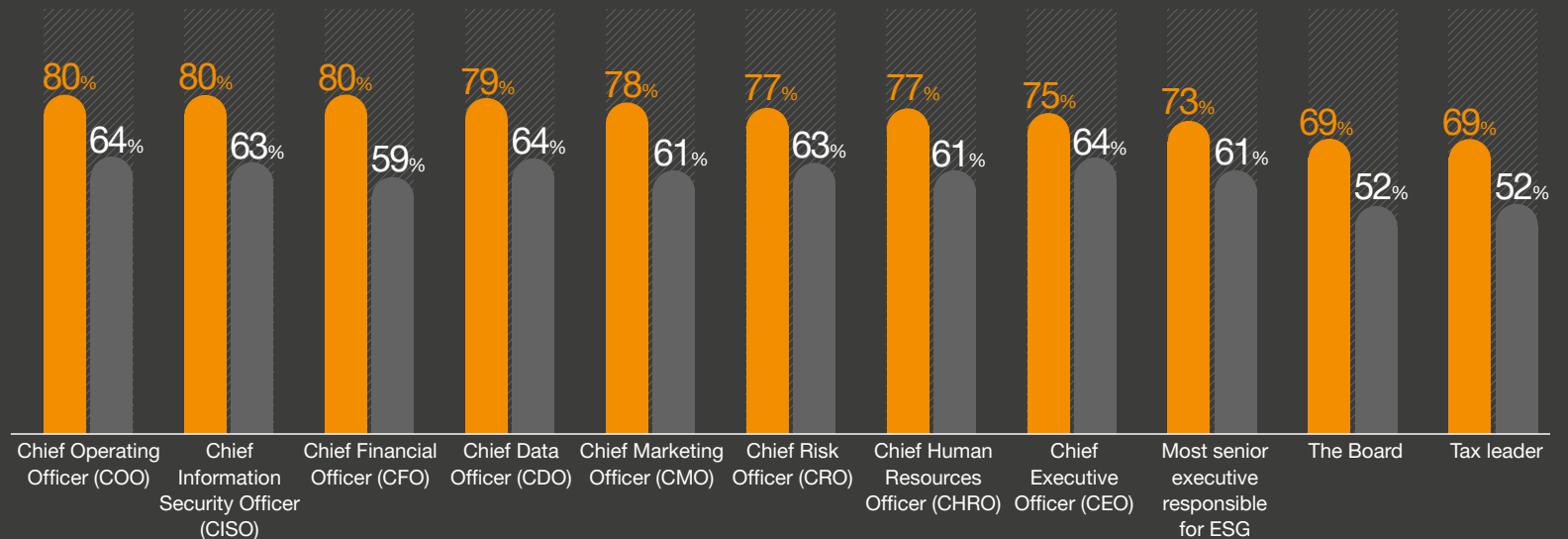
They have stronger alliances across the C-suite, combining the business and tech roles they need to achieve and sustain cloud success.

Enterprise-wide cloud adoption will only take root with C-level support that inspires change. To build acceptance and accelerate adoption, it's essential for the CEO to lead by example, demonstrating the business benefits that cloud provides beyond a pure technology focus. More broadly, it's vital to get the support of all executives to ensure that cloud isn't adopted and used in a siloed way. A key message? Successful cloud projects depend on close alignment and seamless communication between the Business and IT.

If the new cloud-powered processes don't work for the business, the cloud transformation won't succeed. Here too, leadership plays a key role in ensuring that this alignment is there from the outset. There's another angle to this. Few cloud projects are delivered on schedule. The complexities involved can often mean that delays of one or two years are not unusual. When this happens, companies need to have strong support from management to maintain momentum and deal with criticism from elsewhere in the organisation.

Cloud-powered companies are more likely to have stronger alliances with their C-suite colleagues, across both Business and Tech roles, to facilitate a collaborative approach to cloud transformation

% with strong working relationship



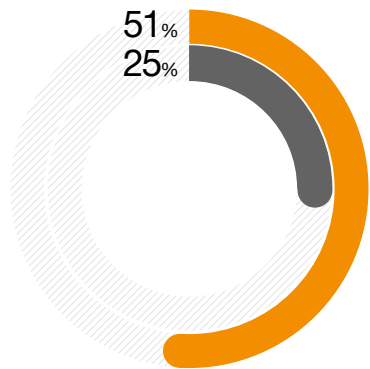
■ Cloud Powered Companies ■ Other companies



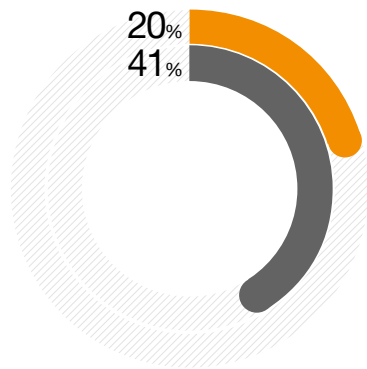
They take a combinatorial route to cloud transformation, blending migration, modernisation, and cloud-native approaches to transform their business

Cloud-powered companies don't take a linear approach to cloud, going from workload migration to asset modernization to cloud-native development. Instead, they take a combined approach, based on a clear picture of what they want to achieve and supported by robust architectural governance that is aligned to defined business goals. An architectural roadmap allows companies to clearly differentiate the precise case for cloud migration for each application.

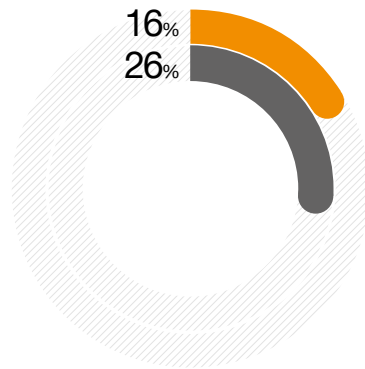
That, in turn, enables the prioritisation of resources required to ensure optimal value creation. The roadmap also clarifies dependencies and thus the prioritisation of structural cloud services that allow easier implementation and scaling of value generating cloud-based services later. And last but not least, a combined approach prevents the accumulation of new (cloud-based) technical debt and enables the organisation to remain agile and adapt quickly to changes as they arise.



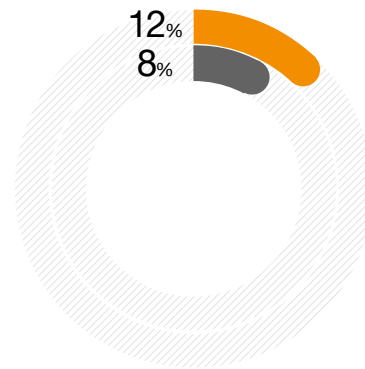
Combination of migration, modernisation and cloud-native to change the business



Modernisation and rewriting our applications to take advantage of cloud



Developing new cloud-native applications and business models built on cloud



Migration, moving existing workloads to the cloud

■ Cloud Powered Companies ■ Other companies

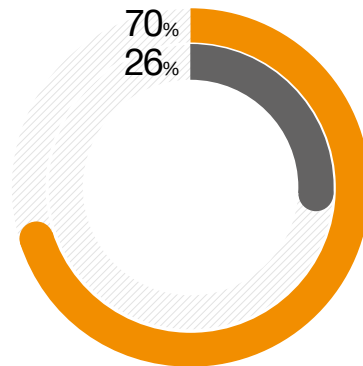
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They place a heavy emphasis on cloud controls and governance

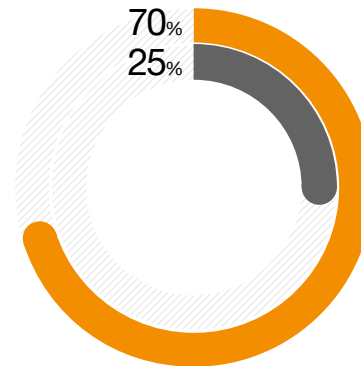
When it comes to adopting leading practices, cloud-powered companies are more mature in across their organisation especially regarding governance and risk than other businesses. Gaining the full benefits of cloud-based services depends on a company having clearly defined processes and responsibilities and imposing strict discipline on the way cloud is deployed day-to-day. Sticking to the principles of scalability, usability and automation is essential. Every permitted exemption, workaround put in place or one-off solution implemented will increase friction and impose additional effort that prevents scarce resources from creating more value in the future. And controls and governance must be more than a paper exercise. They have to be lived by everyone in the company, from the CEO to administrators, every day.

Cloud-powered companies are more Advanced than other companies in adopting leading practices across cloud governance, risk and controls. However, even amongst this group there is opportunity for improvement.

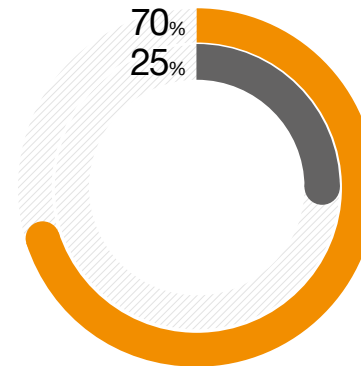
% stating they have implemented cloud controls



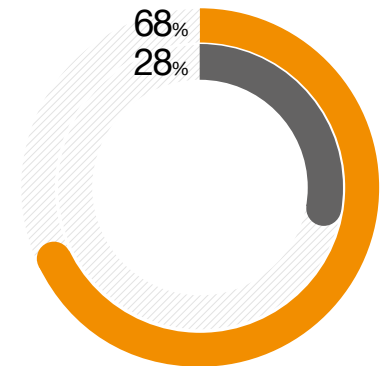
Technically-upskilled resources dedicated to our cloud governance, risk and controls environment



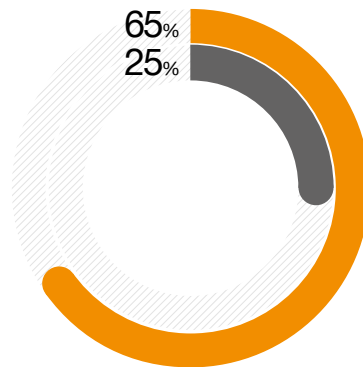
A common controls framework tailored to consider cloud risk and controls



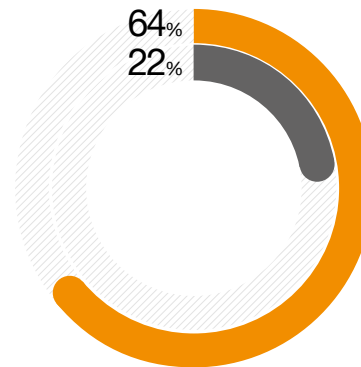
Robust evaluation of shared responsibilities between our organisation and our cloud service providers that is documented



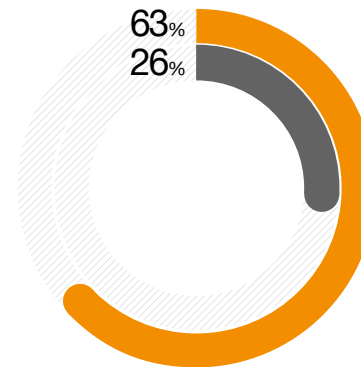
Policies and procedures that are tailored to cloud risk and controls



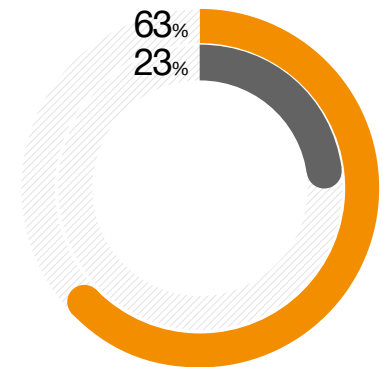
A cloud governance, risk and controls framework that is owned by a single business function



Formal cloud controls that are separate and distinct from our other compliance and/or controls framework



Cloud controls designed to optimise workloads (e.g., increased automation, reduced lag in processing), availability and resiliency of workloads



Cross-functional stakeholder agreement on our cloud governance, risk and controls framework

4

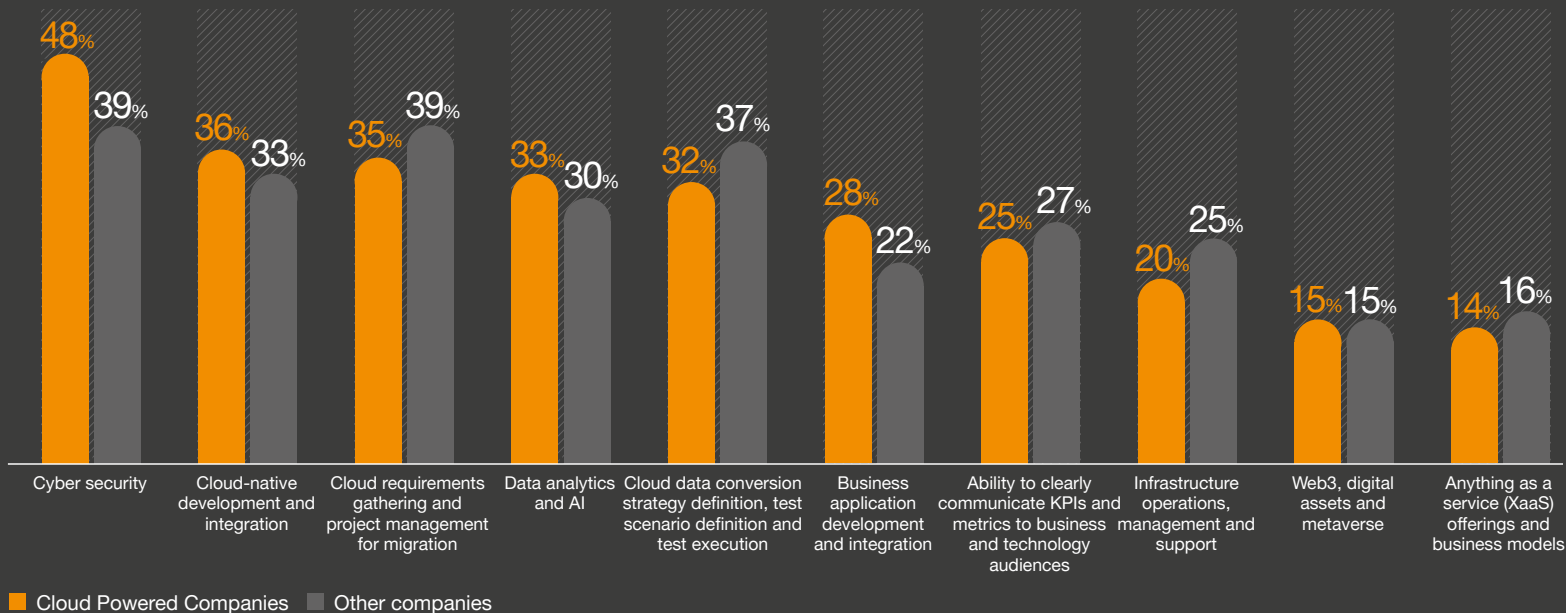
They focus on building cybersecurity skills over the next year to support their cloud transformation goals

Because cloud transformation calls for an enterprise-wide commitment, cloud project teams must combine multiple skillsets and perspectives, a ‘community of problem-solvers’ in other words – not just technical, but also strategic, operational, security, business function-specific, psychological, legal, IP, process expertise and so on.

Overall, where skills are concerned, companies need to drive a mindset change and fail-fast mentality throughout the organisation through which employees feel empowered to assume more responsibility and make decisions. This will help to accelerate a truly cloud-powered culture.

Cloud-powered companies are particularly focusing on building cybersecurity skills over the next year to support their cloud transformation goals.

Technology skills most important to build over the next 12 months



5

They are much more likely to have an enterprise-wide data strategy than other companies

69% of cloud-powered companies have an enterprise-wide data strategy compared with 43% of others. They do this by having a streamlined architecture to modernise their data into an integrated view; creating the right governance structures and concentrating on building the skills and operational changes they need to become a data-driven organisation.

Implementing the right data strategy and governance structure is crucial. This can, however, also present a significant challenge. Unlike the US, which has harmonised data privacy regulation nationwide, multinationals operating in Europe will need to take account

of the different regulations in force across the 27 member states, as well as overarching EU data regulation (the GDPR). Companies need to build a digital data model for the entire business, taking account of key issues including compliance, as well as interfaces, maintenance facilities, traceability. Decisions will also have to be made on deactivation of certain cloud solutions ahead of migration to ensure there is no infringement of local regulations (for example, employee analytics/people performance measurement is not permitted in some territories).



Conclusion – The way forward

The dramatic arrival of generative AI and the rush to capitalise on its advantages is proving to be a vital spur to European companies' cloud modernisation journeys. The stark choice? Will we fundamentally transform the way the business consumes IT, or get left behind?

As our survey shows, even though the decision is clear-cut, migration to cloud is far from easy. In such a complex and fast-changing environment, many companies continue to struggle to modernise.

This is where the proliferation of industry cloud solutions can be a game-changer. Our survey reveals 55% of the surveyed companies already use industry cloud solutions and for those who are not currently using an industry cloud solutions, 37% is are planning to do it within the next two years. When cloud technology first hit the market, it was a mainly one-size-fits-all proposition – organisations contracted with a handful of major providers and received a blank slate on which to build new virtualised networks, storage and computer services.

With no customisation, everything had to be built from scratch. Now this has emphatically changed, thanks to the introduction of industry cloud (cloud-based platforms, products or services configured to provide industry-specific capabilities).

Benefits of using industry Cloud solutions

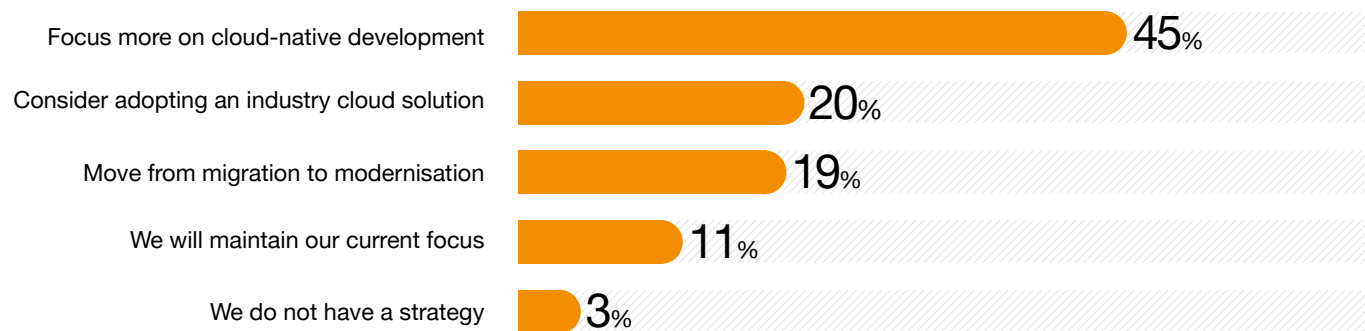


The top benefits associated with using industry cloud solutions are improvements in security features, followed by improved data access / quality and workflow efficiencies – inline with the US findings

While industry cloud is a rapidly evolving category, it's easiest to think of it as a way to kick-start cloud development in a manner that's designed for the specific challenges and requirements of your industry. Industry cloud offers the specialised services that modern businesses need to get the most from their cloud investments in part by bypassing services they don't need.

This explains the broad-based uptake of industry cloud across European businesses – it's proving to be an effective way to help companies, whatever their sector, accelerate, improve and innovate in their particular, specialised space.

Cloud technology strategy over the next 12 months



Looking ahead to the next 2 months, almost half of EMEA companies surveyed will focus more on cloud-native development – in line with US findings



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About the survey

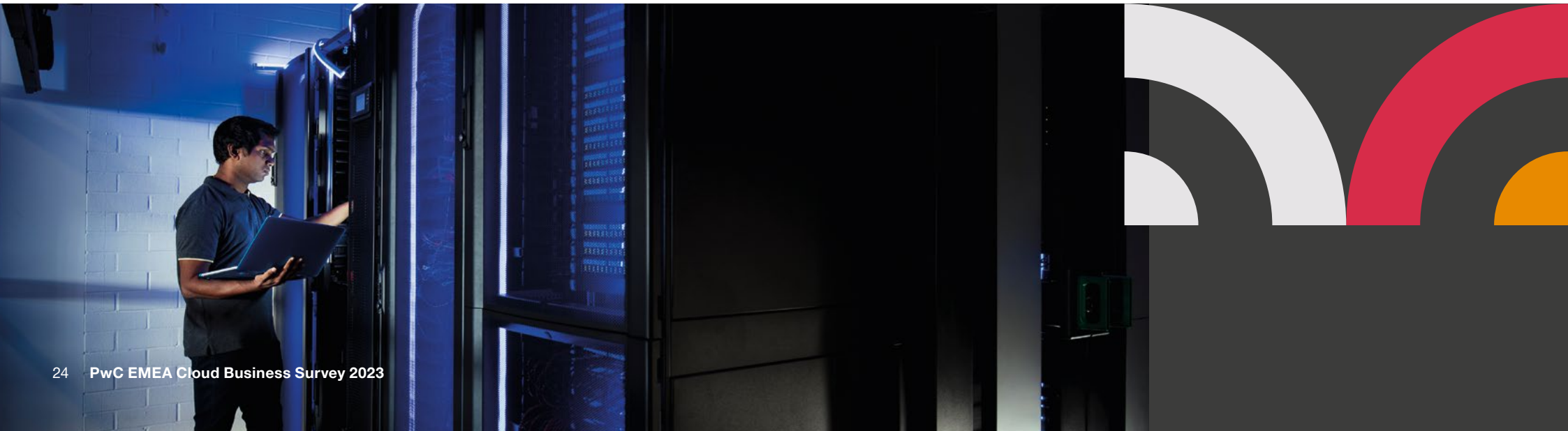
Methology

Between April and May 2023, PwC surveyed 2,209 Business and Tech leaders across EMEA from Western Europe (56%), Central & Eastern Europe (18%), Middle East (19%) and Africa (7%).

Respondents were from public and private companies in seven major industries: industrial products (22%), financial services (18%), consumer markets (18%), technology, media and telecommunications (18%), energy, utilities and resources (11%), health (8%) and government & public sector (4%).

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