



NODE4

Empowering business to do more

Mid-Market IT Priorities Report 2019

How Mid-Market organisations, particularly in the insurance and healthcare sectors, are changing their IT priorities and focusing investment



There is no doubt that almost every UK Mid-Market business will be facing major challenges this year, the most well-known of which are unprecedented in their uncertainty and complexity.

But, as business leaders work against the backdrop of Brexit and continue to challenge their IT teams to deliver more innovation, impact and ROI, there are some big technology questions to consider. Are budgets keeping up with the objectives and ambition within IT teams? In 2019, what is concerning those charged with keeping the technology lights on? As the cloud market continues to grow and mature, how are Mid-Market organisations refining their strategies to optimise their use of the multitude of cloud services out there?

To find out, the annual Node4 Mid-Market IT Priorities Report spoke to 300 decision makers to discover their priorities in 2019. IT managers, CIOs, Heads of IT and IT Directors across business, and specifically in the insurance and healthcare industries, were asked what 2019 holds for their IT planning. Mid-Market is defined as companies between 100-1000 employees.

Looking back to last year, Brexit and GDPR were key concerns for the Mid-Market and the purpose of this report is to move beyond those well discussed topics to understand the current landscape of IT issues, from investment, cyber security and budgets to cloud strategy.

This report sets out the findings of our survey.

2019 Outlook Overview

Are IT spending plans realistic?

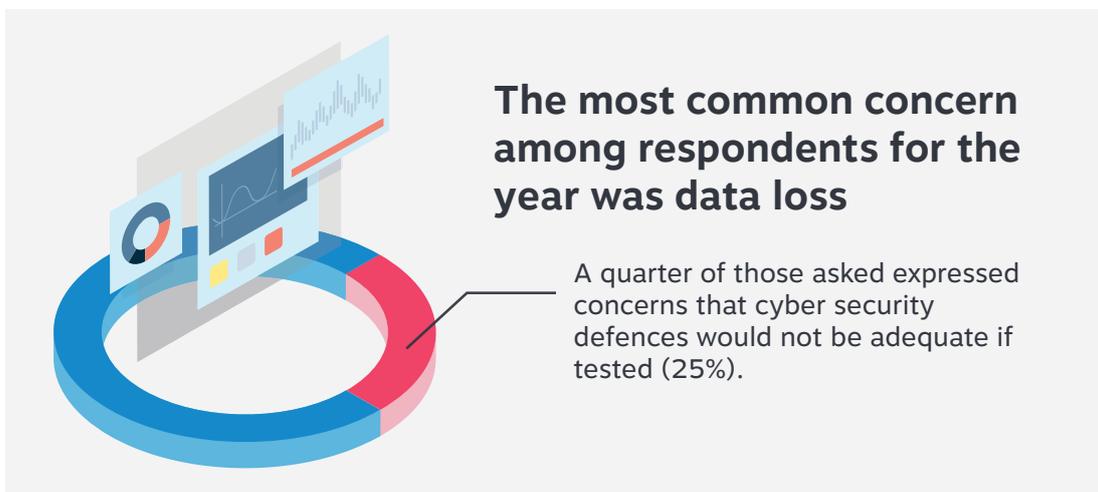
Despite four in five (81%) IT leaders surveyed across Mid-Market businesses expecting their IT budgets to go up, almost a quarter (23%) feel this will not be enough to meet the ambitions of their teams. This was reflected across healthcare where 63% felt their budget wasn't enough and 26% of respondents in insurance also thought that their budget was not enough to meet their team's ambitions.

Private cloud to benefit as public cloud becomes less attractive

Public cloud is becoming less popular, with just over one in ten businesses looking at decreasing public cloud investment in 2019. In contrast nearly half (45%) of respondents are planning to increase private cloud investment during the year.

Data loss a key concern of many for cyber security

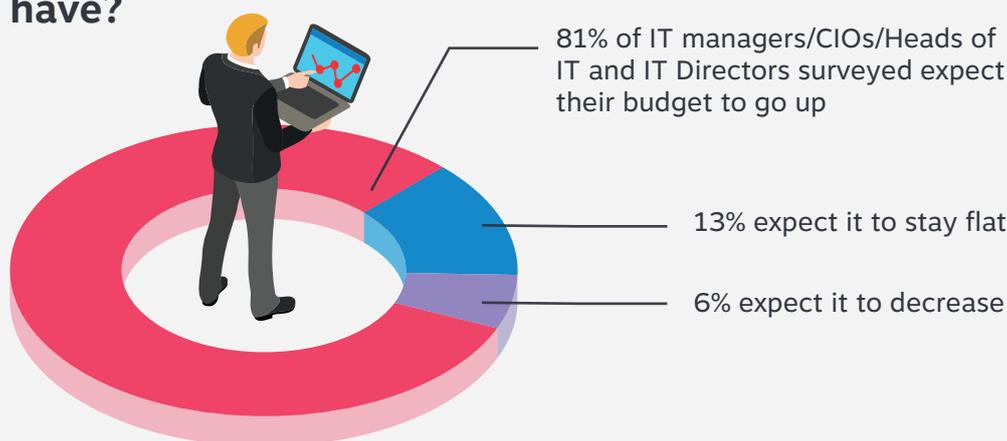
The most common concern among respondents for the year was data loss (42%), shortly followed by concerns about data in the cloud not being rigorously protected (38%). The worries about cyber security don't stop there. Over a third of respondents were concerned about ransomware attacks (35%) and maintaining cyber defences on the budget provided (32%). A quarter of those asked also expressed concerns that cyber security defences would not be adequate if tested (25%).



Mid-Market IT Budgets

The role of IT in all organisations is gaining importance. This is reflected by the statistics that show, across the board, budgets are on the rise, with four in five (81%) of IT leaders surveyed expecting their IT budgets to go up this year. However, despite these positive figures, almost a quarter (23%) of teams do not feel the budget rises will go far enough and stated they will not meet the ambitions of their teams. Of these people who felt their IT budget wasn't enough, two-thirds (65%) felt they would need an increase of between 6%-15%. A fifth (22%) felt they would need an increase of over 15%.

What expectations on budgets do the majority of IT managers, CIOs/Heads of IT and IT directors have?



The most common expectation (mode) is an increase of budgets by 6% - 10% (35%), while 6% expect an increase of over 15%

Healthcare IT budgets

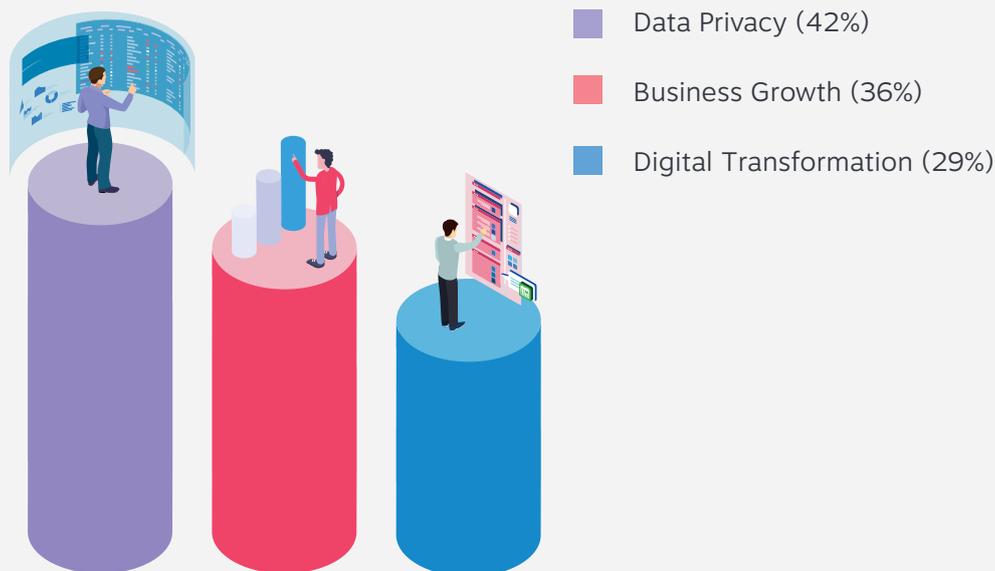
Respondents from the healthcare industry expect budgets to decrease more than colleagues in other sectors. 12% expect them to decrease and 15% expect budgets to stay flat. In addition, 30% of healthcare respondents felt their budgets do not match the ambition of their teams, far more than the overall average of 23%. 63% of those who felt their budget wasn't enough would require between 6%-15% increase to meet the team's ambitions.

Insurance IT budgets

Responses show the insurance industry was above average when it comes to budget increases, with 87% of insurance respondents expecting budgets to go up. However, over a quarter (26%) expect this will not match the ambition of their team, slightly more than the overall research average of 23%. 77% of those surveyed would require an increase of between 6%-15% to meet the team's ambitions.

Objectives

The most important objectives for IT leaders highlighted for 2019 were:



Based on each respondent's top three selections

Mid-Market

Data privacy is increasing in importance for IT teams. In contrast to last year's findings, in which under a third of IT professionals recognised it as a top priority, 42% now feel keeping data secure is the most important objective for 2019. Business growth (36%) and the enhancement of digital transformation strategies (29%) also ranked highly.

Healthcare

Within healthcare, data privacy is a greater than average objective, with 46% of healthcare respondents selecting it as their biggest objective compared to the average of 42%.

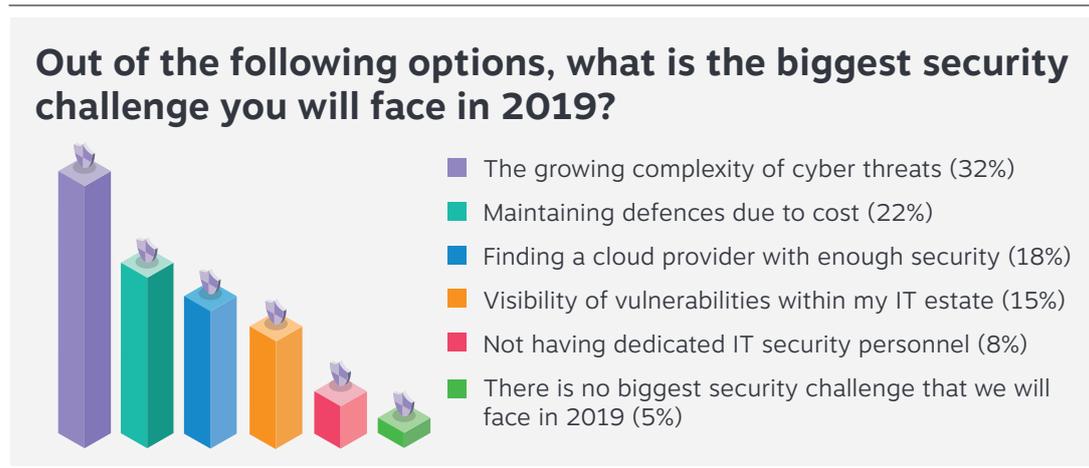
Insurance

Insurance was the only industry that ranked business growth as an outright greater objective than data privacy, with 45% selecting it as a top objective. Data privacy came in second place with 38% selecting it as an objective, followed by reducing operating costs (35%).

Security Challenges & Concerns

Challenges

Mid-Market businesses were asked about their single biggest security challenge in 2019. Unsurprisingly, no single issue stood out.



Mid-Market IT

Cyber criminals are consistently plotting their next attack and the growing intelligence of both lone wolf attacks and organised serious crime gangs online is causing concerns across the board. As IT teams fight to keep businesses safe, a third of respondents (32%) highlighted the growing complexity of cyber threats as the biggest security challenge of 2019. Budgets were also flagged as an issue when fighting the growing threat, with maintaining defences due to cost (22%) a key concern. Around one in five respondents flagged finding a cloud provider with the right security offering (18%) to suit their needs as a security challenge for this year.

Perhaps surprisingly, given the amount of discussion around the IT skills shortage, only 8% of respondents felt that not having dedicated IT security personnel would be the biggest security challenge they would face.

Healthcare

A third of those working in the healthcare industry believed keeping up with the growing complexity of the cyber threats (33%) to be the biggest threat this year, with maintaining defences due to cost (23%) and finding a cloud provider with enough security (19%) also being high of the list of challenges.

Insurance

As with Mid-Market IT and the healthcare sector, the main challenge within the insurance sector is keeping up with the growing complexity of the cyber threats, with a third of respondents pointing towards this as the biggest security threat in 2019 (33%). Just under a quarter of respondents believe maintaining defences due to cost will be their top challenge in 2019 (23%).

Concerns

But what keeps IT leaders awake at night when it comes to all of the problems that cyber security tools are there to prevent?

Mid-Market IT

When it comes to cyber security within organisations, the most common concern among respondents was data loss (42%). This was followed by concerns about data in the cloud not being as rigorously protected (38%), ransomware attacks (35%), maintaining cyber defences on the budget provided (32%), concerns that the defences would not be adequate if tested (25%), concern due to targeting by cyber criminals in 2018 (24%).

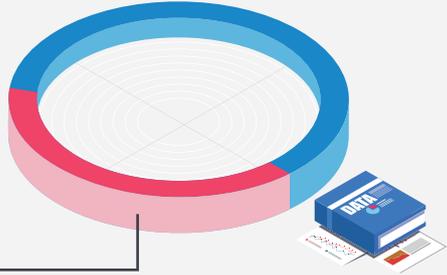
Healthcare

Healthcare respondents were far more likely to report concerns about data in the cloud not being protected as rigorously as on-premises – making it the statement they most agreed with when it came to cyber security (selected by 43% of respondents compared to an overall average of 38%).

Insurance

Just under a third of respondents from the insurance industry admitted they were targeted by cyber criminals in 2018 (29%) and with this in mind were more worried about data loss than average with (47%) saying this is a concern for 2019. Over a third of respondents were also concerned about data in the cloud not being as rigorously protected (39%) and ransomware attacks (34%).

Which of the following statements would you agree with when it comes to cyber security within your organisation in 2019?

- 
- Data Loss (42%)
 - Concerns about data in the cloud not being rigorously protected (38%)
 - Ransomware attacks (35%)
 - Maintaining cyber defences on the budget provided (32%)
 - Concerns that the defences would not be adequate if tested (25%)
 - Concern due to targeting by cyber criminals in 2018 (24%)
 - None of the above (4%)

Based on respondents' top selections from seven options

Cloud Trends – Investment, Workload Distribution and Migration Drive Dynamic Strategies

IT Infrastructure Trends

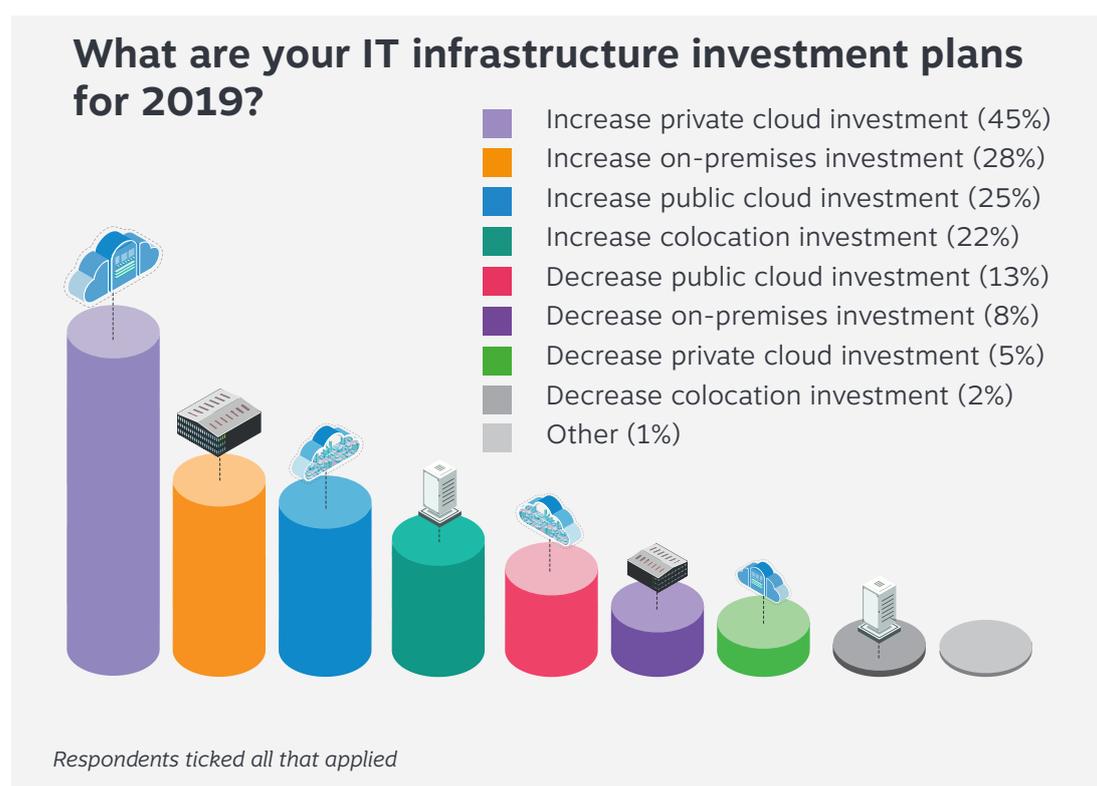
With maturing cloud technology and services playing an ever-increasing role across the entire economy, the 2019 Mid-Market research set out to understand some of the key strategic drivers of cloud strategy.

When asked about their infrastructure investment plans, overall, respondents were more likely to increase investment.

Almost half intend to increase private cloud investment (45%), making this the most popular choice. Increasing public cloud investment lags in third place (25%) – behind on-premises (28%) but ahead of colocation (22%).

Out of all infrastructure types, organisations were most likely to decrease public cloud investment (13%). This was followed by decreasing on-premises investment (8%).

Just 5% have no plans at all for IT infrastructure investment in 2019.

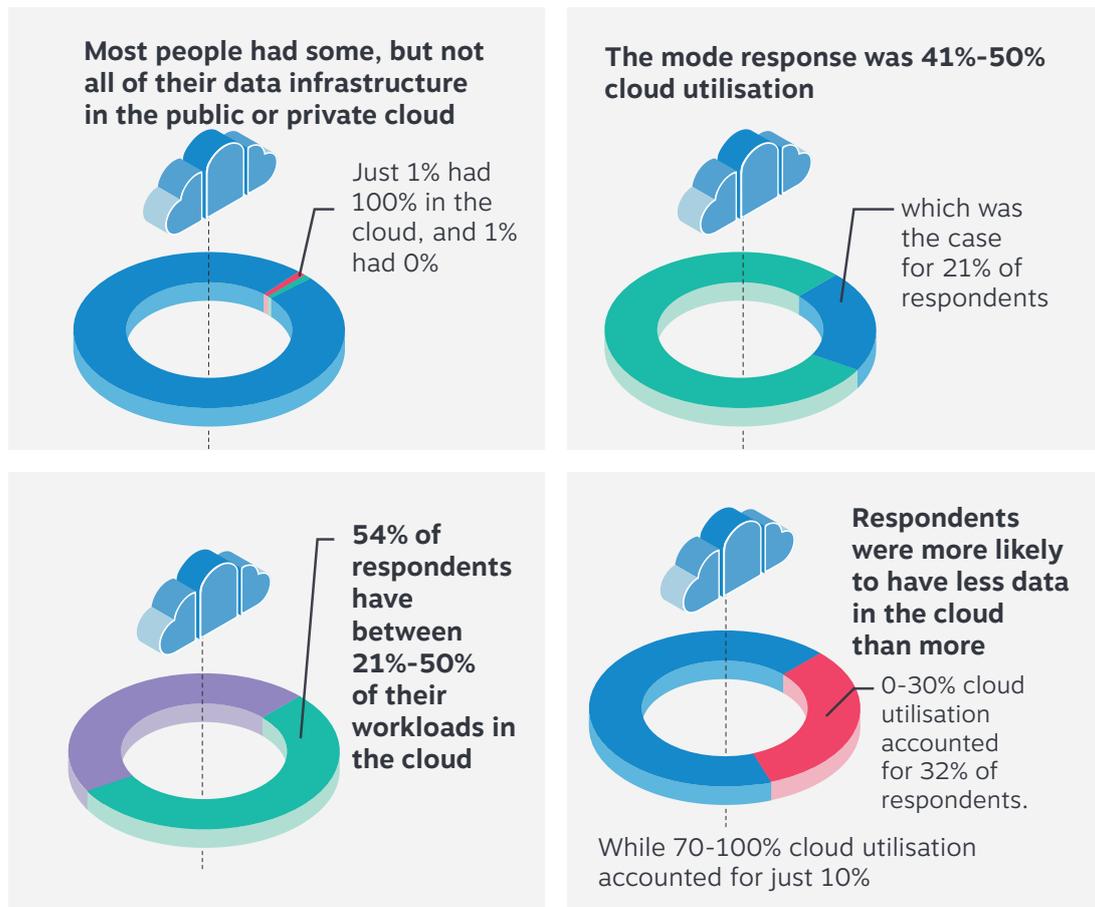


Workload Distribution Trends

As organisations update and refine their cloud strategy, they make adjustments in workload distribution from on-premises to various cloud-based services and vice versa. While many workloads have been migrated to the cloud, there remains considerable scope for additional investment.

Most (54%) of respondents have between 21%-50% of their workloads in the cloud, but respondents were more likely to have less data in the cloud than more: 0-30% cloud utilisation accounted for 32% of respondents, while 70-100% cloud utilisation accounted for just 10%.

While the adoption of 'all in' cloud strategies have gained significant interest in recent years, there is little evidence that Mid-Market organisations are shedding all other infrastructure options in favour of a cloud-only approach. Most people had some, but not all of their data infrastructure in the public or private cloud, but just 1% had 100% of their workloads in the cloud.



Cloud Migration Trends

The overall picture about where organisations are placing their workloads is very mixed, and we are seeing organisations shift strategy to identify the best execution venue for their needs and budget.

Most (54%) respondents have between 21%-50% of their workloads in the cloud, private cloud is receiving more investment from Mid-Market businesses. A significant number of respondents are planning to move resources to the private cloud, with almost a third (29%) expecting to move workloads from on-premises to the private cloud. In addition, a quarter (24%) expect to move workloads from public cloud to private.

However, that's not to say that public cloud is falling out to favour. 20% plan to move workloads from on-premises to public cloud, and 18% expect to move from private cloud to public cloud. There is also some data coming back on premises, mostly from private cloud (17%), but also from public cloud (15%).

Moves to colocation were more likely to come from public cloud (20%), than from private cloud (16%). First time adoption of cloud remains a significant factor across the research base. Equal percentages (15%) plan to adopt the public or private cloud for the first time in 2019.



“A significant number of respondents are planning to move resources to the private cloud”

Healthcare

Healthcare is far more likely to be looking to move from public cloud to private (29% planning such a migration in 2019, compared to an average of 24%). More than average, the healthcare sector expects to increase private cloud investment (51% compared to 45% average), but less than the overall research average level of healthcare businesses are planning to increase colocation investment (15% compared to an average of 22%).

Insurance

Insurance respondents were slightly more likely to be planning to move workloads from on-premises to private cloud (31% compared to an average of 29%), and overall less likely to move to colocation (17% plan to move from public cloud to colocation, average is 20%, 12% plan to move from private cloud to colocation, average is 16%).

Despite this, about the same percentage as the average plan to increase colocation investment (21% plan to increase in insurance, average is 22%).

Cloud migration in 2019:



Almost a third (29%) expect to move workloads from on-premises to the private cloud.

A quarter (24%) expect to move workloads from public cloud to private.

However, that's not to say that the public cloud is falling out to favour:



20% plan to move from on-premises to public cloud

18% expect to move from private cloud to public cloud

Unified Communications Trends - Overcoming Barriers to Adoption

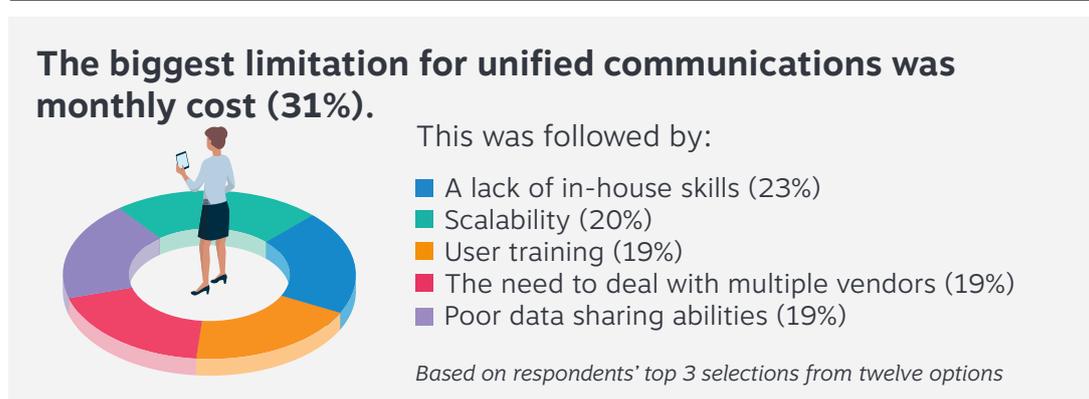
Unified Communications is a mature and popular set of technologies, delivering value to businesses around the world. But what are the barriers to its increased adoption in the Mid-Market in 2019?

While no single factor is responsible for holding back UC investment, its biggest limitation in the eyes of survey respondents is monthly cost (31%).

This was followed by:

- A lack of in-house skills (23%)
- Scalability (20%)
- User training (19%)
- The need to deal with multiple vendors (19%)
- Poor data sharing abilities (19%)

These challenges underline the importance of finding a partner who can offer high performance and cost-effective solutions.

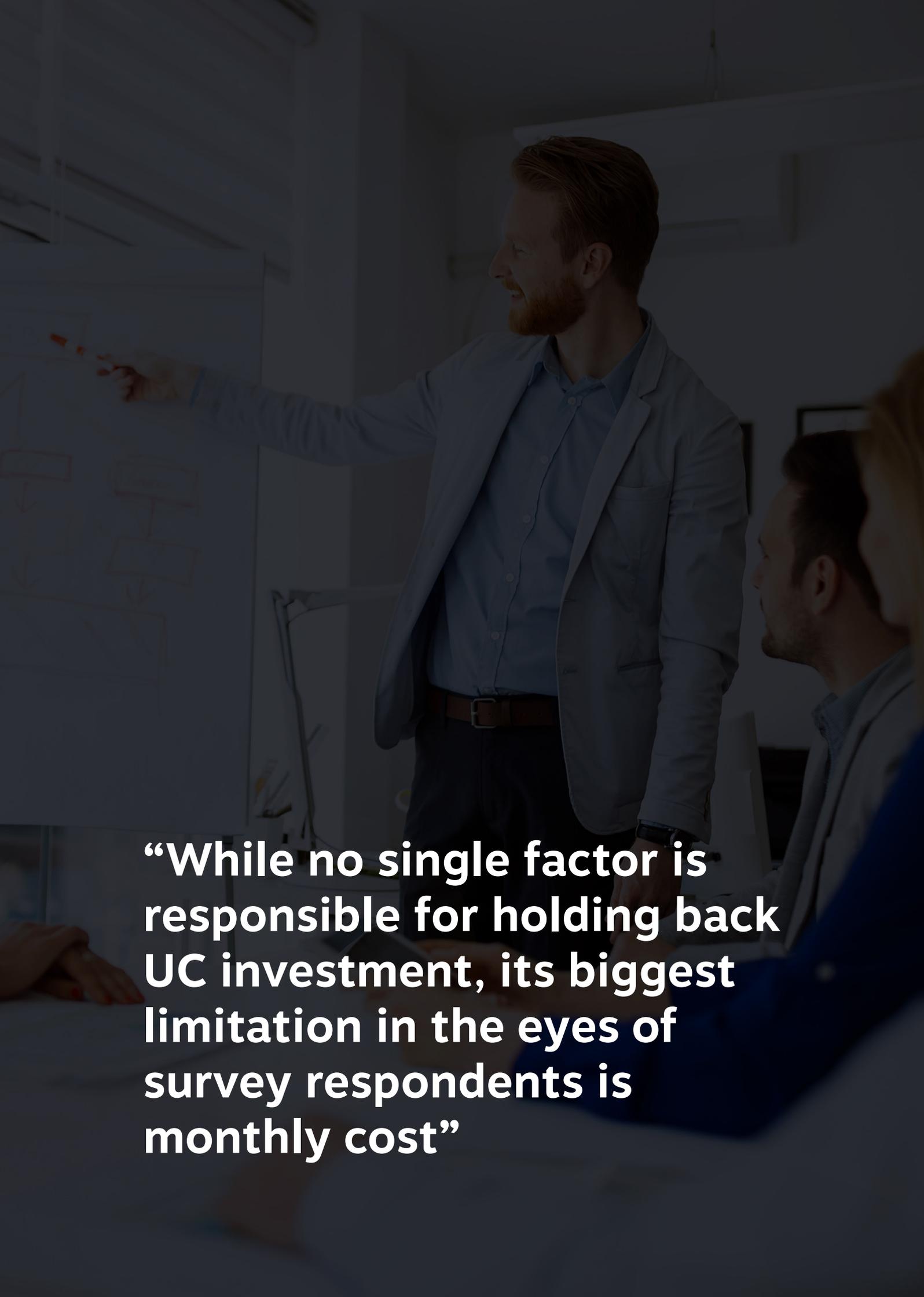


Healthcare

When it comes to Unified Communications, the healthcare sector were more likely to consider monthly cost (36% compared to average of 31%), scalability (26% compared to an average of 20%) and lack of in-house skills (24% compared to 23%) as limitations.

Insurance

The insurance sector reported higher than average concerns about inadequate user training when it came to Unified Communications (23% compared to average of 19%), as well as with poor data sharing abilities (22% compared to an average of 19%).

A man with a beard, wearing a light blue blazer and a light blue button-down shirt, is standing and pointing with his right hand towards a whiteboard. He is smiling slightly. In the foreground, the back of a person's head and shoulder is visible, looking towards the man. The background is a dimly lit office or meeting room with a whiteboard and some papers on a table.

“While no single factor is responsible for holding back UC investment, its biggest limitation in the eyes of survey respondents is monthly cost”

Conclusion

There's no doubt that the unresolved status of Brexit continues to provide a highly uncertain backdrop for Mid-Market businesses across the UK. What's interesting to see in that context, however, is that the vast majority of Mid-Market IT leaders expect to be working with greater budgets this year. It could be argued that this merely underlines the massive strategic importance of IT investment to businesses across the Mid-Market, but also shows that, as a sector, Brexit hasn't put the brakes on its ambition for technology and its potential to help ensure success in the future.

Yet, for a significant number, these budget increases aren't seen as sufficient to match the ambition of their IT teams. Many would argue that this has always been the case – has there ever been a time when IT leaders wouldn't want more budget? Perhaps this goes some way to explaining why many organisations in the Mid-Market are actively adjusting cloud strategy to find the best execution venues for their varied workloads. Cloud was always meant to help businesses get more out of their IT budget, and this research shows many organisations are highly proactive in pursuing that goal.

They are in a good position to do so. Not only do IT leaders have greater levels and experience in working with cloud tools, services and providers, but they are quite willing to shift workloads between on-premises, private and public clouds to refine their approach. It's clear that 'one size fits all' is not a philosophy that many IT leaders believe in when defining how to spend their budget. Versatility and flexibility are key drivers of current and future cloud strategy.

While this research offers a largely positive view on the future of cloud in the Mid-Market, the breadth of the security challenges and concerns facing the respondents serve to further underline the unique nature of that risk. Working with partners who can satisfy this need for agile and dynamic cloud versatility is key to successfully balancing cost, performance, security and service.

About Node4 and the Mid-Market

Established in 2004, Node4 is an innovative and trusted Managed Services Provider that offers unparalleled end-to-end IT infrastructure and services, technical expertise and innovation, all fully managed and flexibly deployed across the company's own infrastructure fabric.

Its Services Gateway provides access to a powerful suite of technology solutions such as connectivity, cloud and data centre hosting, public cloud, data services, collaboration and security which enable the design and delivery of complex technology infrastructures for UK businesses in every sector.

Node4 owns and manages data centres located in Derby, Leeds and Northampton, as well as having dedicated space in a Slough data centre and points of presence in London and Manchester. They are all connected via our national fibre network which has interconnects to all major UK carriers. It is headquartered in Derby with other offices in London, Reading and Nottingham.

Node4 delivers intelligent, efficient and scalable hybrid IT solutions underpinned by exceptional Service-as-a-Standard for customers focussed on transforming their businesses to succeed in the digital age.





NODE4

Empowering business to do more

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