



Application Development and Maintenance Study

State of ADM

- Apps budgets are currently split nearly 50/50 between development and maintenance.
- The amount spent overall on ADM resourcing is expected to increase a little over 2% on average.
- Enterprise **interest in AI** continues beyond the initial hype, led by the board and IT.
- But AI interest is not universal; as opposed to IT, business decision makers prioritize CX and data access over AI.

ADM Budgets on the Rise

AI Developments Drive New Investments

Despite ongoing cost optimization efforts, ADM spending continues to increase. The desire to implement and augment AI means **application development** budgets are rising faster than others. The ratio of internal (48%) to external resourcing is not expected to change in 2024, remaining around 30% outsourced and 23% staff augmentation.

Top ADM Challenges by Role

Challenges Considered in Silos

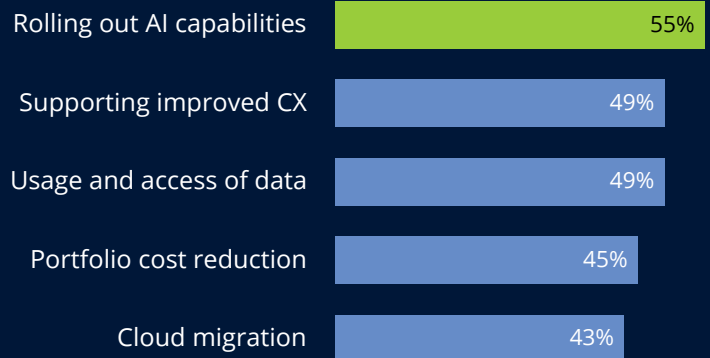
While IT and business leaders agree centrally on application vision (CX, data, AI), they are divided on which issues pose the biggest challenges. Overall, the biggest challenge highlighted was integration of applications in **value streams**. This is not just a technology challenge—change management to achieve this integration was the second most cited top challenge.

Outsourced ADM

Aiming to Improve Security & Costs

96% of large enterprises are using external providers for some form of application services, as broken out in the chart. Security compliance and cost reduction targets are the two most common service-level agreements (SLAs) in applications services contracts. But there is a stark difference in their levels of service—out of 10 key metrics, security performs the best, while cost reduction performs the worst.

Top 5 Application Portfolio Priorities



Expected annual budget changes:



Information Technology

Business Units

1	Value stream integration	Data access/usage
2	Technical debt	Value stream integration
3	Software license costs	Change management
4	Skills and talent	Sunsetting applications

Current Use of Providers



200 decision makers interviewed from G2000 firms in N. America & Europe

Respondents: 38% board-level 28% IT and 36% business apps leaders.

Contact us for a readout of this study. If your organization needs help navigating the technologies, processes and culture needed to refocus your ADM initiatives, ISG can help.