As organizations look to the future, they must take stock of existing infrastructure and processes and **ensure that they are scalable, accessible, and agile and support an outstanding employee and customer experience.** Organizations need to invest in digital transformation (including software modernization and a shift to the cloud) to remain competitive in today's dynamic world.

How Cloud Modernization Achieves Business Resilience

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Introduction

Words such as *agility*, *scalability*, *adaptability*, and *resiliency* are part of every conversation related to cloud computing. While these words are used to describe cloud's value overall, the meaning and impact are unique to each business and potentially to each functional area and/or use case.

It is generally accepted that the recent health crisis has accelerated adoption of cloud and digital technologies. According to IDC's *Worldwide Whole Cloud Forecast, 2021–2025*, for cloud, the impact of the pandemic has been to accelerate adoption, making it the dominant model for delivery of foundational technology services and/or resources in the next five years. By 2025, total worldwide spending on cloud services, the hardware and software components underpinning the cloud supply chain, and the professional and managed services opportunities around cloud services will surpass $1.3 trillion while sustaining a double-digit compound annual growth rate (CAGR) of 17%.

We also know that in addition to an accelerated shift to the cloud, many pandemic-era work practices and technology advances will endure to support hybrid work models. In recent IDC research, 45% of respondents globally expected remote and hybrid work models to be an accepted part of work practices (see **Figure 1**, next page). In the same survey, 36% noted a reliance on cloud-based connectivity, devices, applications, and services. Most importantly, more than one third of those surveyed are focused on employee experience as a high priority and a driver of business growth and innovation.

At a Glance

Public and dedicated cloud as a service has become the dominant strategy for businesses worldwide, including for content services.

Key Stats

One third of organizations that have shifted to the cloud experienced improved security, enhanced customer experience, and better business agility.

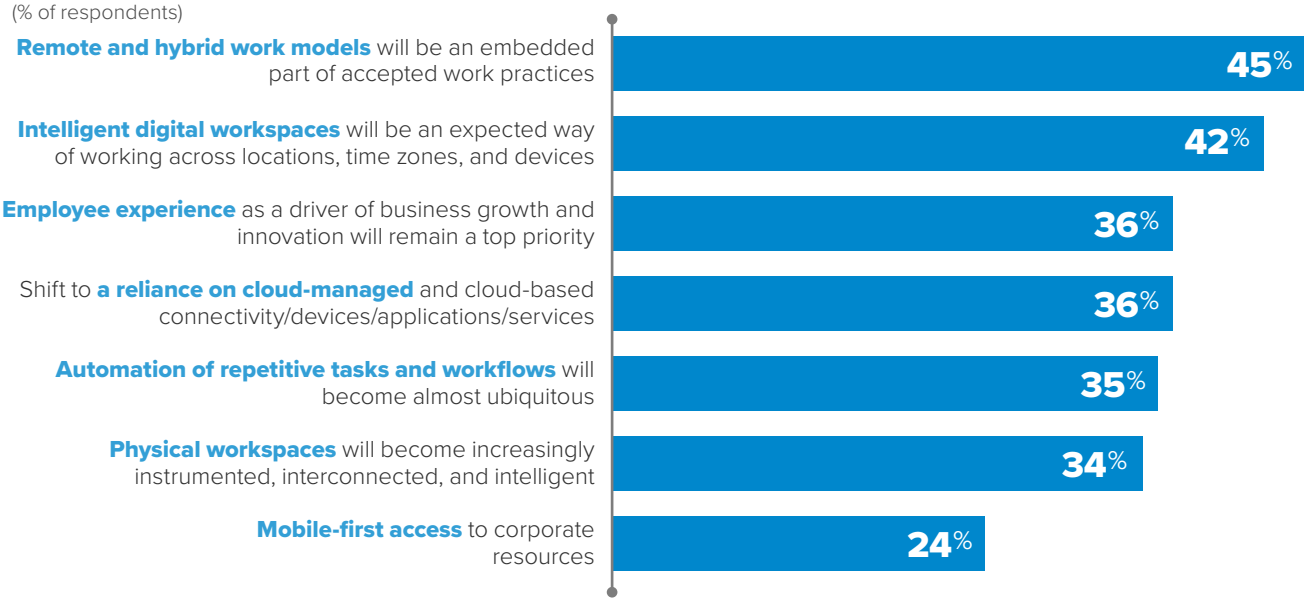
Key Takeaways

- Traditional software models do not support ongoing digital resiliency.
- Organizations must invest in digital transformation with modernization at the core.

Figure 1: A New Work Model

Q. In your opinion, which work practices and technology advances emerging from the pandemic are most likely to endure within your organization?

(% of respondents)



n = 858, Source: IDC *Future Enterprise Resiliency & Spending Survey – Wave 11*, December 2021

As organizations look to the future, they must take stock of existing infrastructure and processes and ensure that they are scalable, accessible, and agile and support an outstanding employee and customer experience. This IDC Spotlight focuses on enterprise modernization and the benefits of innovative, digital-first, and cloud-enabled solutions. As noted previously, context is critical; therefore, later sections of this document will review the impact of cloud services on content services.

Definitions

Content services	Technologies that enable users to capture, create, share, route, collaborate on, organize, and store unstructured or semi-structured content in a variety of formats, including text, images, audio, and video. Technologies that are in-scope include enterprise content management, content sharing and collaboration, intelligent document processing applications, automated document generation, and electronic signatures and/or electronic forms.
Dedicated (private) cloud services	Services delivered as a subscription or a managed service agreement provided by cloud, colocation, outsourcing, or managed service providers to their enterprise customers.
Hybrid cloud	Hybrid models that span dedicated on-premises, hosted managed assets, and cloud services (both dedicated hosted and shared public).
Hybrid work	A dynamic work model in which workers conduct business at diverse locations (on premises, in the field, or at a remote location) or moving between locations.
Public cloud services	Services shared among unrelated enterprises and/or consumers, open to a largely unrestricted universe of potential users, and designed for a market, not a single enterprise.
Software-as-a-service applications (SaaS apps)	Services based on a service composition and delivery model made up of a utility computing environment in which unrelated customers share a common application and infrastructure that is managed by an independent software vendor or a third-party service provider. The code or intellectual property of the service is typically owned by the software-as-a-service ISV.

SaaS, Cloud Software, and Business Platforms

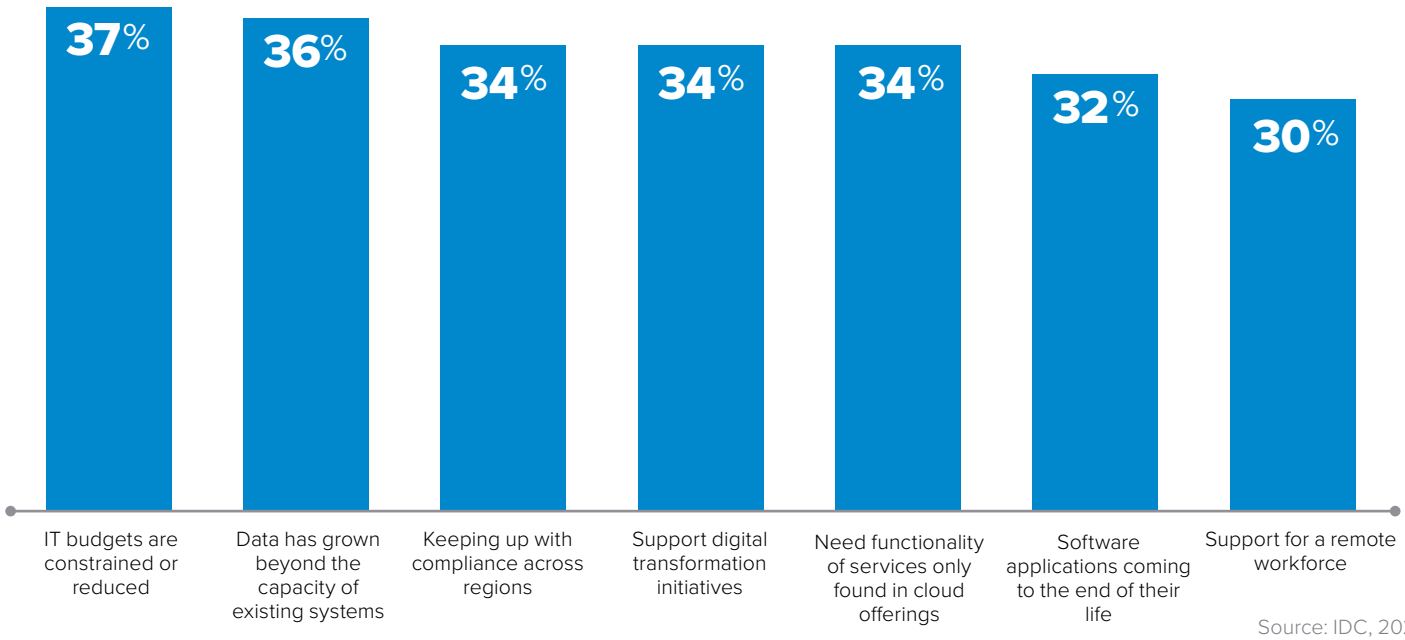
Shared (public) cloud as a service for infrastructure, platforms, and various software-as-a-service (SaaS) offerings continues to be the largest, and fastest-increasing, engine of growth for the whole cloud market. SaaS applications are projected to grow at a CAGR of 15% from 2020 to 2024, reaching $302 billion by 2025.

According to IDC's *SaaSPath Survey, 2021*, 81% of businesses across all vertical and functional markets currently use SaaS solutions or plan to deploy them within the next 12 months. SaaS deployments span public, private, and hybrid clouds. Seventy-four percent of respondents indicated that their organization plans to increase spending on SaaS solutions, with 36% indicating an increase greater than 10%.

The effects of a rapid and unplanned expansion of remote workers accelerated SaaS adoption timelines. Businesses prioritized user experience to drive faster adoption and time to value. Access to new cloud-only features to support innovation enhances the value of SaaS. Survey respondents indicated several important triggers for these initiatives, as shown in **Figure 2**.

FIGURE 2: Triggers for SaaS Deployment

(% of respondents)



Source: IDC, 2021

A New Generation of SaaS

Businesses across regions and industries continue to benefit from continuous SaaS provider innovation. SaaS has become a linchpin of digital transformation. As companies recover from myriad disruptive challenges, innovation accelerators including artificial intelligence (AI), Internet of things (IoT), and advanced analytics power a new breed of business applications that are intelligent, responsive, modular in design, and data-centric. Modern SaaS applications are built to take full advantage of the immense scalability of public cloud. According to IDC's CloudShare 2021, 48% of ISVs leverage microservices and containers to support demand for a more agile, hybrid, and distributed IT environment. Businesses rely on new-generation SaaS to address today's needs and adapt to changes in the future. Modular design means the constraints of tightly coupled monolithic applications are removed, and businesses can access the latest features and a continuous stream of innovative capabilities that support the rigours of a digital business that seeks to attain a broad range of operational and aspirational outcomes. IDC research shows that more than 80% of SaaS buyers would pay more for business applications that feature cloud-native architecture.

Benefits of Modernization

The unprecedented growth in cloud services can be attributed to the outcomes realized by businesses engaging in cloud-driven modernization and digital transformation worldwide. According to IDC's *Industry CloudPath 2021*, businesses achieve improvements in operational and aspiration performance metrics, including improved security, enhanced customer experience, and improved business agility (see **Figure 3**).

FIGURE 3: Metrics Driven by Cloud-Driven Modernization and Digital Transformation

(% of respondents)

Source: IDC's *Industry CloudPath Survey*, 2021

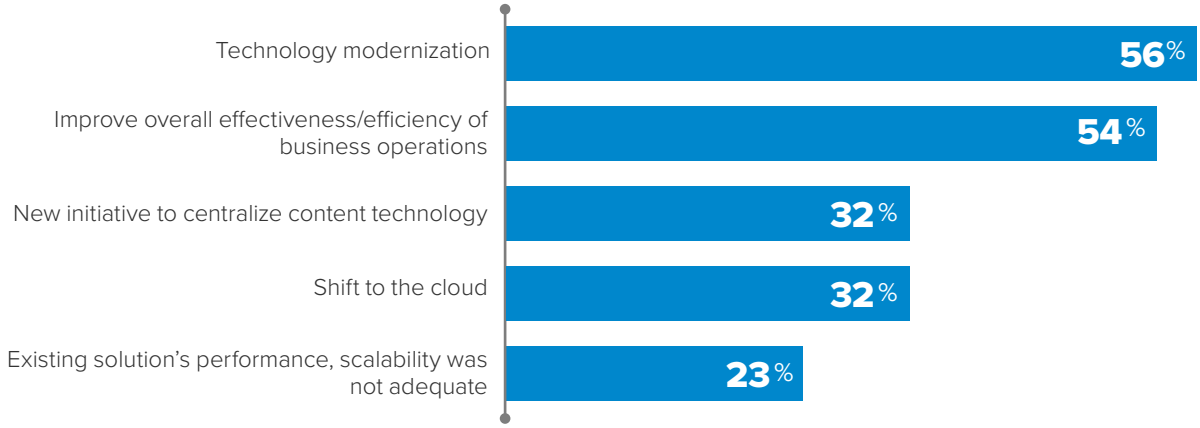
Cloud Content Services

What, specifically, is driving investment in content services within the enterprise? In recent IDC research we asked respondents about the top 3 technology drivers for making those investments, as shown in **Figure 4**. Over half indicated that modernization (56%) and improved efficiency of business operations (54%) were primary objectives. Just under one third noted centralization of content technology or a shift to the cloud as a top technology driver, and just under one quarter invested for better performance and/or scalability.

Figure 4: Technology Drivers for Modernization of Content Services

Q. What are the top 3 technology drivers for investing in content services?

(% of respondents)



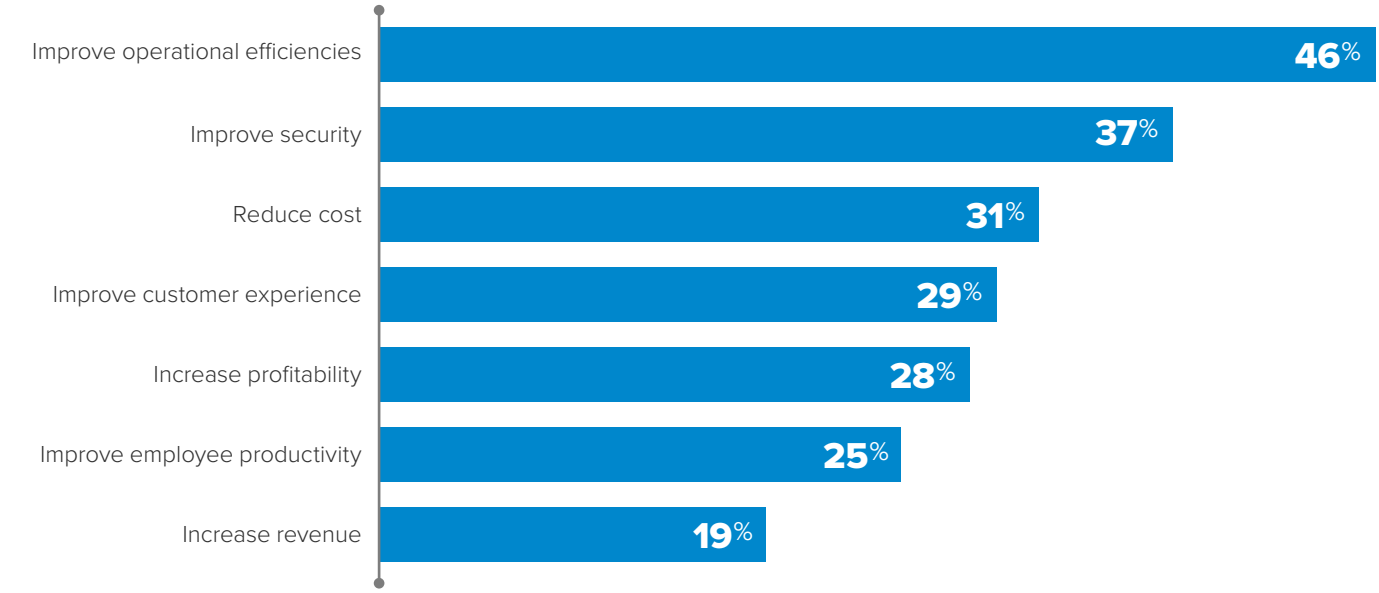
n = 103, Source: IDC *US – IT QuickPoll – Content Services Survey*, January 2022

We also asked about the top 3 business objectives for content services investments, shown in **Figure 5**. Not surprisingly, the top response aligned with the technology drivers: Almost half of respondents (46%) indicated that improving operational efficiencies was among the top investment objectives. Other key business objectives were improved security, cost reduction, an improved customer experience, increased profitability, and improved employee productivity.

Figure 5: Business Objectives for Modernization of Content Services

Q. What are your organization's top 3 business objectives for investing in content services?

(% of respondents)



n = 103, Source: IDC *US – IT QuickPoll – Content Services Survey*, January 2022

Today, many organizations have shifted to some type of cloud-enabled solution for enterprise content services. In our survey, only 14% of content services workloads were deployed in an on-premises location. Almost one quarter of workloads (23%) are attributed to SaaS, multi-tenant cloud-based applications, while the remaining content services workloads are almost evenly distributed between other public cloud, private cloud, and hybrid platforms.

The benefits of a shift to cloud content services are compelling. Almost half (48%) of respondents indicated that cloud solutions are more secure. Just under 40% noted that cloud solutions are easier to maintain and that they enable remote accessibility, critical for today's hybrid work model.

About one third mentioned the following benefits of cloud content services:

- Quick to deploy
- Faster time to value
- Supports collaboration tools
- Enhanced employee experience

In addition to a shift to the cloud, IDC's research also indicates a shift to increased modularity, enabling organizations to address a broad range of enterprise use cases more easily. While about half of respondents to our survey are deploying content services as a unified platform or preconfigured modules that offer all or most of the required capabilities out of the box (with the option to add modules, connectors, and/or cloud services), the other half are deploying individual software modules or cloud services that they integrate themselves for specific use cases via connectors or APIs.

Considerations

Application modernization and the shift to the cloud are not without their set of challenges, however. Top concerns included IT governance issues, difficulty in centrally managing IT systems, and reduced customization opportunities. Interestingly, some of the concerns expressed by respondents to our survey mirrored the drivers for moving to the cloud, including security concerns, vendor and price lock-in, and regulatory or compliance issues.

The modernization of content services technologies is also beset with challenges. Many organizations face obstacles associated with integrating siloed organizations and enterprise applications. For some, the sheer volume of enterprise content is an impediment, as is inadequate employee skills and/or training.

Conclusion

Each month, IDC deploys a global survey to take the pulse of the IT industry. This survey consistently indicates that organizations that invest in digital transformation initiatives experience better business outcomes, including 23% improvement in operational efficiency, 26% increase in employee productivity, and 25% reduction in business risk. Application modernization and a shift to the cloud must be key components of any organization's digital transformation strategy.

Hybrid work models, distributed teams, and evolving customer experiences are facts of today's business environment. Traditional software models, including for content services, are neither scalable nor robust enough to support ongoing digital resiliency, growth, and innovation. This means that organizations need to invest in digital transformation (including software modernization and a shift to the cloud) to remain competitive in today's dynamic world.

Digital transformation initiatives experience better business outcomes:

23% Improvement in operational efficiency

26% Increase in employee productivity

25% Reduction in business risk

Source: IDC *Future Enterprise Resiliency & Spending Survey - Wave 11*, December 2021

About the Analysts

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Holly Muscolino is the group vice president for Content Strategies and the Future of Work, responsible for research related to innovation and transformation in content solutions, including intelligent document processing, esignature, and other and content workflow services. Ms. Muscolino's core coverage also includes work transformation and the role of technology in driving the Future of Work.

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Frank Della Rosa is research vice president for IDC's SaaS, Business Platforms, and Industry Clouds practice and leads CloudShare, IDC's emerging ISV repository and intelligence service. Mr. Della Rosa's core research focus provides in-depth analysis, strategy, and guidance to both technology suppliers and enterprise buyers on various aspects of cloud computing, including hybrid cloud and multicloud adoption, strategy, buyer behaviour, trends across vertical and functional markets, and geographies.

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