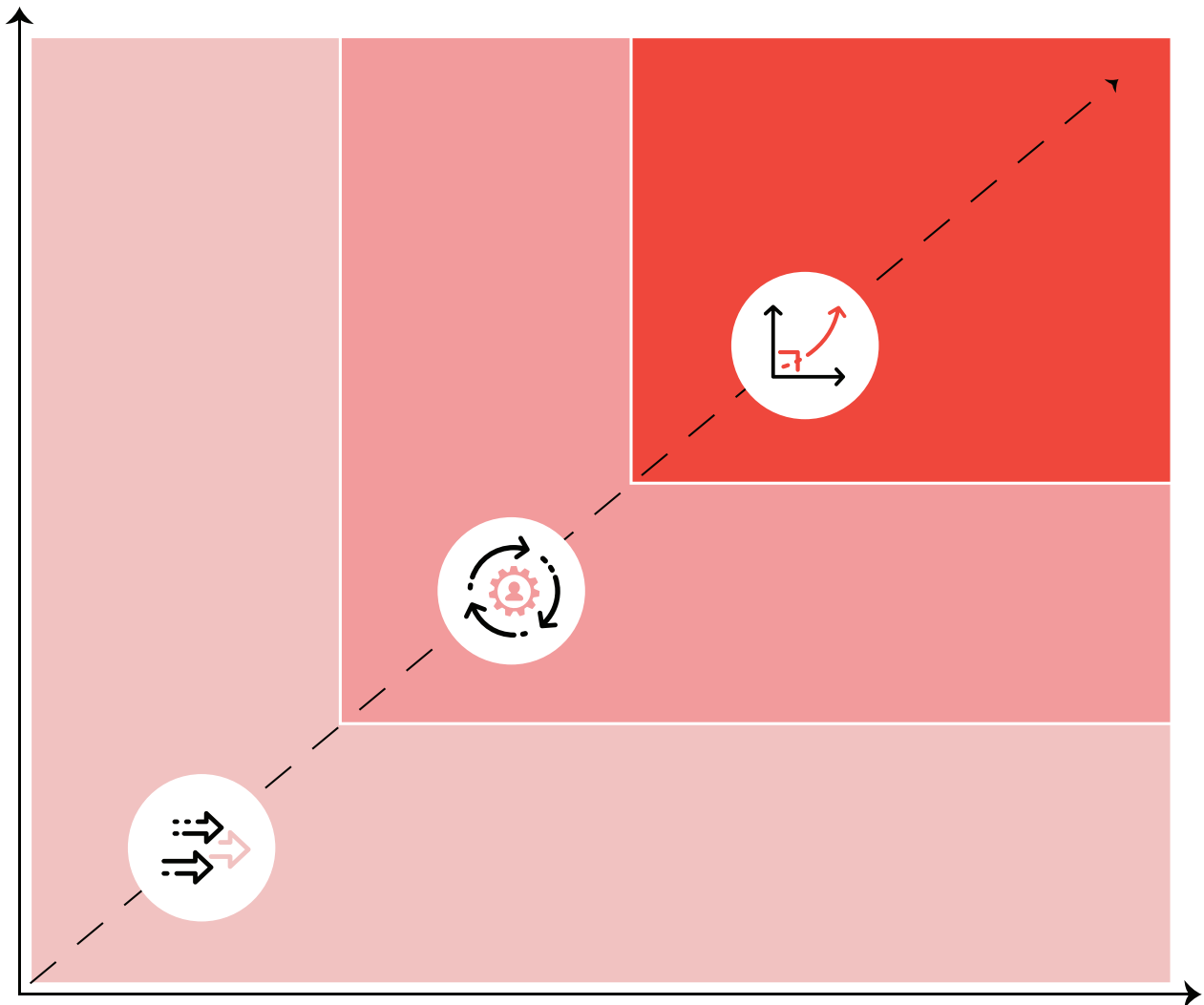


A D A P T

Market Trend Report

Introducing the ADAPT Exponential Value Roadmap



Written by



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Matt Boon is responsible for directing and developing ADAPT's research content and positions. He advises and brings together C-Suite executives across the end-user and technology provider landscape to prepare them for the myriad of challenges and opportunities they face.



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About ADAPT

ADAPT is a specialist Research & Advisory firm providing local market insights and benchmarking data to ANZ's senior technology and business community.

Since 2011, we've been empowering the leaders of the region's top enterprise and government organisations to stay at the forefront of modern trends and build for the future. Our industry leading conferences, private roundtable events and custom research projects equip business leaders with the knowledge, relationships, inspiration and tools they need to make better strategic decisions.

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Executive Summary

According to the 2022 Global Innovation Index Australia ranked 25th, not shifting year on year from 2021 and slipping 5 places since 2018.

In its quest to help Australian organisations thrive, ADAPT developed the **Exponential Value Roadmap (EVR)** so they can move from simply “*doing enough*” to becoming global powerhouses of innovation and growth.

In this ADAPT EVR introductory research document there are four key takeaways:

- 01.** As the custodians of technology investment and enablement, on average CIOs have less than 10% of their IT budgets allocated to Innovation.
- 02.** Organisations at the higher end of the ADAPT EVR derive 35% of their revenues from innovation.
- 03.** Organisations at the higher end of the ADAPT EVR achieve almost double the net profit of their counterparts who have not progressed beyond merely doing enough.
- 04.** Organisations at the higher end of the ADAPT EVR deliver significantly increased revenue growth and value from operational and customer centric initiatives.

Developed over two years, the ADAPT EVR is designed to help organisations realise significantly higher business value through:

- Benchmarking the organisation’s business maturity and technology operations against industry peers and high performers.
- Identifying areas to elevate business maturity with the right focus on strategy, experience, and technology execution.
- Providing a roadmap that prioritises execution and offers best practices to realise greater business value.

The ADAPT EVR focuses on advancing business functions through three stages of maturity as shown in *Figure 1* below – beginning with Modernised IT (classified as doing enough), progressing to a Connected Business, with the aim of becoming an Exponential Enterprise.

EVR Maturity Stages

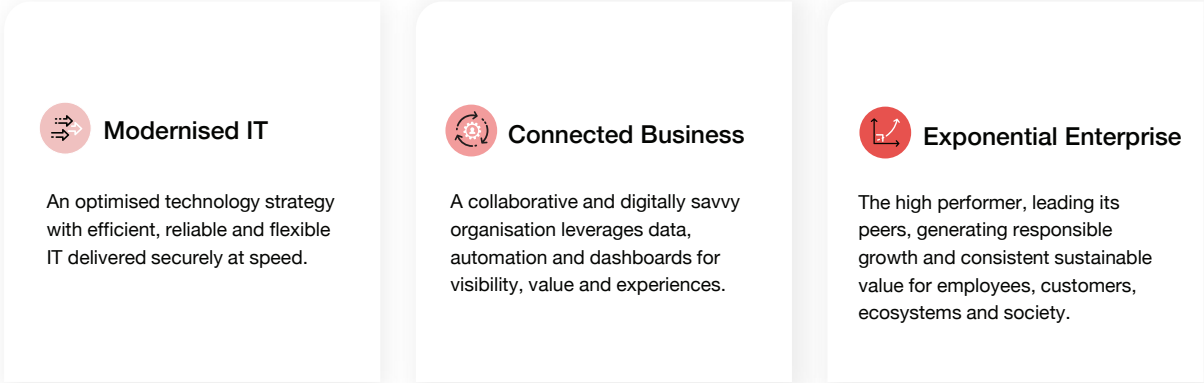
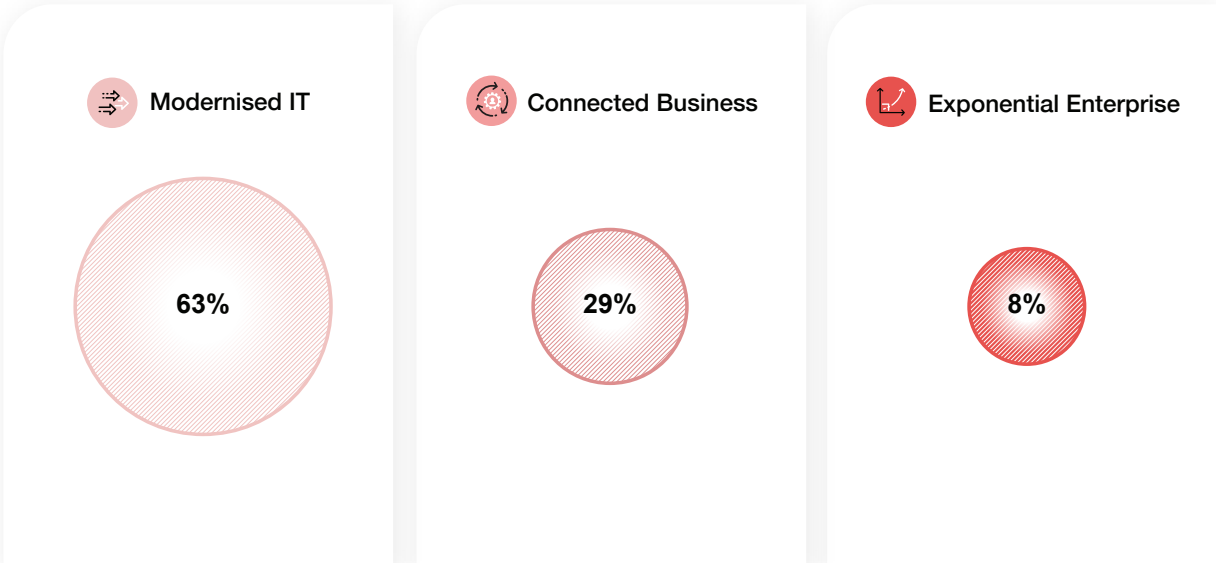


Figure 1: Maturity levels of organisations in the ADAPT Exponential Value Roadmap

Worryingly, as illustrated in *Figure 2* below, ADAPT can reveal that over 60% of Australian and New Zealand organisational investment, focus, and resources are spent on Modernised IT, to put it simply, “just doing enough”.



Source: CIO Edge 2022, Feb 2023, Digital Edge June 2022: 419 CIOs and Digital Leaders

Figure 2: Australian and New Zealand organisations primary resource focus and allocation across the ADAPT EVR maturity stages

1

Becoming an Exponential Enterprise

Organisations can re-prioritise resource allocation within the ten levers identified in each of the stages of the ADAPT EVR shown in *Figure 3* below.

This will accelerate their ability to move from the table stakes of Modernised IT towards the nirvana of the Exponential Enterprise.

EVR Maturity Stages

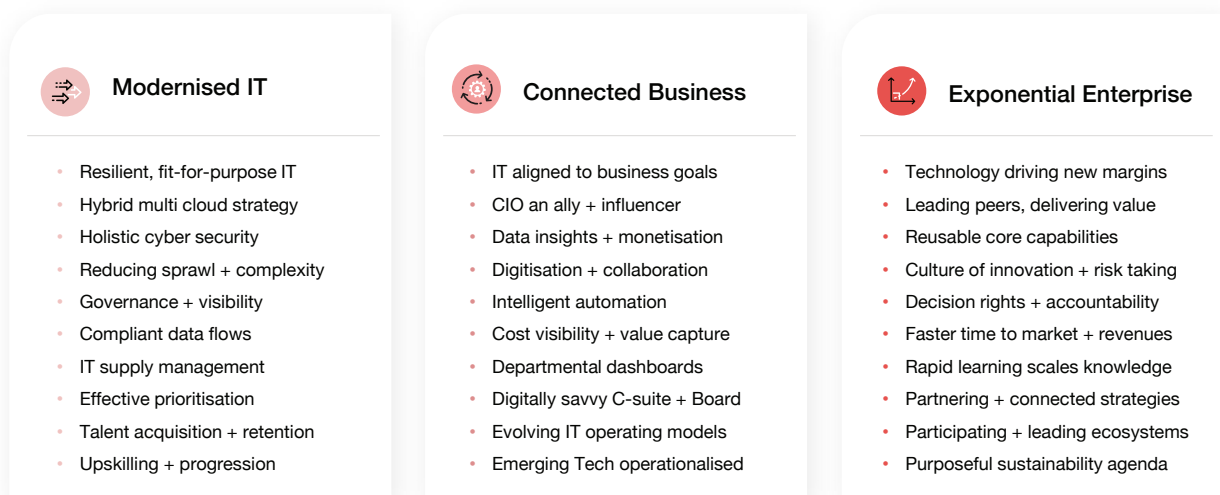


Figure 3: Key attributes of each organisation in the ADAPT Exponential Value Roadmap

The ADAPT EVR proves that as organisations progress through the stages of maturity, the results include:

- increased levels of innovation
- better risk management and governance
- higher levels of stakeholder value.

The ADAPT EVR involves benchmarking organisations across more than 90 metrics, and 22,000 data points from 250 (and growing) local Enterprise and Government organisations responsible for 35% of Australia's GDP.

Metrics are aligned to business value and maturity that are uniquely relevant to Australian organisations.

The ADAPT EVR process provides a specific and broadly applicable assessment of an organisations' business and technology functions.

It enables an organisation to assess and enact change based on board-level risk appetites, executive vision, and leadership strategy as well as the experiences, insights, and technology foundations necessary to achieve responsible growth.

Why aim to be an Exponential Enterprise?

Exponential Enterprises achieve 22% net profit, almost double that of their peers focused more heavily on modernised (just doing enough) activities. (See *Figure 4*)

Therefore, the aim of becoming an Exponential Enterprise should be driven by the desire to achieve significant operational and value driven improvements across all levels of an organisation.

Revenue, net profits, innovation, governance, and stakeholder experience will improve as a result. This will create a significant competitive edge, positioning your organisation for long-term success and growth.

As depicted above, the starting point for many organisations in the ADAPT EVR, is Modernised IT. This is the foundational stage for organisations embarking on the journey through the ADAPT EVR to realise greater business value.

Along the road to creating an exponential enabled competitive edge, organisations must then become a Connected Business.

A Connected Business adopts platform and API-based strategies, business and technology operations, agile methodologies, fosters collaboration and innovation, and invests in its workforce, customer experience, and data-driven insights.

To drive a strategy towards the Exponential Enterprise, CIOs must accelerate innovation, digital transformation, and agile methodologies.

Sandip Kumar, Director of Strategy, Transformation and Major Capital, is responsible for aligning IT and corporate strategies at Gold Coast Health (GCH).

He has been on this journey for over three years.

In examining the challenges GCH faced, Kumar noted:

“ Measuring business value as an outcome of technology investment is still a foreign topic for IT leaders.”

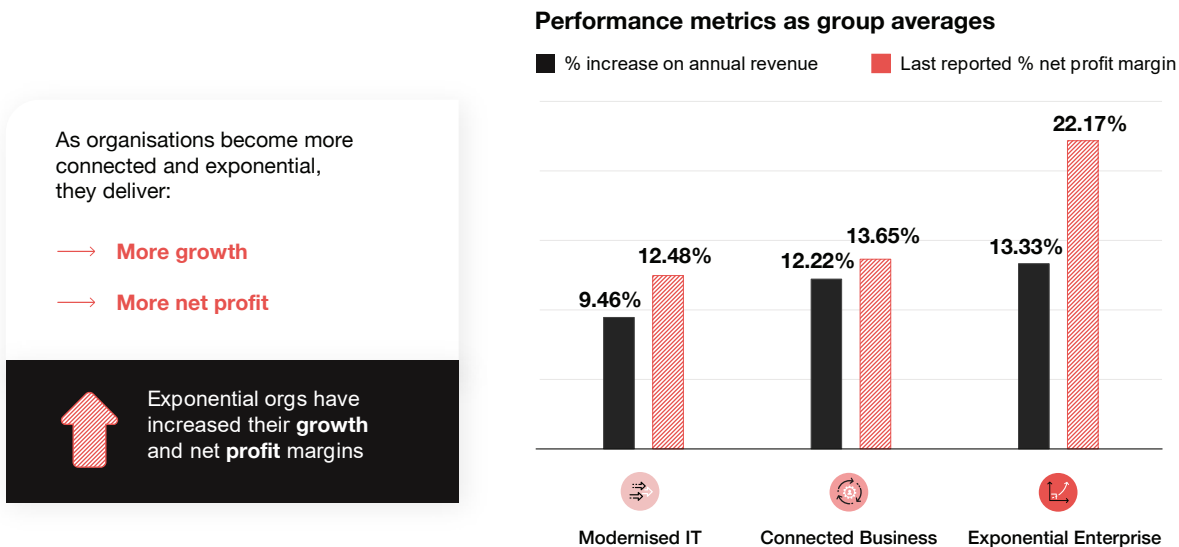
Kumar followed an iterative approach aligned with the EVR, to progress GCH from Modernised IT to an Exponential Enterprise by:

- **Adopting a role-based approach** to communicate a single digital imperative across people, process, and technologies.
- **Developing an approach** to define, measure and map business value through tangible outcomes across various stakeholders.
- **Renewing operating principles** to facilitate business value realisation from technology investments.

An ADAPT Case Study on value realisation and business maturity provides further details on how GCH is focused on becoming an Exponential Enterprise.

Figure 4 below shows that based on over a 13% increase in annual revenue, Exponential Enterprises achieve over 22% net profit, almost double that of organisations focused on Modernised IT (12%) and considerably more than the Connected Business, at just under 14%.

What is the Benefit of ADAPT’s Exponential Value Roadmap model?



Source: CIO Edge 2022, Feb 2023: 187 CIOs and Head of Technology

Figure 4: A key outcome of the ADAPT EVR for Australian and New Zealand organisations is increased revenue and net profit margin.

Increased efficiency and reduced friction enabled by automation, digitisation, and modernisation are the drivers for this improvement in exponential enterprises bottom line and profitability.

While embracing emerging technologies is important, it is equally crucial to prioritise strong foundational technology, risk management, and business resilience to accelerate and sustain the promise of the Exponential Enterprise.

Organisations further along the ADAPT EVR journey can derive a higher proportion of their revenue from innovation – defined as new IP, products or services introduced within the past 3 years.

ADAPT has found that Exponential Enterprises are deriving 35% of their revenues from innovation. In contrast, modernised and connected organisations realise 24% and 25% of their revenues from this source, respectively.

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How Can CIOs Commence the Journey?

Drivers of Value Realisation

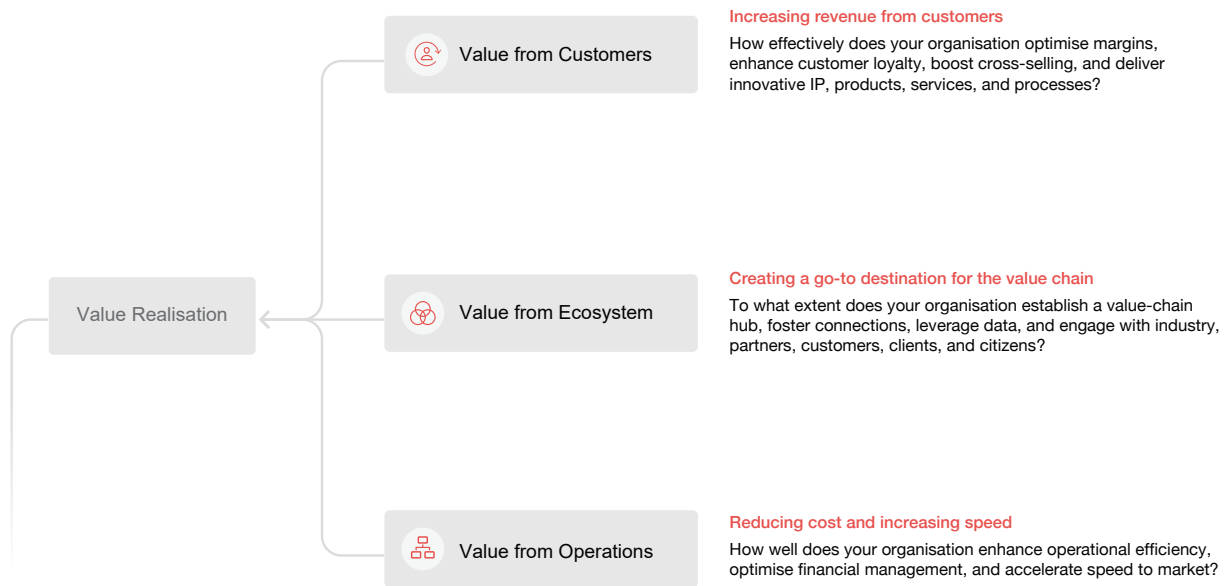


Figure 5: The fundamental value realisation drivers of the ADAPT EVR

The ADAPT EVR provides the CIO with the tools to maximise value realisation. ADAPT defines value realisation as creating and capturing benefits from business operations, customers, and ecosystems, as depicted above in *Figure 5*.

Completing the ADAPT EVR benchmarking exercise identifies the most valuable steps to take across seven layers of business maturity. These layers are further defined as part of an ADAPT EVR foundation business maturity as shown below in *Figure 6*.

Drivers of Business Maturity

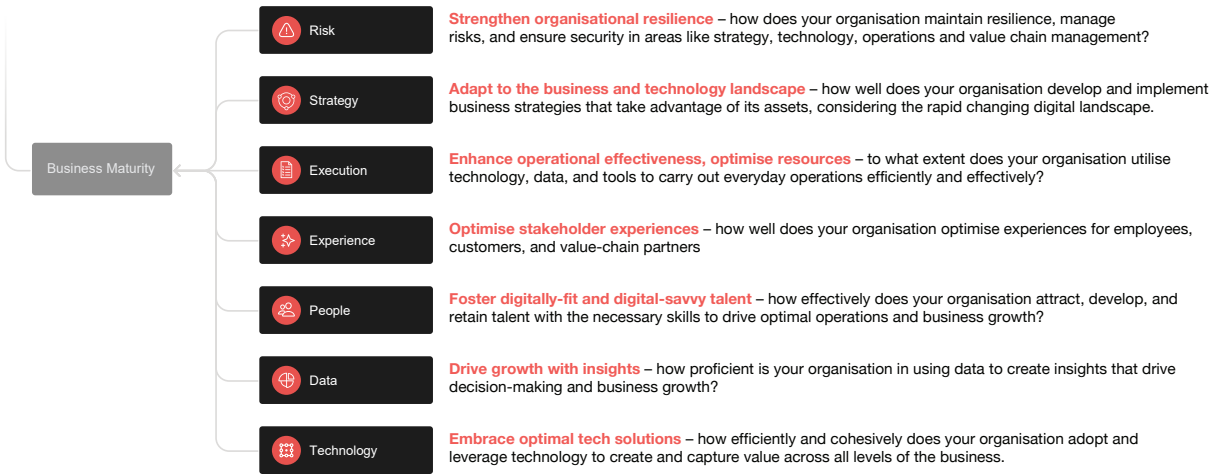


Figure 6: The fundamental business maturity drivers of the ADAPT EVR

Organisations can assess their current state and benchmark against national averages.

They can then prioritise, invest, and focus on the areas that create and capture the most value for their business.

4

What Key Benefits Can Organisations Gain by Adopting the ADAPT Exponential Value Roadmap?

Exponential Enterprises excel in crucial areas of their business, as illustrated in the following examples in *Table 1*:

Key areas of benefit	Beneficial outcomes
Highly cyber-resilient	Exponential Enterprises show high resilience with an average of 82%, placing these organisations in the top quartile of cyber-resilience.
Highly efficient in driving revenue increases through innovation	Innovation (new IP products or services within last 3 years) has a direct impact on revenue as organisations progress through maturity stages. As of February 2023, Exponential Enterprises achieve over 35% of their revenue from innovation compared to about 24% for their Modernised IT counterparts.
Digitally savvy boards and executives	Exponential Enterprises have digitally savvy boards and executives leading to a dramatic increase in value as they progress through the maturity curve.
Digitally fit employees	Exponential Enterprises can capitalise on 61% digital fitness across their employee base , further improving their ability to generate business value faster.
Highly effective at executive time management	In the top quartile, high performers spend 34% of their time managing their own functions compared to 42% for the bottom quartile. The additional time gained is spent working with external customers or partners and managing enterprise business capabilities.
Highly digitised	Exponential Enterprises are almost 50% more digitised than modernised or connected organisations , sitting at over 62%, versus 41.8% and 43.75% respectively.
Highly modernised	Exponential Enterprises are 92% modernised, and further research shows that highly modernised organisations have an average of 67% workloads in the public cloud . Organisations with low modernisation average 23% in the public cloud.
Exceptional at delivering customer, employee and ecosystem experiences	On average, Exponential Enterprises experience only 7% friction in delivering great customer experiences, while Modernised IT organisations experience over 35%.

Table 1: A selected overview of ADAPT EVR value drivers.

Executive Actions

Organisations that fail to keep up with the pace of change risk falling behind their competitors and failing to deliver value to their customers.

ADAPT recommends that leadership teams develop a business strategy that leverages the latest digital technologies and best practices to drive growth, increase efficiency, and deliver value to customers.

This requires a clear understanding of your organisation's industry sector, size, and definition of business value, mapped in the ADAPT EVR.

In addition, ADAPT provides supplementary research and advisory reports that detail market trends, best practices and use cases for Australian and New Zealand organisations striving to continuously evolve and optimise their digital capabilities and business value.

To thrive, leverage ADAPT's EVR for continuous benchmarking, enabling you to prioritise activities and focus on key actions such as:

- **Optimising the foundations** to improve operational effectiveness and productivity.
- **Prioritising cyber resilience** across all digital initiatives to protect the brand and reduce risk.
- **Raising brand and customer lifetime values** through targeted, high-value experiences.
- **Cultivating a culture of digital savviness** among board members and executives.
- **Investing in a continuous learning and development culture** driving the digital fitness of employees.
- **Optimising executive time management** improving productivity.
- **Continuously innovating**, fostering a culture of creativity to respond to changing market demands.
- **Embracing strategic data-governance**, analytics and improving insight-driven decision making.
- **Adopting a platform-based approach** for business and technology, increasing flexibility and scalability of operations.
- **Building and participating in strong ecosystems** to optimise access to resources and capabilities.
- **Tracking, understanding the value, and investing in relevant emerging technologies** to increase competitiveness.

Embarking upon the ADAPT Exponential Value Roadmap will help CIOs transform the organisation into a forward-thinking and thriving **Exponential Enterprise**.

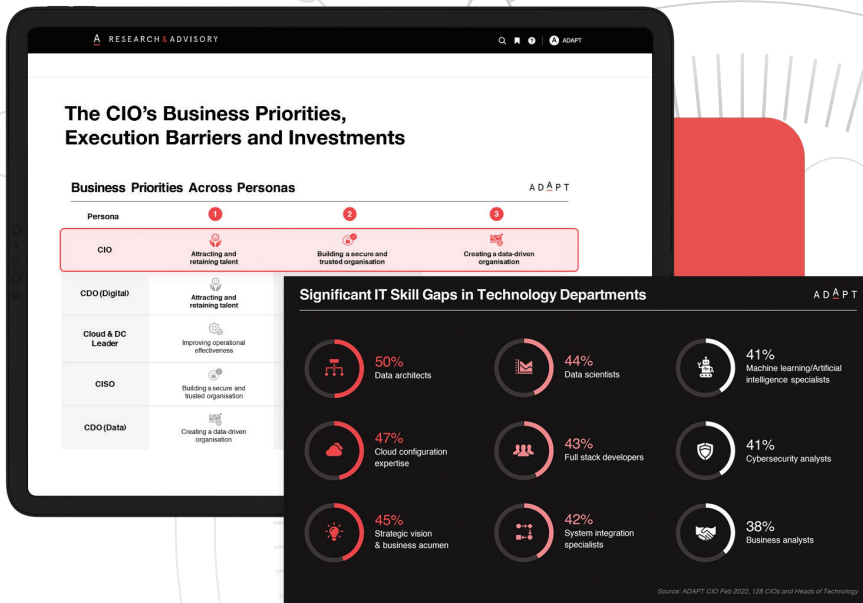
ADAPT

ANZ technology research, benchmarking & executive programs built for enterprise IT

We empower senior executives to pave the path to modernisation and build stronger business cases for technology teams.

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Stay ahead of emerging technology trends to capture value and lead change in the industry.

Security



Access global best practice to maintain security compliance, secure investment for end-user training and preserve trust.

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“The reason we chose ADAPT was a simple no brainer: domestic content. It’s a platform hosted in Australia, with all the data developed from Australian sources.”



Australian Government
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Working With ADAPT You Can



Validate enterprise strategy

Demonstrate the value of IT and overcome barriers to technology initiatives using ADAPT's proprietary ANZ data.



Learn how your peers are solving problems

Stay ahead of emerging technology trends to capture value and lead change in the industry.



Accelerate and de-risk strategic decisions

Access global best practice to maintain security compliance, secure investment for end-user training and preserve trust.



Benchmark IT budgets & priorities

Compare how your organisation's investments and priorities stack up against cross-industry benchmarks and top performing enterprises.



Build robust business cases

Balance the risk and return of investment to confidently define the strategic vision of IT and articulate value to the CEO and the Board.



Transform Your IT Strategy Today