NODE4

enabling business to do business

FACING UP TO THE IT INFRASTRUCTURE CHALLENGE

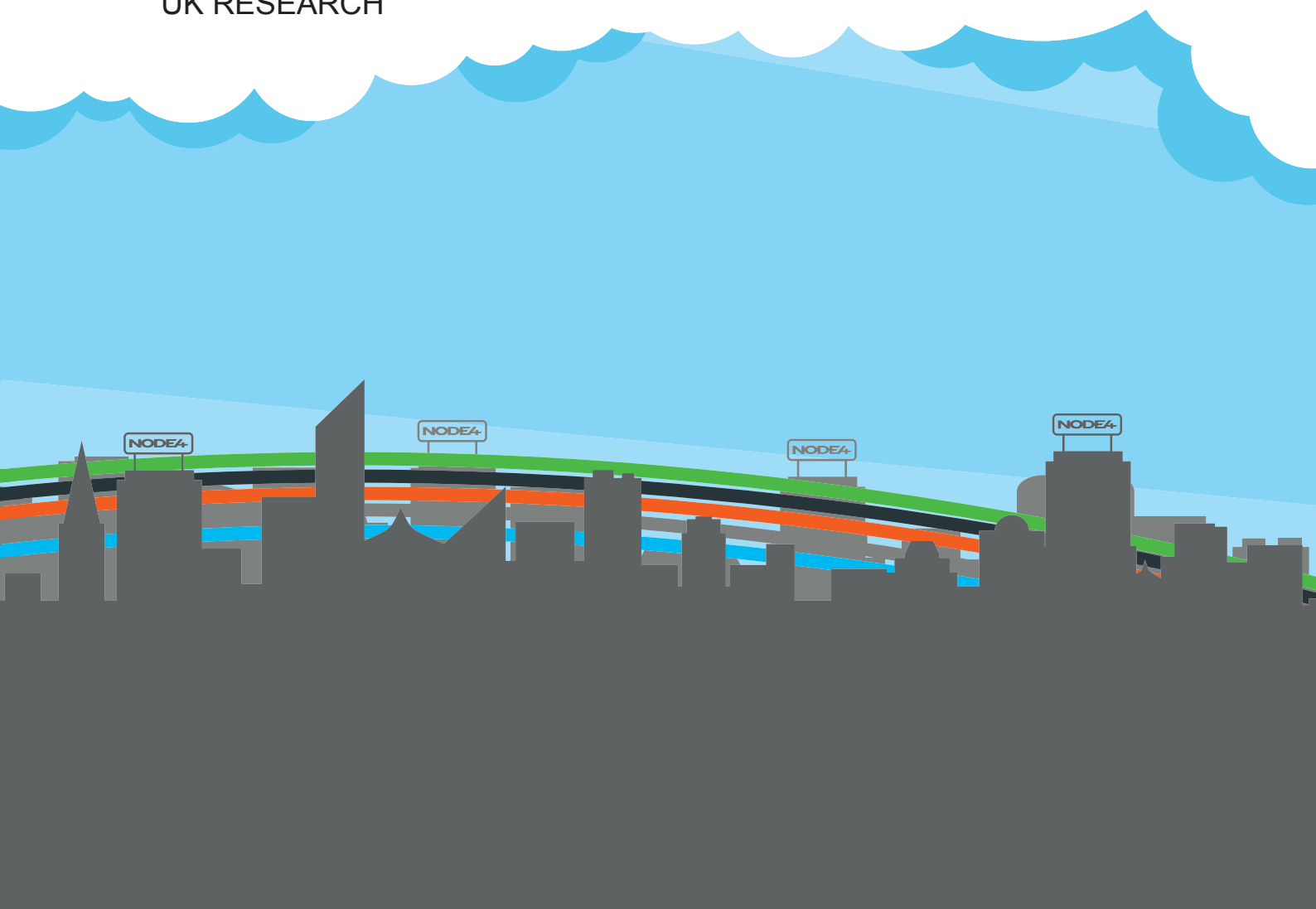## HOW UK SMEs CAN USE TECHNOLOGY TO GET AHEAD

UK RESEARCH

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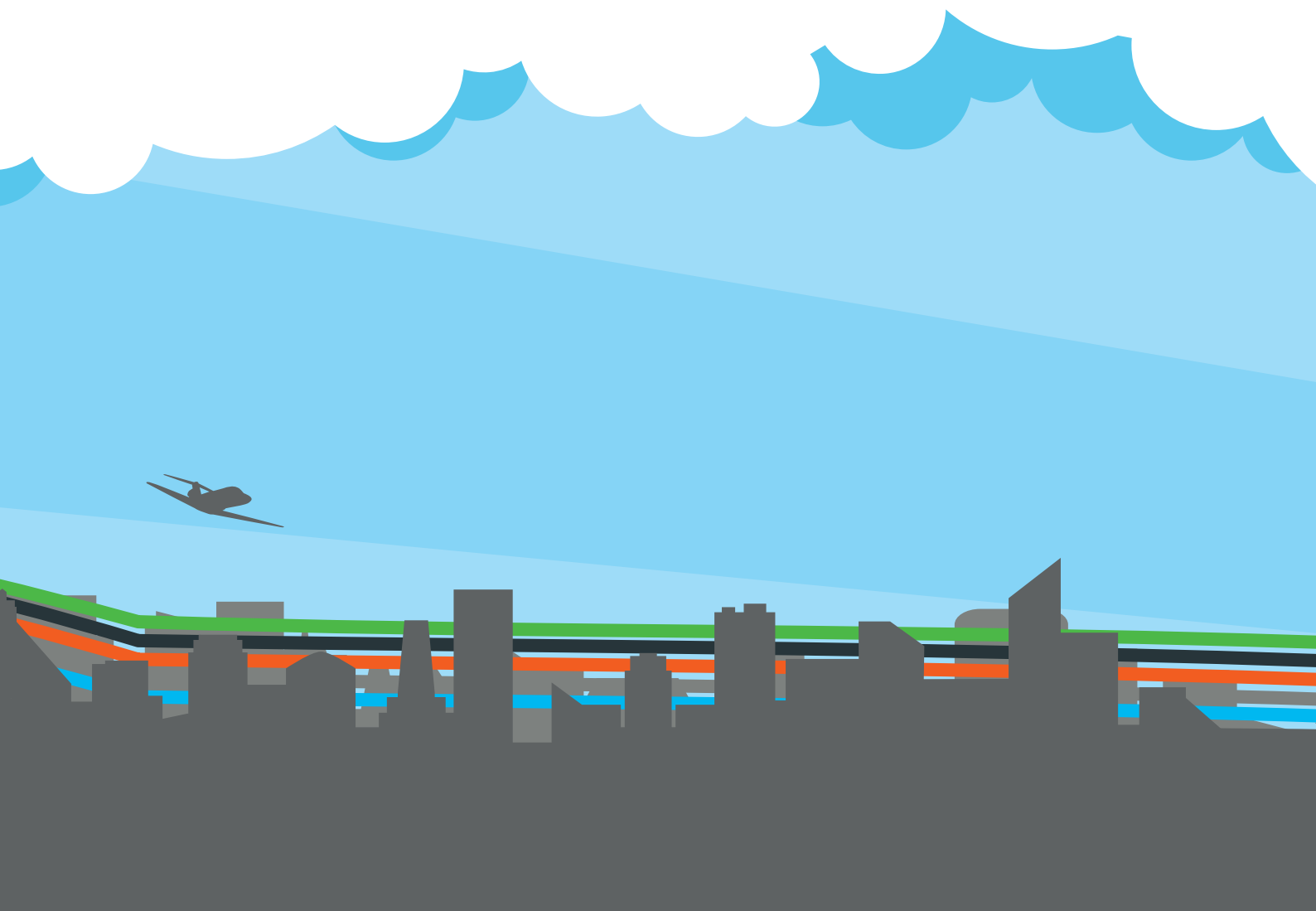
EXECUTIVE SUMMARY

Technology is now more important than ever. Businesses cannot function without IT, regardless of sector, size or industry. In years gone by, many organisations installed an IT infrastructure begrudgingly, only really doing so because they felt they had to. This has changed. Today, savvy small to medium sized enterprises (SMEs) see technology as a business enabler, something that their organisations can't do without.

But along with the growing importance of technology has come the almost overwhelming array of choices when it comes to IT infrastructure provision; cloud computing, IP-based technologies and virtualisation are just a few options available today.

For many observers the assumption has been that large enterprises are better placed and more capable of adapting to this new landscape. Indeed, other studies continue to propagate the perception that SMEs are being left behind - struggling with basic IT issues and unable to keep up with employee demands.

To help understand the current reality for UK SMEs, Node4 commissioned a detailed survey of 250 IT strategy business decision makers, in businesses of between 50 and 500 employees.
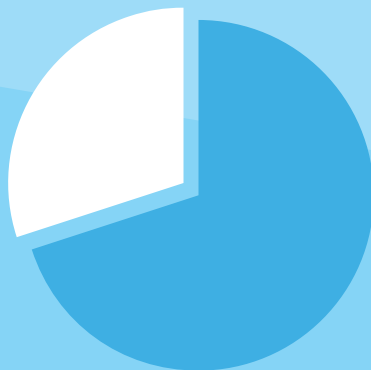
Contrary to popular perceptions this research has revealed a bullish outlook amongst UK SMEs, confident in their ability to adopt the latest technologies, backed by rising IT budgets and focused on working hard to meet and exceed employee demands.

Key findings include:
- 70% of SMEs expect their IT budget to increase in 2014
- SMEs are responding positively to employees' IT demands: 63% offer access to work files and systems while on the move, 57% enable working from home, 43% allow access to shared drives
- 50% of SMEs regularly update their IT infrastructure to ensure it takes advantage of the latest technological developments
- 40% of SMEs are worried about their IT and 31% said their current IT provision is not fit for purpose
- 1 in 10 SMEs have a fully cloud-based infrastructure

Drawing on the results of the research, this report will provide expert advice from Node4's experienced team on how SMEs can face up to the IT infrastructure challenge and continue to take full advantage of the latest IT technology.

70% of SMEs expect an IT budget increase in 2014

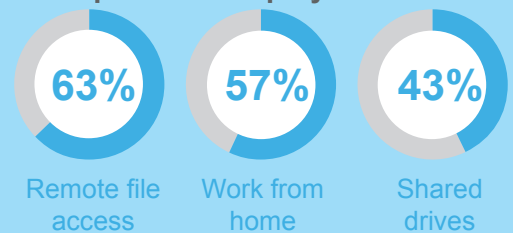**1 in 10 SMEs have a fully cloud based infrastructure**

SMEs response to employees' IT demands

63% Remote file access

57% Work from home

43% Shared drives

SMEs current IT provision

40% Worried

31% Not fit for purpose

50% Regularly update IT Infrastructure

EXCEEDING EXPECTATIONS
ARE UK SMEs REALLY LAGGING BEHIND IN THEIR IT PROVISION?

STAYING AHEAD OF THE CURVE

The most significant finding of our research was that the majority of SMEs are far from lagging behind the technology curve. In fact, our survey has shown that most organisations are actually proactively embracing the latest technologies.

While some respondents admitted that they still wait until systems fall over before replacing them, the majority of SMEs are not 'making do' with out of date infrastructure. Instead, most of those surveyed said they regularly perform updates. Our research shows that for most SMEs these upgrades are inspired by a desire to stay ahead of the curve - 50% of decision makers said they undertake regular upgrades to take advantage of the latest technological developments. (Fig 1.)

SMEs are also being much more proactive than has been assumed by many commentators when it comes to meeting employee demands. Remote access, mobile working and collaboration are well on their way to being standard practice - 63% already offer access to work files and systems while on the move, 57% enable employees to work from home and 43% allow employees to use shared drives such as Dropbox and Google Drive. (Fig 2.)

This proactive adoption of new technology and service provision is being backed by rising budgets. 70% of those questioned expected their IT budget to increase in 2014. 1 in 10 expected their budget to increase by more than 10%. Only 5% were expecting a cut in budgets this year. (Fig 3.)

Paul Bryce, Business Development Director at Node4 commented:

"These results really do chime with what we are seeing in our dealings with customers today. In our experience most organisations have recognised the need to evolve their technology infrastructure to meet the needs of its users and succeed in today's competitive environment. Many businesses are worried about this transition but they realise that if they don't keep pace, they will fall behind and miss the opportunity to capitalise on the renewed economic growth. For SMEs IT is increasingly seen as a dynamic business enabler."

Savvy SMEs should:
- Spend 3-5% of their annual turnover on IT
- Regularly review and update their IT strategy
- Listen to and act upon employees' IT requests

Fig 1. Update in-house IT infrastructure

- Patch only
- Regularly
- If it breaks
- Never
- Cloud
- Other
- Don't know
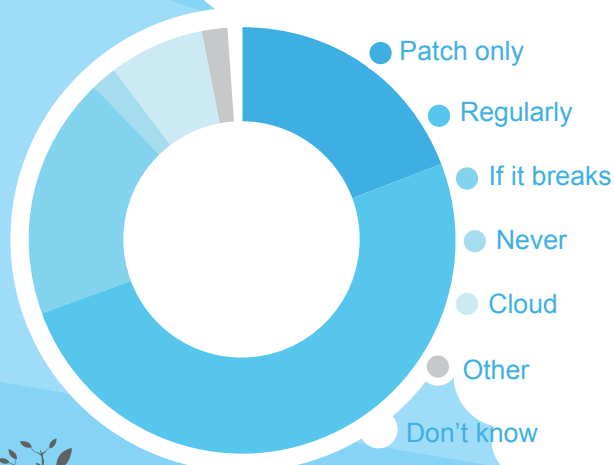
Fig 2. Flexible solutions SMEs offer employees

37% 63% 57% 43% 36% 21%

Fig 3. 2014 IT budget allocations

70% expect an increase

1 in 10 expect at least 10% increase

Only 5% expect a cut
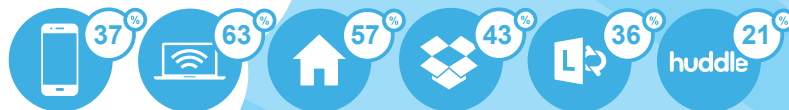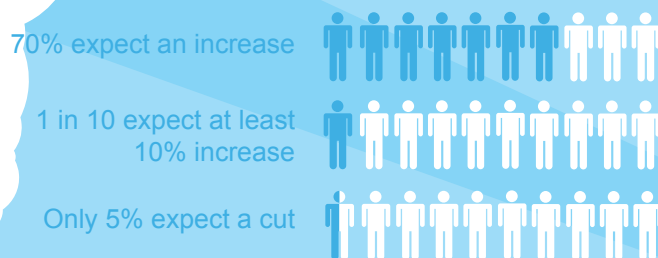
TAKING CONTROL

What's behind this positive outlook? Could it be because IT decision makers are taking more control of their IT provision rather than being dictated to by vendors and suppliers?

The IT sector has a bad name for pushing solutions that customers really don't need, but our findings show that the relationship between businesses and IT suppliers is changing, with the focus much more on mutually beneficial partnerships. 45% of SMEs said they work closely together in a strategic partnership with their supplier, 34% said their IT supplier totally understands their business and meets its needs. (Fig 4.)

Aligned to this is a much more open attitude to new technologies, in particular cloud services. Many of these new capabilities seem to have struck a chord with SMEs, with the potential cost and efficiency savings persuading IT decision makers to forge ahead with upgrades. 57% of those surveyed have already moved at least some of their IT provision to the cloud and 7% said that they had fully outsourced their entire IT infrastructure to the cloud.

Ian Millward, Head of Sales at Node4 said:

"I think we can see that the IT industry and the channel has come a long way when it comes to customer service and the vast majority of SMEs have a much more positive experience in dealing with IT suppliers today. However, we think there are still a lot of businesses that are currently poorly served by vendors with confusing technology offerings, complicated delivery or rigid and commoditised solutions. More and more we are being approached by businesses wanting truly bespoke solutions that are really tailored to deliver the maximum benefit to the business. We encourage IT managers to take this sort of strategic control over their infrastructure and suppliers need to keep focusing on developing long term relationships with customers and really getting to grips with how technology can help businesses overcome the specific challenges that face them."

Savvy SMEs should:
- Choose an IT supplier that understands and 'gets' their business
- Opt for a partner in the same time zone and locality
- Work in partnership with their IT supplier

Fig 4. SMEs perception of the relationship with IT suppliers

45%	34%	18%	14%	13%	8%	3%
Work closely	Understand each other	Solutions not fit for purpose	Suppliers are unreliable	Confused by jargon	Just after our money	Other

More open attitude to new technologies

57%	7%
Moved some IT to the cloud	All IT to the cloud
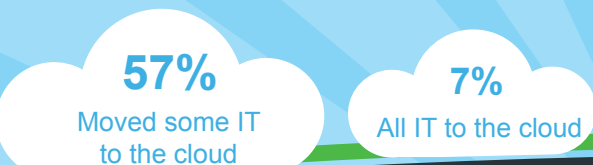
CONCERNS & CHALLENGES
WHERE ARE THERE STILL IMPROVMENTS TO BE MADE?

HOLDING BACK GROWTH

Despite the generally positive outlook of UK SMEs there are some lingering concerns regarding IT infrastructure. It continues to be a source of worry for a significant minority (40%) and 31% of respondents said their current IT provision is not fit for purpose. To our mind, this reflects the strategically important role that technology now plays within UK organisations.

In terms of specific issues SMEs are still voicing concerns around reliability, security and cost (Fig 5). When it comes to cloud adoption, security worries are cited as the number one barrier to preventing a move to outsourced solution. While these concerns are not new or surprising, they are no longer seen as 'niggles', but as vitally important issues for the business at large.

There is increasing frustration with the ability of technology to meet the broader aims of the organisation. Over a third of people (37%) said that their IT infrastructure is holding back growth. Furthermore, when asked about concerns for the business as a whole in 2014, 33% of respondents said generating enough orders to ensure survival remained the biggest

concern, but 34% cited IT issues as the biggest concern. This may be because their infrastructure will not support business growth or because they feel a lack of innovation will hold the business back. (Fig 6.)

Paul Bryce, Business Development Director at Node4 commented:

"There is much greater recognition of the value that IT can deliver to businesses. It has gone from being a static cost-centre to a dynamic business enabler that must support the organisation at every stage of the sales cycle, overall empowering the business to grow and succeed. All those with purchasing responsibility today want an IT solution that helps them to win more business, beat the competition and prosper in the growing economy."

Savvy SMEs should:
- See IT as equally important as product development, people and cash flow
- Realise that IT can help them better compete against the 'big boys'

Fig 5. IT infrastructure concerns

Does not meet business demands	Too slow for employee demands	Security	Reliability	Maintenance costs	Integration difficulties	Unable to control external services
9%	13%	30%	34%	24%	19%	13%

Fig 6. Biggest business concerns

Generating enough orders
No concerns
Reduced product development
Held back by lack of innovation
Retaining workforce
No support for business growth
Adequate client service
Securing loans
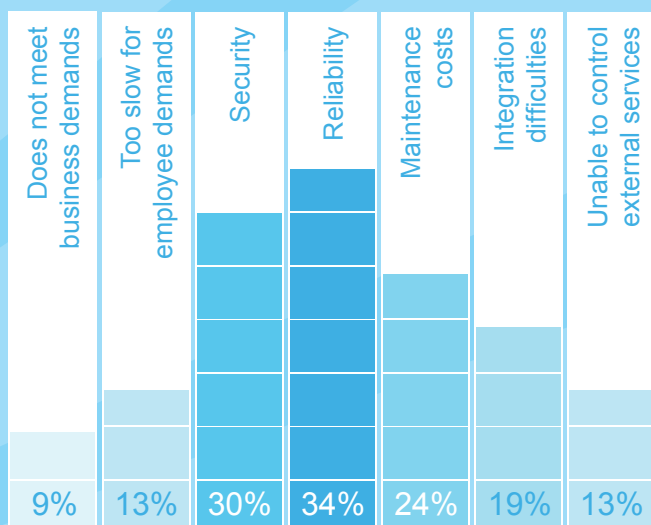Other

CLOUD ADOPTION & ATTITUDES

HOW ARE SMEs APPROACHING CLOUD-BASED SERVICES?

RAPID EXPANSION

Despite the lingering security concerns related to cloud services mentioned in the previous section, our findings show that there is great enthusiasm amongst SMEs for the benefits cloud technology can deliver for their organisations.

Regardless of whether SMEs have migrated to the cloud or not the vast majority see cloud-based solutions as inevitable. This is driven by overwhelmingly positive attitudes to what cloud services will enable - whether that is greater innovation, simplifying management or levelling the playing field for SMEs. (Fig 7.)

With the potential to realise such diverse benefits it is crucial that vendors and technology suppliers can overcome the security concerns that are still lingering and give more SMEs the confidence to take advantage of cloud services.

Nonetheless our research has shown that many SMEs are rapidly embracing cloud solutions. 1 in 10 of those questioned already have a fully cloud-based infrastructure and 57% of SMEs have moved at least some of their IT provision into the cloud. As you can see from figure 8 (Fig 8.) a private cloud solution remains the most popular choice for IT decision makers, but 1 in 5 have public or hybrid solutions.

Andrew Gilbert Managing Director at Node4 commented:

"Node4 has seen growth in the number of partners and customers requiring more cloud-based solutions. Cloud services provide far more flexibility than ever before to meet the challenges businesses face in a very tailored way, and the continued rise of the cloud is good news for everyone in the IT sector. At the same time vendors and channel partners are going to need to offer solutions with more flexibility, customisation and scalability to really deliver the benefits that enterprises want from the cloud. One-size-fits-all, off-the-shelf solutions are not going to be enough. Ultimately the end goal for all cloud providers is to ensure that any solution is delivering real value to businesses."

Savvy SMEs should:
- Not rip and replace existing infrastructure to move to the cloud. The transition can be gradual
- Spend OPEX instead of CAPEX – with cloud services
- Request a bespoke cloud, if that is going to work better for their business
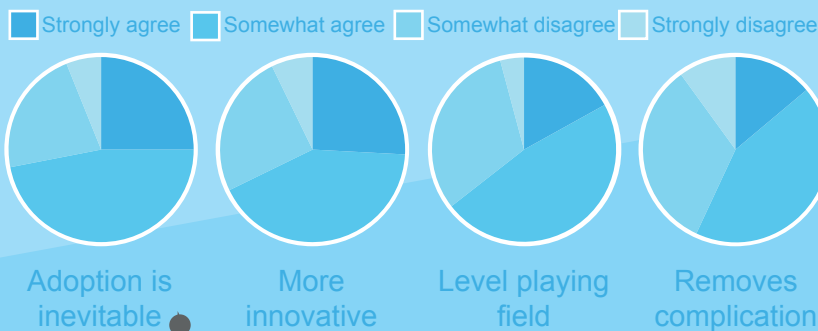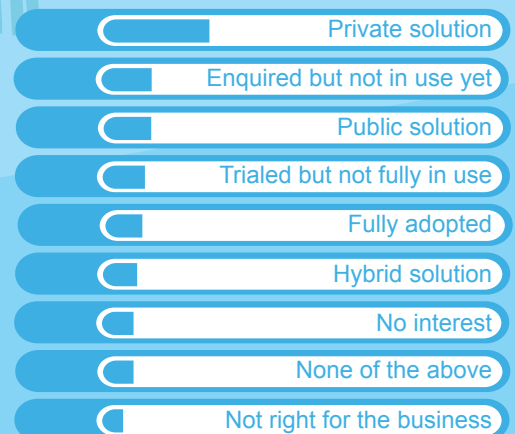

Fig 7. Biggest business concerns

Strongly agree   Somewhat agree   Somewhat disagree   Strongly disagree

Adoption is inevitable

More innovative

Level playing field

Removes complication

Fig 8. Cloud adoption status

Private solution

Enquired but not in use yet

Public solution

Trialed but not fully in use

Fully adopted

Hybrid solution

No interest

None of the above

Not right for the business

THE WAY AHEAD

IS THE IT MANAGER DEAD?

CHANGE IS CONSTANT

Of course technology will never stand still. SMEs must continue to work hard to keep pace with new technology and to reap further benefits. For SMEs there are going to be some key questions to settle in the near future - particularly in finding the balance between in-house capabilities and the use of outsourced IT services. In particular these decisions are going to have an impact on the role of the IT manager.

It is a much-discussed topic of course and for many the answer is clear - the IT manager will become a thing of the past. Indeed, in our survey a significant majority of the respondents thought that the role of the IT manager would be obsolete in 10 years.

Of course one of the key selling points of many of the latest technologies is simplifying the management and maintenance of IT infrastructure. So surely it follows that the IT manager will be at least superfluous if not entirely obsolete in 10 years' time? Node4 would argue no.

All too often, in our experience, in-house IT managers and directors are too ready to position themselves as 'stewards of risk', particularly as the pace of change has accelerated. So decision makers find themselves reacting to new technologies, rather than promoting them; 'managing' negative perceptions, rather than championing the positives that can be brought to businesses.

Node4 believes that in-house IT personnel need to reassess their role in the changing IT landscape. Rather than a 'steward of risk', IT managers and directors need to act more as technology advocates in their businesses. By being proactive with the latest technologies, working out where benefits and value can be derived to solve business challenges the IT department can almost become internal consultants to support their organisations.

Savvy SMEs should:
- Find the right balance between in house IT and outsourced services
- Embrace the changing role of the IT manager

CONCLUSION

Overall our research paints a very positive picture for UK SMEs. The majority of those interviewed are clearly taking the IT infrastructure challenge head on and forging ahead with the latest technologies to deliver real value to their businesses.

Concerns remain - particularly around cost and security - and technology providers need to work hard to solve these issues and demonstrate real value to SMEs. Nonetheless, in terms of a snapshot of where things stand today our findings are enormously encouraging.

Andrew Gilbert, Managing Director at Node4 concluded:

"Technology is the key for businesses to unlock their maximum potential - whether you are the smallest or the largest organisation. Pleasingly our research shows that many SMEs are already embracing this outlook. As technology will continue to move on, SMEs need to ensure that they remain up to speed with the latest generation of technology. Companies like Node4 have the skills and expertise to provide the support and advice SMEs need to continue to grow and benefit from new technologies."

TO FIND OUT MORE ABOUT HOW NODE4 CAN HELP YOU FACE YOUR IT CHALLENGES

Call: 0845 123 2222
Email: info@node4.co.uk

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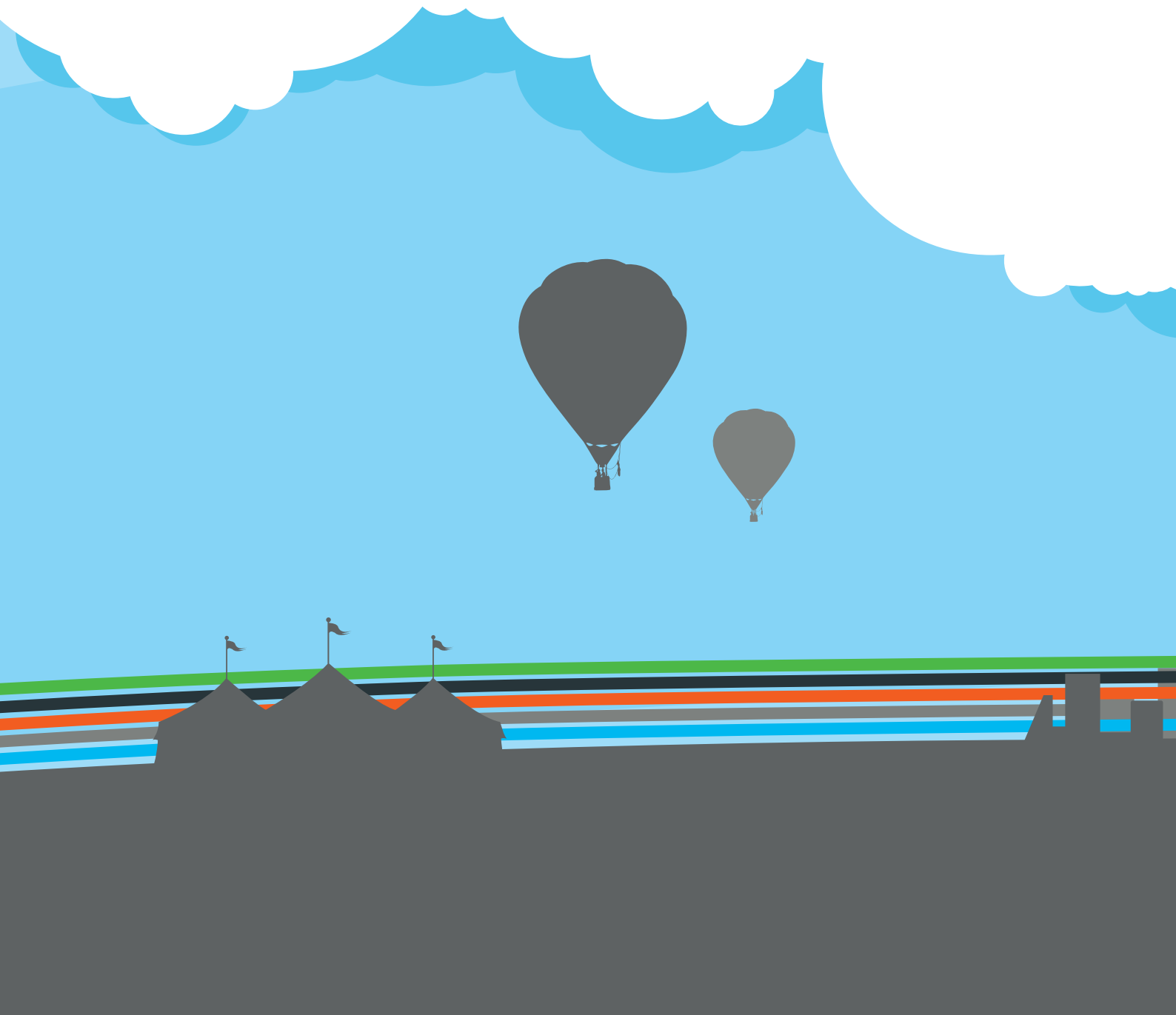
ABOUT NODE4

ENABLING BUSINESS TO DO BUSINESS

Node4 is a cloud and Data Centre specialist with solutions and expertise covering cloud, colocation, managed hosting through cloud and virtualised environments, connectivity, SIP trunking and hosted telephony. Node4 works in close partnership with its customers to provide bespoke IT solutions customised to individual business needs, delivering its services via four UK-based data centre facilities that offer best-of-breed infrastructure and the latest in security technology.

For more information please visit **www.node4.co.uk**

Node4 Data Centre's are certified for ISO 27001 compliance. Certification is based on regular assessments carried out by accredited certification bodies. A key element of our management systems is to focus on continual improvement of our services and processes.

Node4 Data Centre's are suitable for hosting PCI compliant sites and services. Our Self-Assessment Questionnaire and Attestation of Compliance for Sections 9 and 12 of the PCI Security standard are available for download from the Node4 website.