NODE4

enabling business to do business

RESPONDING TO THE IT INFRASTRUCTURE CHALLENGE

HOW UK SMEs ARE USING TECHNOLOGY TO GET AHEAD

UK RESEARCH 2015

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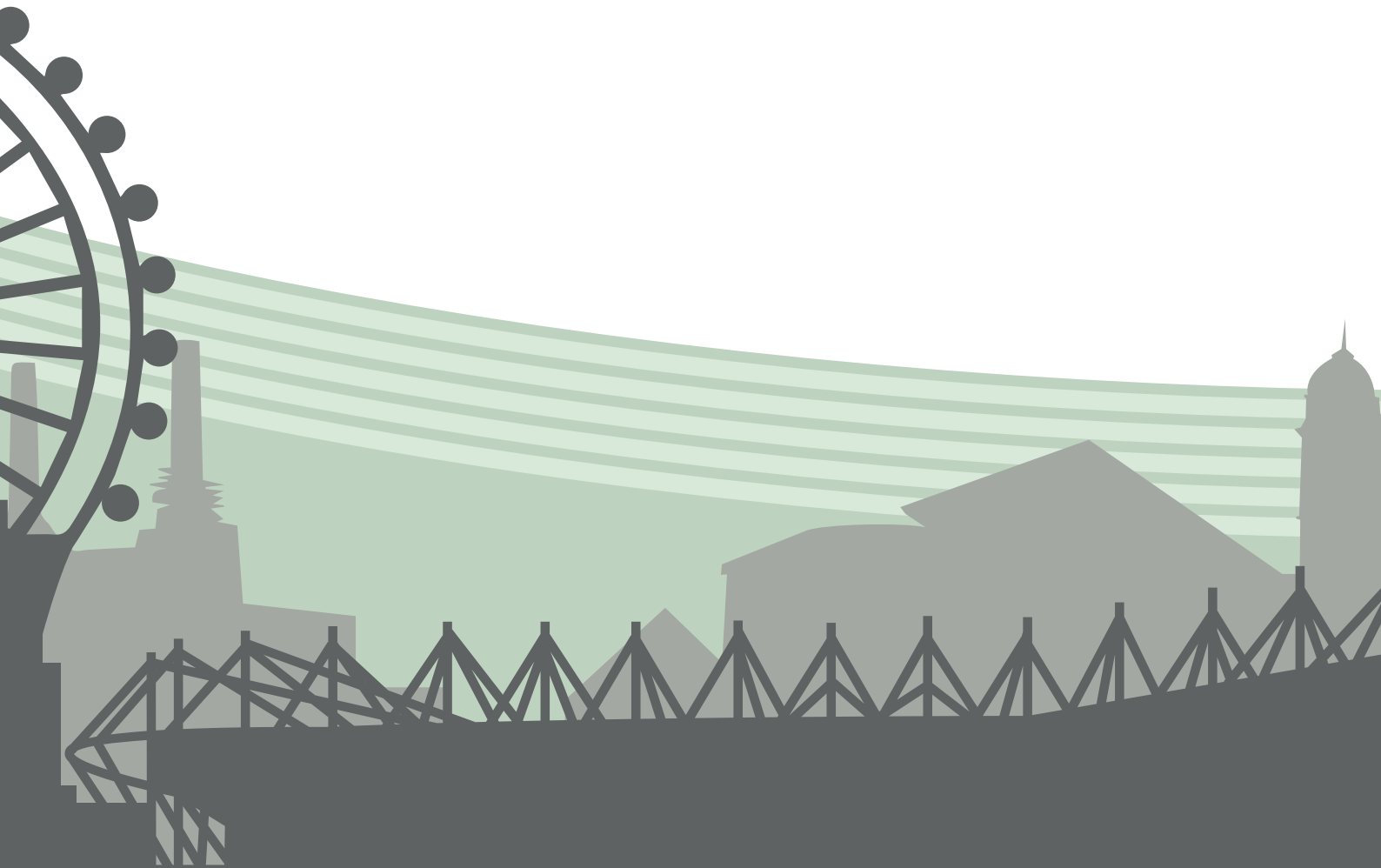
EXECUTIVE SUMMARY

The increasing pace of business change continues to put pressure on IT teams. SMEs are more dependent on technology than ever. More and more is demanded of mission-critical business applications in order to support business goals, and these increasing expectations are changing how SMEs approach their IT infrastructure.

Last year the Node4 IT Infrastructure Report revealed a high level of confidence amongst SMEs in their ability to invest in and deploy the latest IT infrastructure. Our research revealed just how proactive the majority of UK SMEs are in their adoption of the latest technologies. Far from 'making do' with out-dated technology, SMEs wanted the latest and the best. Indeed, our 2014 survey revealed a real acknowledgement amongst SMEs of the value that IT has as a dynamic business enabler.

WHERE ARE WE ONE YEAR ON?

Our latest research has revealed a maturing of attitudes towards their IT infrastructure amongst SMEs. Still bullish and confident in their ability to adopt the latest technologies, our 2015 research has revealed a growing emphasis upon generating operational and financial efficiencies to derive maximum ROI from their IT infrastructure. As a result, they are more focused on stability, reliability and business continuity than ever. Backed by rising IT budgets, UK SMEs are continuing to invest in their IT infrastructure. Whilst this investment is providing better service for their users, the growing dependence on this infrastructure for a wide range of mission critical business applications is creating new challenges for IT departments.
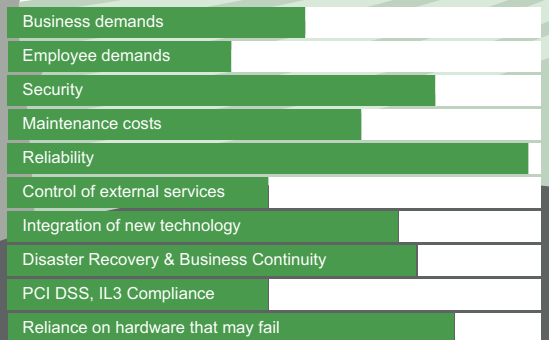
Key findings:

- 70% of UK SMEs could not survive for more than 24 hours without their critical IT infrastructure

- 60% of respondents expect their IT budget to increase in 2015

- Reliability was one of the top three IT infrastructure concerns for the SMEs in our survey, closely followed by concerns that their infrastructure is too reliant on hardware that could fail

- 66% of UK SMEs cited disaster recovery and business continuity as critical for their business

- 69% of respondents agree that using a local data centre gives them peace of mind

- 79% of UK SMEs have frustrations with their existing IT infrastructure and 46% are frustrated that their IT infrastructure has technical limitations

- 78% of IT decision makers expect their data storage requirements to increase in the next year

- 49% of UK SMEs said recruiting IT staff with the appropriate skills and qualifications is difficult

Drawing on the results of the research, this report will provide expert advice from Node4's experienced team on how SMEs can respond to the IT infrastructure challenge and take full advantage of the latest IT infrastructure innovations.
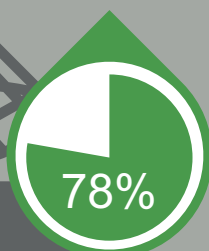
70% of UK SMEs could not survive for more than 24hrs without their critical IT infrastructure.

SMEs top infrastructure concern is
RELIABILITY

Business demands
Employee demands
Security
Maintenance costs
Reliability
Control of external services
Integration of new technology
Disaster Recovery & Business Continuity
PCI DSS, IL3 Compliance
Reliance on hardware that may fail

69%
Agree that using a local data centre gives them peace of mind

78%
Data storage on the Increase

60%
Expect their IT budget to increase in
2015

SMEs frustrated with IT infrastructure

79% Existing technology

46% Technical limitations

49%
Found recruiting IT staff with the appropriate skills and qualifications difficult

RELIEVING THE DAY-TO-DAY BURDEN OF IT MANAGEMENT

HOW ARE UK SMES' IT PRIORITIES CHANGING?

DAY-TO-DAY FRUSTRATIONS

The most significant finding of this year's survey is that UK SMEs' IT priorities are shifting and maturing. As SMEs continue to recognise the critical role played by IT in their businesses, our latest research has revealed a strong desire amongst UK SMEs to simplify the management and deployment of their IT infrastructure in 2015.

Our latest research clearly demonstrates that SMEs are continuing to expand, upgrade and invest in their IT infrastructure; 78% of IT decision makers expect their data storage requirements to increase in the next year, including 3% of SMEs that expect their data requirements to expand by over 50% in the next twelve months (Fig 1). And for the second year in a row the majority, 60%, of SMEs expect their IT budget to increase in 2015. Only 5% of those questioned are anticipating a cut in budgets (Fig 2).

While it is encouraging to see this continued investment from SMEs, there is a clear change in how SMEs are directing their investment. In 2014 the key frustrations and concerns for IT decision makers were around adopting new technologies to match the need of their business and responding to employee demands for new services.

In 2015 just 18% of SMEs were concerned that their IT infrastructure doesn't match the needs of the business, compared to 64% in 2014 (Fig 3). Perhaps as a result of the increased complexity and sophistication of the IT infrastructure and its importance to the business, more pressing concerns this year were the technical limitations of the IT infrastructure (46%) followed by 33% who said one of their biggest frustrations was that their IT infrastructure is difficult to manage and

Fig 1. Data storage requirement increase

78%

Including 3% expect their data requirements to expand by over 50%

50% Increase
Next 12 months

Fig 2. 2015 IT budget allocation

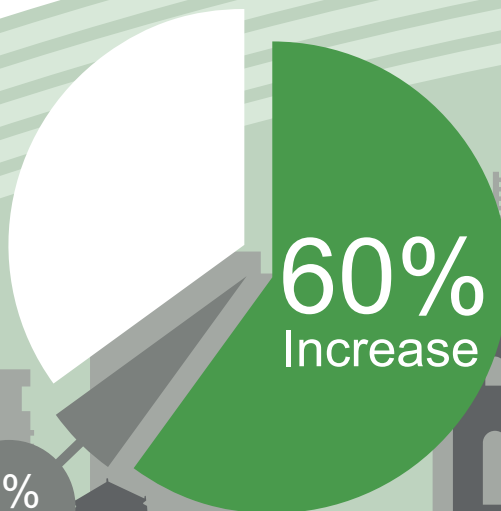**60%** Increase

5% Expect cut

Fig 3. Business needs vs IT infrastructure concerns

46%

2014

2015

32% said it costs too much to maintain (Fig 4). Indeed, given additional budget, 27% of SMEs said they would spend it on ensuring they didn't have to worry about their IT infrastructure (Fig 5).

Now that for many SMEs the decision to shift from legacy infrastructure to more flexible cloud or hosted systems has been taken, the focus is quickly shifting to optimising the performance, simplifying the management and increasing the reliability of their infrastructure.

Paul Bryce, Business Development Director at Node4 commented: *"It is notable that so many SMEs are frustrated with the technical limitations and the day-to-day administration of their infrastructure. I can understand their frustrations. The agility and complexity expected from IT today pushes the limits of* *even the most sophisticated technologies. Increasingly SMEs just want their IT infrastructure to work. They can't afford for their IT staff to be distracted by fire fighting and IT niggles. They want them focused on the applications and services enabled by the infrastructure - that is what really delivers value to the business. It's why I expect to see a lot of the increased IT budgets being invested in ways to simplify management."*

Savvy SMEs should:
- Audit your IT department's time – are staff focused on hardware troubleshooting or helping the business to be more competitive?
- Offload lower-level infrastructure management to an outsourcing partner so your team can focus on strategic business projects

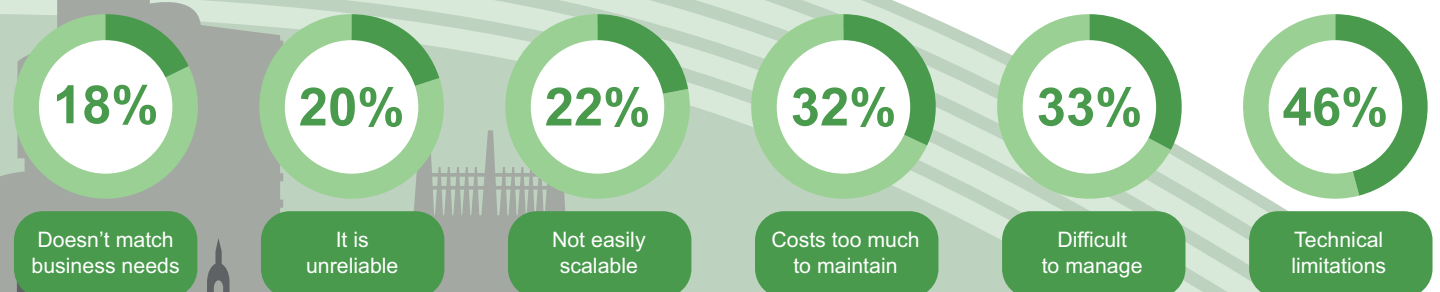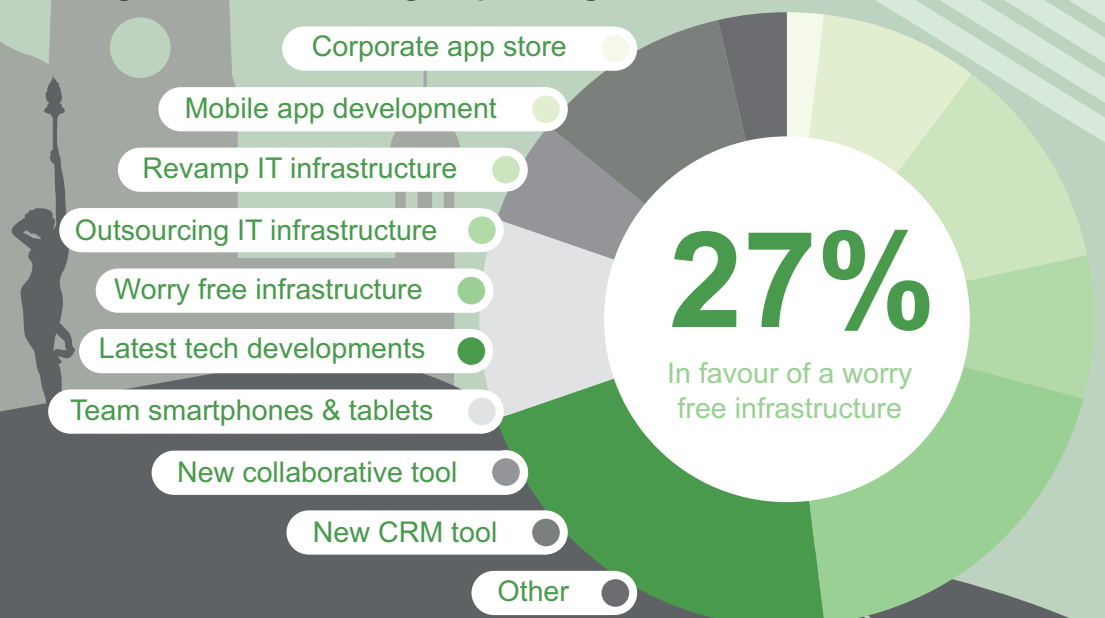**Fig 4. SMEs biggest IT infrastructure frustrations**

18%	20%	22%	32%	33%	46%
Doesn't match business needs	It is unreliable	Not easily scalable	Costs too much to maintain	Difficult to manage	Technical limitations

Fig 5. Additional budget spending trends

- Corporate app store
- Mobile app development
- Revamp IT infrastructure
- Outsourcing IT infrastructure
- Worry free infrastructure
- Latest tech developments
- Team smartphones & tablets
- New collaborative tool
- New CRM tool
- Other

27%
In favour of a worry free infrastructure

EVOLVING ATTITUDES TO OUTSOURCING
IS RESISTANCE TO OUTSOURCING DECREASING?

RELINQUISHING 'CONTROL'

Perhaps unsurprisingly the increasing demand for reliability and better management of IT infrastructure is influencing SME attitudes to outsourcing their provisions. While the proportion of organisations with at least partly outsourced infrastructure is roughly the same as it was in last year's research, there is a clear increase in the number of SMEs that have taken the step to fully outsource their infrastructure. 6% of SMEs are now fully outsourced, compared to just 1% last year (Fig 6).

Moreover, 60% of the IT decision makers in our survey agreed that outsourcing their IT infrastructure gives them peace of mind, while 65% agreed that it removes the headache of IT management (Fig 7). Whereas in the past businesses often had reservations about outsourcing their IT, either for security reasons or because they didn't want to lose 'control' of their infrastructure, those objections are fading.

As well as the desire to minimise time-consuming admin for in-house IT teams, perhaps this relaxing of attitudes towards outsourcing is also motivated by difficulties in hiring the right IT staff. 1 in 2 of those surveyed said that they struggle to recruit IT staff with the appropriate skills and qualifications (Fig 8).

Andrew Gilbert, Managing Director at Node4 said: *"Over the last few years we have seen more customers realise the value in outsourced and 'hosted' services for IT management tasks so that their teams can focus on an ever increasing list of strategic projects. I think for the vast majority of SMEs outsourcing the management of their IT infrastructure is now an increasingly natural and logical choice.*

"The outsourced landscape is evolving though. One area where we are seeing a shift is that SMEs are saying they want a particular service or application at a monthly price with a Service Level Agreement (SLA), rather than contacting their trusted technology supplier with a list of server specifications.

"Where organisations have these application-led requirements, partnering with a central outsourced provider can have real benefits. By partnering closely with an IT partner not only does it mean all the necessary technology and expertise is under one roof, rather than being managed by multiple providers; customers also get more flexibility in terms of the solutions they can use and how they pay for them.

"Opex models are a far more manageable way of paying for hosted services than a traditional capex model, especially as projects come and go, enabling organisations to take on the services they want in a cost-effective manner. For forward-looking businesses, particularly SMEs, the opex service model is a powerful new approach to IT infrastructure."

Savvy SMEs should:
- Pick outsourcing partners that provide a complete range of services that enable you to easily scale up or extend your IT provision in accordance with business growth
- Work with outsourcing partners that can be an extension of your in-house team
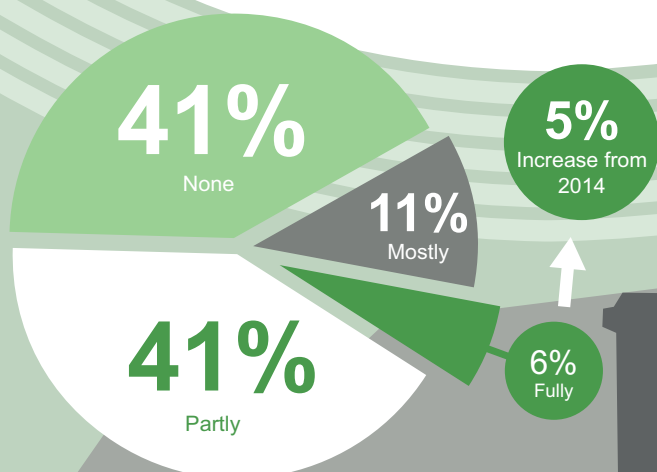
Fig 6. Outsourcing of IT infrastructure

41% None

11% Mostly

5% Increase from 2014

41% Partly

6% Fully

Fig 7. Outsourcing benefits

60% Peace of mind

65% Removes the IT headache

Fig 8. Staff

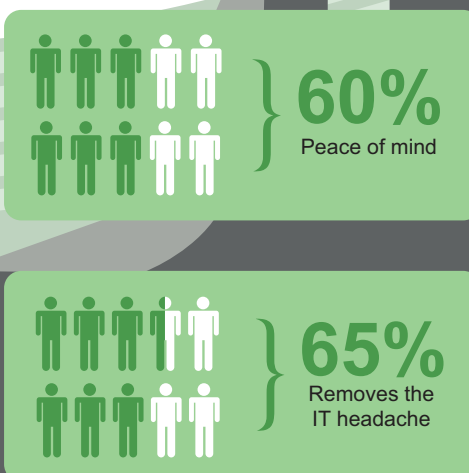**1 in 2** Struggle to recruit IT staff with appropriate skills and qualifications

DISASTER RECOVERY AND BUSINESS CONTINUITY

HOW ARE UK SMES APPROACHING DR?

NEW PRIORITIES

An overwhelming 70% of SMEs in our survey said their business would survive for less than 24 hours without their critical IT infrastructure. Almost half (48%) would survive for just a few hours (less than half a day) (Fig 9). So it is no surprise that our survey also discovered an increasing focus on IT reliability amongst SMEs; 66% of UK SMEs cited disaster recovery (DR) and business continuity (BC) as critical for their business (Fig 10).

In addition, reliability was one of the top three IT infrastructure concerns for the SMEs in our survey, closely followed by concerns that their infrastructure is too reliant on hardware that could fail. Given these findings, it is not difficult to understand why disaster recovery and business continuity are also becoming closely aligned with cloud infrastructure.

Protecting critical data and applications are issues every organisation faces. In the event of a disaster, your business needs the infrastructure to run your mission-critical business applications. This can take time and money: rebuilding is a time consuming task; maintaining your own backup and DR systems is expensive and time consuming; and paying for third-party disaster recovery companies is expensive.

As many as 75% of SMEs expect their data storage requirements to increase by as much as 50% in 2015. So it is encouraging that almost one in three (30%) see cloud storage as a critical IT service (Fig 11). Given the difficulties SMEs are having recruiting the right IT staff, it's hardly surprising that an increasing number of businesses are looking to the cloud to resolve their sticking points. Previously seen by many as a 'technology' in its own right, the cloud is now being seen as an enabler of vital applications and services for businesses.

Paul Bryce at Node4, said: *"SMEs are starting to realise just how much their profitability - and even survival - relies on technology. Given that the majority of businesses could survive for just a few hours without their critical infrastructure it is reassuring to see UK SMEs taking sensible precautions to protect their business. Disaster recovery and business continuity are perhaps the best examples of how cloud infrastructure can not only enhance the service, but also do so by simultaneously making the management easier. But with data storage requirements set to increase exponentially for many SMEs in 2015 it makes sense to look to the cloud for data storage too."*

Savvy SMEs should:
- Look to gain maximum ROI from your existing infrastructure
- Safeguard your core business by putting together a detailed disaster recovery plan
- Ensure you know how long it will take to resume service (Recovery Time Objective) and to what point in time you can recover back to (Recovery Point Objective)

Fig 9. DR survival rates

70% Of businesses would survive less than **24 HOURS** without critical IT infrastructure

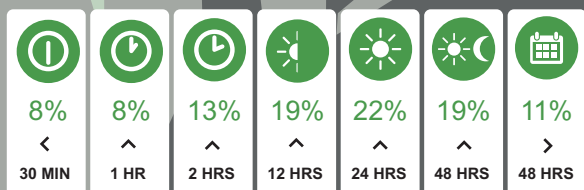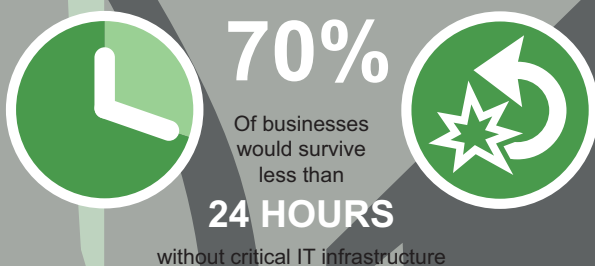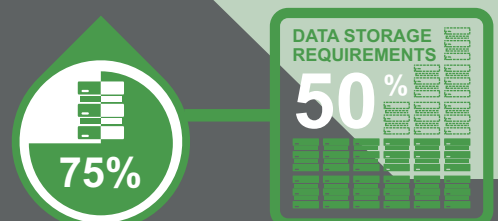| 8%	8%	13%	19%	22%	19%	11%
30 MIN	1 HR	2 HRS	12 HRS	24 HRS	48 HRS	48 HRS

Fig 10. Critical DR & BC

Fig 11. 1 in 3 SMEs see cloud storage as a critical IT service

75% SMEs expect their data storage requirements to increase by as much as 50%

75%

DATA STORAGE REQUIREMENTS **50%**

THE 'REGIONALISATION OF IT'
DOES LOCATION MATTER?

AN UNMET NEED

Our 2015 research showed that levels of cloud adoption amongst SMEs remain around the 50% mark (Fig 12). Perhaps counter intuitively then, our research also highlighted that organisations are actually embracing a more local approach to sourcing their IT partners.

The data centre industry has not traditionally classed location as a key factor. However, our survey confirms that for many SMEs location is becoming a critical consideration and often this is a need that goes unmet – one in two SMEs in our survey felt their business is underserved by local IT providers. A staggering 69% of SMEs in our survey agreed that using a local data centre gives them peace of mind; 64% agreed that it is advantageous working with a local cloud services provider; and 63% said that they would like to be able to visit the data centre where their infrastructure is hosted (Fig 13).

In addition 81% agreed that working with a local team is advantageous when dealing with an IT provider - with one in four strongly agreeing (Fig 14). Although cloud is in theory the ultimate in 'location-independent' infrastructure, it is clear that SMEs like to have the peace of mind of knowing where their infrastructure and sensitive company data is being housed, or that it is close by. Many customers want to see the environment their infrastructure and data is kept in and meet the people responsible for keeping it secure.

Andrew Gilbert commented: *"As our research has demonstrated, when it comes to choosing a data centre or IT partner, typically the buying preferences of businesses are regional. Indeed this chimes with our experience, where we see that people often look to be less than an hour or an hour and thirty minutes' drive away from their chosen data centre. They also take comfort in having expert engineers on site in the data centre who can be their remote hands and eyes whilst they are travelling to site.*

"Outsourcing their business critical IT infrastructure is a leap of faith for many SMEs so it is understandable that decision makers are seeking reassurance. From our perspective being closer to customers is about more than just peace of mind that their infrastructure is being housed down the road; it is about everything from making sure you are providing a local service that your customers need, to using the pool of local talent to deliver it.

"As a national IT provider with a strong regional presence, we firmly believe that adopting a regional approach should make the customer the centre of everything. In doing so, you are much better positioned to establish stronger working relationships with customers and deliver the service they really require."

Savvy SMEs should:
- Find a data centre partner that is willing to work with your specific requirements
- Make sure your outsourcing IT partner shows an understanding of your business
- Find out if your IT partner is really providing a local service, or just paying 'lip service'
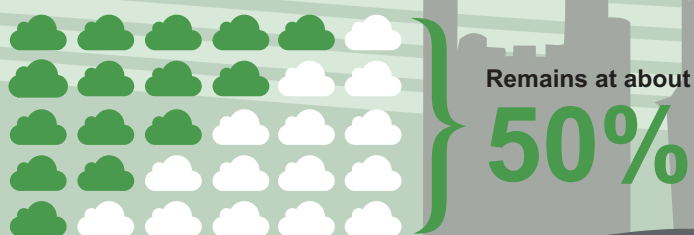
Fig 12. Cloud adoption in 2015

Remains at about

50%

Fig 14. Dealing with IT providers

1 in 4 strongly agree

Local team is an advantage

81%

Agree

Fig 13. Data centre location considerations

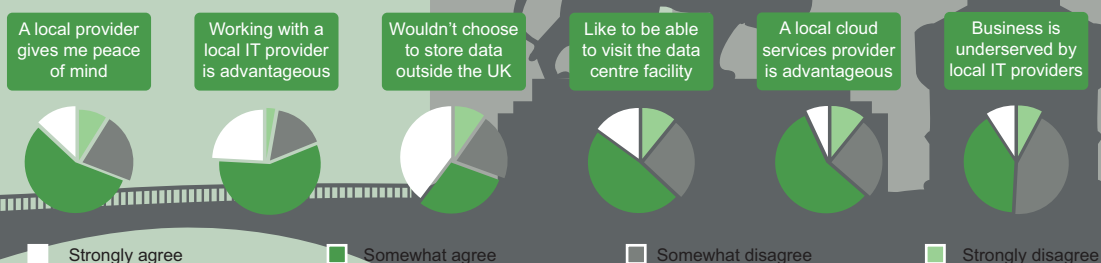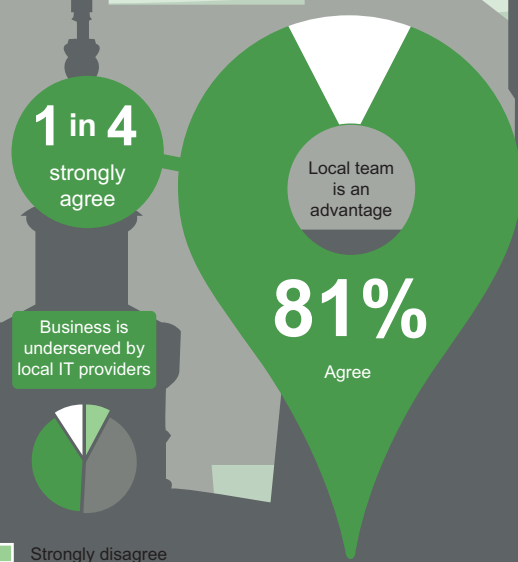| A local provider gives me peace of mind	Working with a local IT provider is advantageous	Wouldn't choose to store data outside the UK	Like to be able to visit the data centre facility	A local cloud services provider is advantageous	Business is underserved by local IT providers

Strongly agree   Somewhat agree   Somewhat disagree   Strongly disagree

CONCLUSION

In 2014 our research showed that the majority of UK SMEs were meeting the IT infrastructure challenge head on, with a very positive outlook for the future role of IT infrastructure in their business. A year on, our 2015 research shows that their optimism was justified, as IT plays an increasingly critical role in the business. And this progress is reflected in a changing and maturing set of IT priorities.

In 2015 the main concern of SMEs is the management and maintenance of their IT infrastructure. Now that just over half of SMEs have incorporated at lest some form of flexible cloud or hosted systems into their overall solution, the focus is quickly shifting to maximising the capabilities, simplifying the management and increasing the reliability of their infrastructure.

In many ways SMEs are adopting a strongly pragmatic approach to their IT. Whereas previously they may have shied away from giving up 'control' of their IT infrastructure, now cloud services and outsourcing are seen as a shortcut to achieving the streamlined IT provision that their business needs. It is now increasingly recognised that freeing up IT staff from the mundane aspects of IT management is key to getting the most from their IT investment.

Budgets continue to increase in 2015, but revealingly, when asked how they would spend a further budget windfall, SMEs say the extra money would be spent not just on an IT infrastructure that would let them take advantage of the latest technology; but also on an IT infrastructure they wouldn't have to worry about.

Andrew Gilbert, Managing Director at Node4 concluded: *"Our 2015 research shows that technology is not just the key for businesses to unlock their potential; it provides the fundamental infrastructure their business relies on for its daily operations. This increasing dependence on their IT infrastructure together with a growing requirement for data storage continues to drive the move to the cloud.*

Interestingly it is also leading SMEs to look for a local IT outsourcing provider who is prepared to take their business seriously and build a strong partnership that depends on trust and aptitude as well as proximity. We believe this is the future of IT, so it is interesting to see that the majority of UK SMEs share our vision."

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

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ABOUT NODE4

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Node4 is a Cloud and Data Centre specialist with solutions and expertise covering Public, Private and Hybrid Cloud, Colocation, 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.

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