NODE4

Empowering business to do more

Mid-Market IT Priorities Report 2021/2022

An investigation into how Mid-Market organisations, particularly in the healthcare, insurance, online retail, and transport logistics sectors continue to adapt their IT priorities and refocus investment.

Executive Introduction and Methodology

In the last two years, the business landscape has changed almost beyond recognition. The ripple effects of Brexit and the challenges presented by COVID-19 — which was the catalyst for home and remote working on an unprecedented scale — have created a set of complex issues that the country's Mid-Market organisations must negotiate.

Coming at the end of 2021, our report considers these issues against the backdrop of ongoing cyber attacks, continued concerns over IT budget levels, and the long-term realities of hybrid working. It provides a timely review of the opinions of IT leaders at the end of a particularly difficult period, and offers some observations into how they think 2022 will impact them. As cloud and managed services markets continue to mature, the report also offers some insights into how Mid-Market organisations are adapting their IT strategy to maintain secure, agile, and efficient operations.

This report is based on a survey conducted independently and exclusively for Node4 by Censuswide. It reveals the views of 300 decision makers across the insurance, healthcare, online retailing, and transport logistics sectors. The survey was conducted amongst Heads of IT, IT Directors, CIOs, CTOs and IT Managers in companies with 100–1,000 employees, with an equal split for each job title across each sector.

2021 Outlook Overview

Concerns over current and future IT budgets

Over half (52%) of IT decision makers in Mid-Market organisations believe that their IT budget currently meets the ambitions of their team. However, there seems to be less certainty and confidence about future finances. 61% think their budget will need to increase, but only 13% expect that it will next year. This leaves the Mid-Market with a potential shortfall in IT spend as it heads into 2022.

Nearly a third (32%) of respondents told us that, over the last 12 months, the increase in cyber attacks had the most significant impact on the Mid-Market. They felt it was a more disruptive factor than COVID-19 (25%), Brexit (21%), and new market entrants (21%).

What's more, 29% of respondents believe cyber attacks will continue to present the most significant challenge in the next 12 months too.

That's why increasing and strengthening security is the top objective for IT decision makers in Mid-Market organisations over the next 12 months. Almost a third (32%) plan to prioritise IT security next year. Other top objectives include meeting compliance challenges (16%), improving customer experience (16%), deploying new collaboration solutions (15%), and increasing hybrid cloud development (14%).

Looking beyond security, a staggering 83% of respondents think that managing compliance will be more complicated over the next 12 months. Compliance worries cover long term data retention (23%), data loss prevention (21%), BYOD (21%), post-Brexit regulatory challenges (18%), and GDPR (14%).

Could cloud and managed services provide the answers?
We believe that the anticipated shortfall in IT budgets — in combination with a range of external factors — will continue to drive the adoption of cloud and managed services, even for companies that would prefer to retain an internally resourced IT infrastructure. This is backed up by our findings, which reveal 87% of Mid-Market organisations are likely to rely more on managed services in the next 12 months than they did this year. In addition, they plan to increase investment in public cloud (39%), private cloud (41%) and colocation (35%) in the same timeframe.
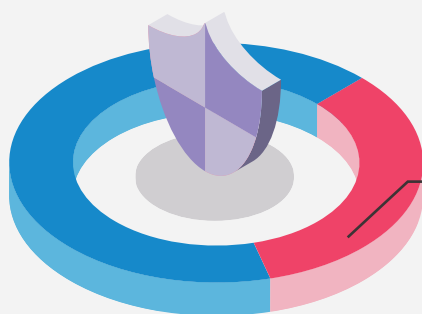
Nearly a third of respondents told us that the increase in cyber attacks had the most significant impact on the Mid-Market.

They felt it was a more disruptive factor than COVID-19 (25%), Brexit (21%), and new market entrants (21%).

Mid-Market Impact Assessment

Which factors, if any, have had the biggest impact on your organisation over the last 12 months?

32.33%   25.33%   21.67%   20.67%

What, if any, factors do you expect will cause the most significant challenge for your organisation over the next 12 months?

29.33%   26%   24%   20%   0.33%   0.33%

■ Increase in cyber attacks   ■ COVID   ■ Brexit   ■ New market entrants   ■ No particular factors   ■ Not sure yet

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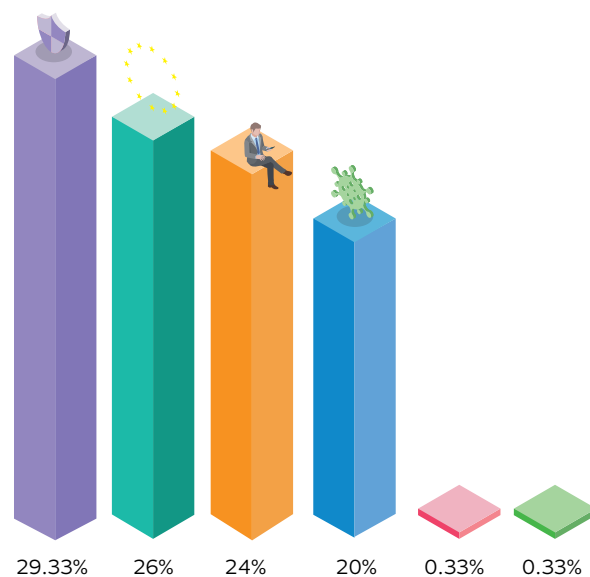
Looking at these charts side-by-side, it's clear that the increase in cyber attacks was the biggest Mid-Market concern during 2021 and will continue to dominate in 2022. COVID-19 had the second most significant impact (25%) and created further security challenges. These included the massive increase in home working and the fast-paced adoption of collaboration tools.

Overall, the Mid-Market seems confident that the impact of COVID-19 will lessen significantly in 2022, but IT decision makers will still have some tech-related issues to address as a result of the pandemic. Our research reveals the rollout of infrastructure to support remote working during COVID-19 has created

new challenges for IT teams. More than three quarters (77%) of organisations have identified gaps that they still need to deal with.

Often overshadowed by COVID-19 in the first part of 2021, Brexit never-the-less continued to impact the Mid-Market and looks set to do so during 2022 — bringing with it compliance and logistical challenges. 22% of respondents saw Brexit as a significant challenge over the last 12 months, but more IT decision makers (26%) expect it to impact the Mid-Market in 2022. Looking further into our findings, 18% expect post-Brexit regulatory changes to be a primary compliance challenge over the next 12 months.

Mid-Market IT Budgets

Thinking about your IT budget in general, which, if any of the following statements are true to you?

47.67% 39% 22% 13%
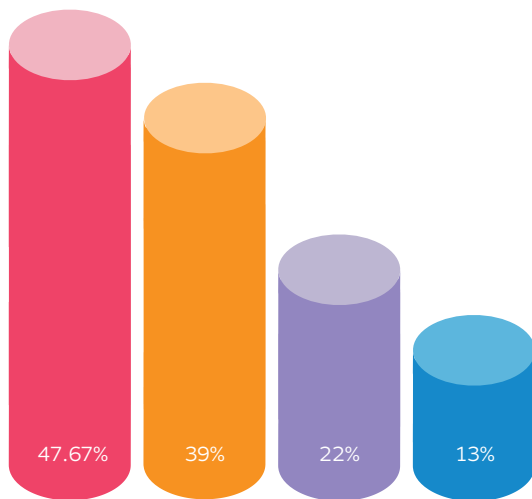
■ My IT budget does not currently meet the ambitions of my IT team and what it would like to achieve

■ My IT budget will need to increase significantly to meet the ambitions of my IT team and what it would like to achieve

■ My IT budget will need to increase slightly to meet the ambitions of my IT team and what it would like to achieve

■ I expect my IT budget to increase next year

The challenges discussed in the previous chapter put Mid-Market IT teams under immense pressure. COVID-19 made it mandatory to work from home where possible and, for many organisations, day-to-day operations and output changed overnight. As we've highlighted, Mid-Market organisations also had to deal with the ongoing threat of cyber attacks, the after-effects of Brexit, and increasingly crowded markets.

Opinion is split almost down the middle on whether sufficient IT budget was available to meet these challenges.

Over half (52%) of respondents told us they did have enough budget, while the rest (48%) disagreed. However, when it comes to IT budgets for the next 12 months, almost 61% think that their budget will have to increase either slightly or significantly to meet IT team ambitions.

Respondent confidence is also low when it comes to getting the budget increase that they desire. Just 13% of IT leaders expect their budgets to increase to the extent that they would need.

Facing Up to Reality

All these facts point to a gap between what IT decision makers would like to do and what's practical and affordable. We believe that the current shortfall in IT budgets for many respondents — and the overwhelming expectation that budgets won't rise sufficiently in 2022 — are contributing to the fast pace of cloud and managed services adoption.

To cite just one example — half of respondents said that they would prefer an internally resourced IT infrastructure. But as we'll see further into the report, most Mid-Market organisations continue to increase their investment in cloud infrastructure and managed services. In fact, our findings showed that 87% of respondents expect to rely more on managed services in the next 12 months. All respondents said they relied on some form of managed services, while just 2% said that they expected to rely less on managed services in 2022.

Winners and losers

Respondents from the transport and logistics sector were the most satisfied with their current IT budgets, with 57% saying that it met IT team ambitions, while just 45% of respondents from the online retail sector agreed. This is significantly lower than the average (52%) across the entire survey.

Respondents from the healthcare and online retail sectors were least confident about IT budget increases in 2022, with just 11% thinking they were possible. By contrast, 18% of respondents from the insurance sector thought it likely — making them the most optimistic.

Looking once more at opinions across the entire Mid-Market, 62% of CIOs believe their current budget meets IT team ambitions — making them the most optimistic of all the decision makers we surveyed. By contrast, just 40% of IT Managers thought they had an adequate IT budget, making them the most pessimistic. IT Directors appear to be most confident about budget increases (18% expect increases), while CTOs and IT Managers seem least confident (8% expect increases).

"Respondents from the transport and logistics sector were the most satisfied with their current IT budgets, with 57% saying that it met IT team ambitions."
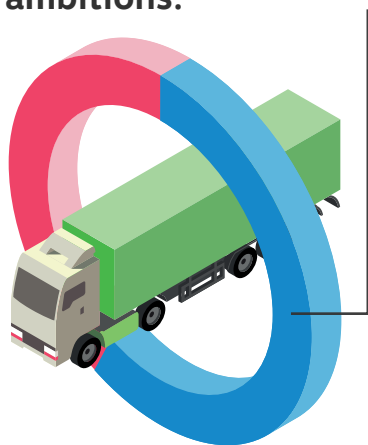
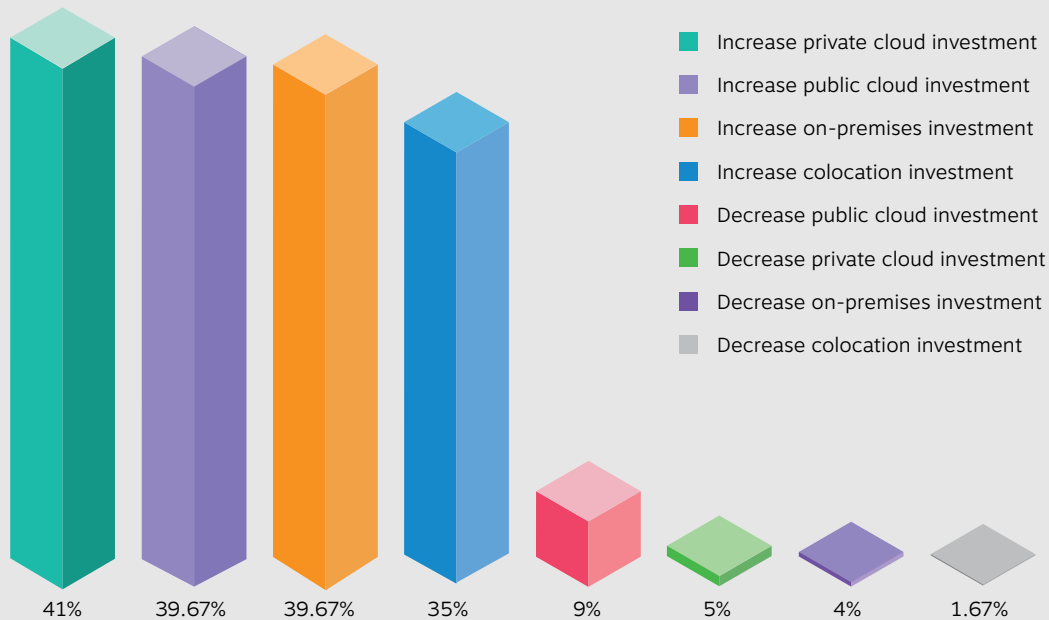# IT Infrastructure Investment Trends, Drivers, and Barriers

What are your IT infrastructure investment plans for the next 12 months?

Our research shows an overall trend for increased investment in 2022, even though most respondents don't anticipate that they'll get the IT budget increases that they'd like. Never-the-less, plans are being drawn up by Mid-Market IT decision makers for increased spending in equal measure across public cloud (40%), private cloud (41%), co-location (35%), and on-premises (40%).

Significant on-premises spend over the next 12 months should not come as a surprise. The research supports our view — and experience in the field — that organisations will always have a degree of on-premises IT expenditure. They'll always need an SD-WAN, switches, routers, and other edge appliances — and will maintain a small on-site comms room of some description.
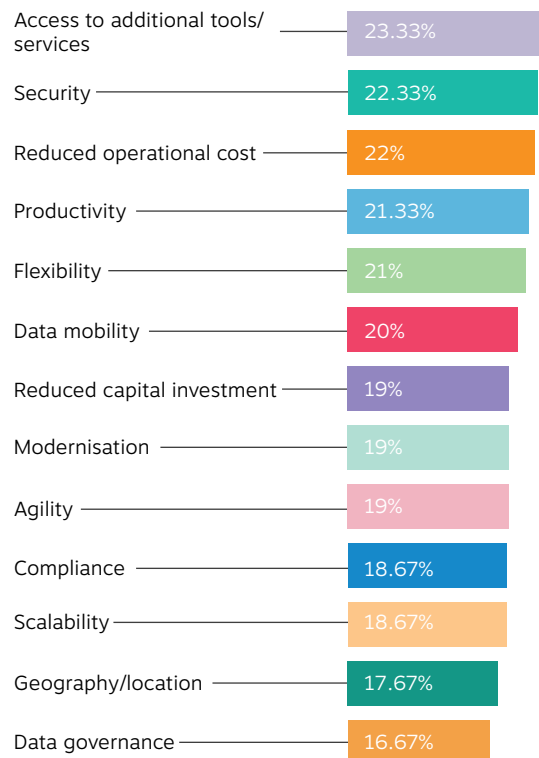
Many Mid-Market sector organisations will rationalise, update, and streamline their on-premises infrastructure as a first step towards cloud adoption or expansion. For that reason, they often choose to engage a trusted IT partner at this stage to ensure their on-premises investment provides a solid foundation for their cloud transformation journey and roadmap.

What are your IT infrastructure investment plans for the next 12 months?

Legend:
- Increase private cloud investment
- Increase public cloud investment
- Increase on-premises investment
- Increase colocation investment
- Decrease public cloud investment
- Decrease private cloud investment
- Decrease on-premises investment
- Decrease colocation investment

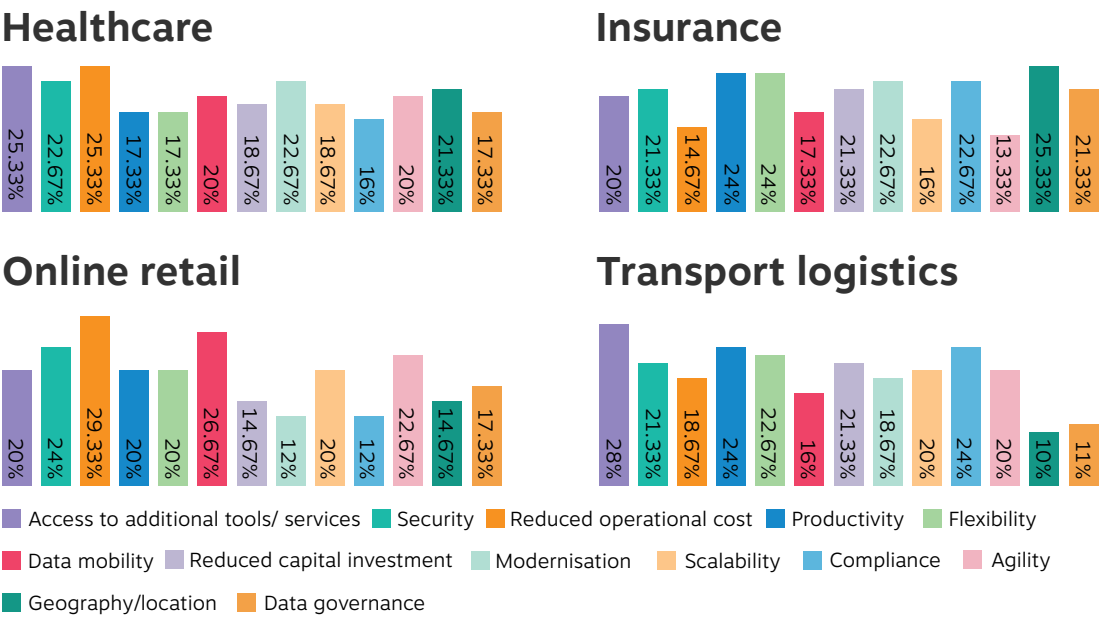| Category	Percentage
Increase private cloud investment	41%
Increase public cloud investment	39.67%
Increase on-premises investment	39.67%
Increase colocation investment	35%
Decrease public cloud investment	9%
Decrease private cloud investment	5%
Decrease on-premises investment	4%
Decrease colocation investment	1.67%

What are the primary drivers for Mid-Market IT infrastructure investment?

Our research reveals that access to additional tools and services is currently the primary driver for IT infrastructure investment plans — putting security and reduced operational cost in joint second place (albeit by just 1% in both cases). Potentially a consequence of COVID-19, and the need to scale up collaboration tools for home (and now hybrid) workers, it will be curious to see if we uncover a similar result from the next survey or conclude that this was a temporary anomaly driven by the pandemic.

| Driver	Percentage
Access to additional tools/services	23.33%
Security	22.33%
Reduced operational cost	22%
Productivity	21.33%
Flexibility	21%
Data mobility	20%
Reduced capital investment	19%
Modernisation	19%
Agility	19%
Compliance	18.67%
Scalability	18.67%
Geography/location	17.67%
Data governance	16.67%

Sector-specific IT investment drivers within the Mid-Market

It's interesting to note that when drilling down into specific Mid-Market sectors, 29% of respondents within the retail sector said that the need to reduce operational costs is the primary driver in their IT investment plans. In the healthcare sector, access to additional tools and services and the need to reduce operating costs are the joint primary drivers (25%). While in the insurance sector, at just 20%, access to additional tools and services doesn't feature in the top five drivers at all.

Healthcare

25.33%	22.67%
25.33%	17.33%
17.33%	20%
18.67%	22.67%
18.67%	16%
20%	21.33%
17.33%	

Insurance

20% 21.33% 14.67% 24% 24% 17.33% 21.33% 22.67% 16% 22.67% 13.33% 25.33% 21.33%

Online retail

20% 24% 29.33% 20% 20% 26.67% 14.67% 12% 20% 12% 22.67% 14.67% 17.33%

Transport logistics

28% 21.33% 18.67% 24% 22.67% 16% 21.33% 18.67% 20% 24% 20% 10% 11%

Legend:
- Access to additional tools/ services
- Security
- Reduced operational cost
- Productivity
- Flexibility
- Data mobility
- Reduced capital investment
- Modernisation
- Scalability
- Compliance
- Agility
- Geography/location
- Data governance

What barriers do Mid-Market companies face when looking to invest in IT infrastructure?

Nearly one in three respondents (28%) said data accessibility is the most significant barrier to IT investment and this is true of our experience with customers.
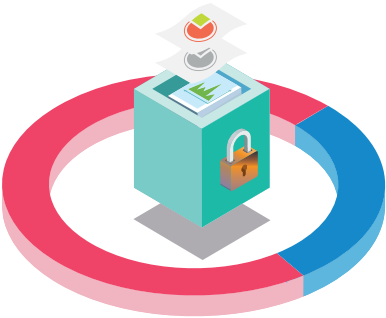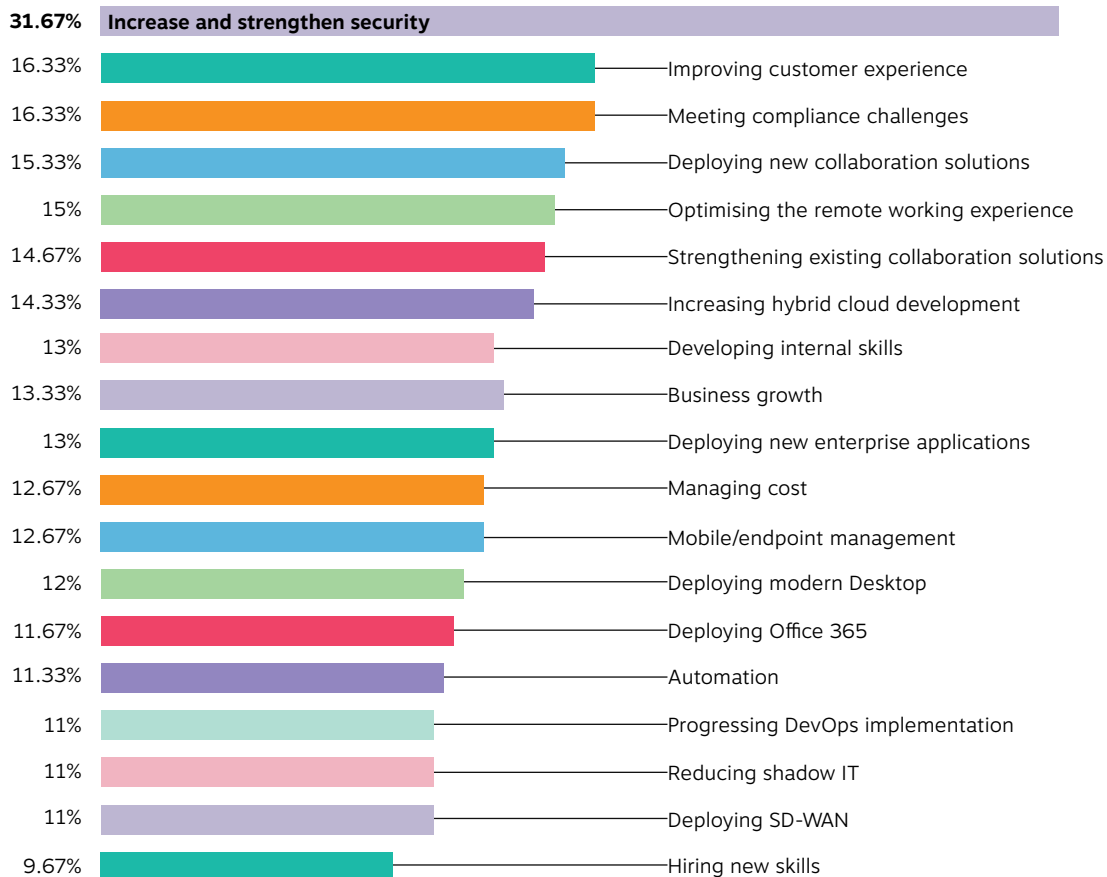

Before organisations adopt cloud infrastructure or managed services, they need to invest time and resources to ensure data is accessible across their organisation. This usually involves cleaning up their databases, updating key network infrastructure components, selecting the best-fit collaboration tools, and installing virtual desktop interfaces.

Getting these foundations in place ensures data is accessible as an organisation's IT infrastructure continues to evolve — and creates an environment where investments in cloud-based solutions and managed services can thrive. By contrast, companies that don't take these steps will often face added complexity, delays, and unanticipated costs further down the line.

Mid-Market IT Objectives for The Next 12 Months

What are your most important objectives for the next 12 months?

| Percentage	Objective
31.67%	**Increase and strengthen security**
16.33%	Improving customer experience
16.33%	Meeting compliance challenges
15.33%	Deploying new collaboration solutions
15%	Optimising the remote working experience
14.67%	Strengthening existing collaboration solutions
14.33%	Increasing hybrid cloud development
13%	Developing internal skills
13.33%	Business growth
13%	Deploying new enterprise applications
12.67%	Managing cost
12.67%	Mobile/endpoint management
12%	Deploying modern Desktop
11.67%	Deploying Office 365
11.33%	Automation
11%	Progressing DevOps implementation
11%	Reducing shadow IT
11%	Deploying SD-WAN
9.67%	Hiring new skills

Almost a third (32%) of IT decision makers in Mid-Market organisations said that increasing and strengthening security is their number one objective for the next 12 months. Some of this work will be in response to the rapid take-up of systems and applications to enable and manage homeworking. Indeed, 78% of respondents told us their organisation needs to increase security across collaboration tools.

Coping With Compliance

Identified by 16% of respondents, meeting compliance challenges is the second most important objective for Mid-Market IT decision makers. And 83% believe that compliance management will become more complicated over the next 12 months. Here we reveal the compliance challenges that respondents think they will face.
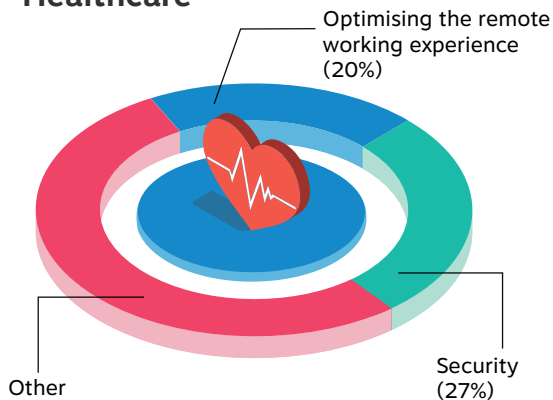
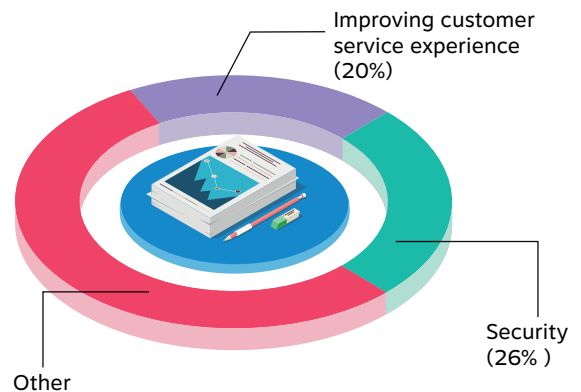**"83% believe that compliance management will become more complicated over the next 12 months."**
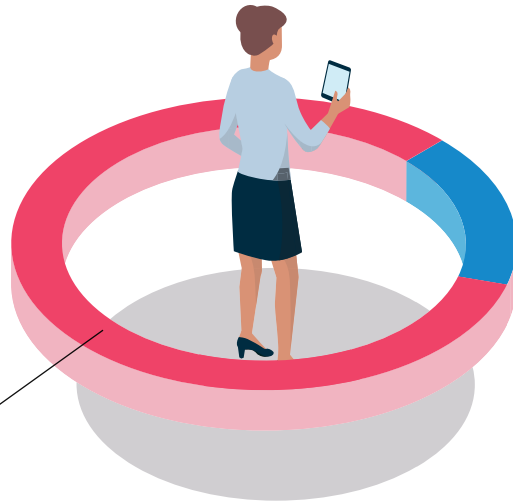
Sector-specific IT objectives over the next 12 months

Increasing and strengthening security is a consistently high priority across all the sectors we surveyed. However, it's interesting to look at the number two priority across healthcare, insurance, online retail, and transport logistic organisations as it uncovers some of the unique challenges that each will face in 2022.
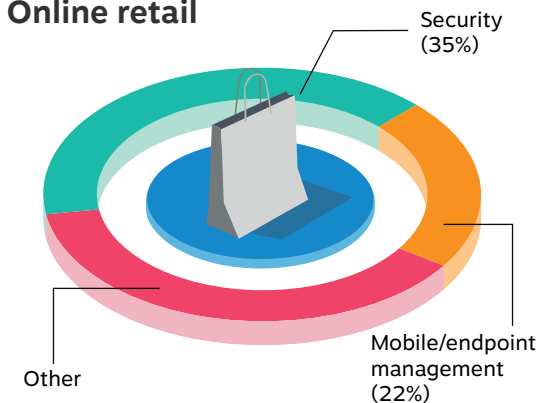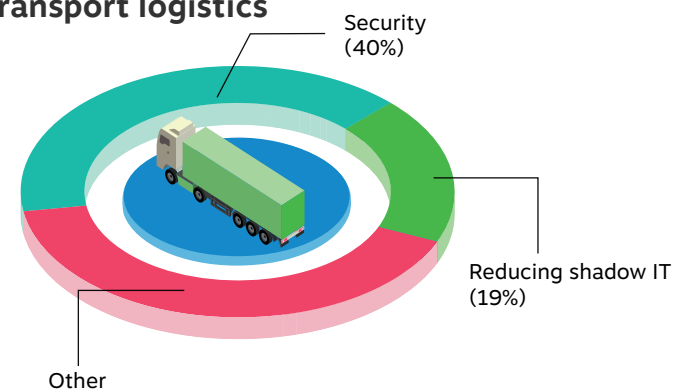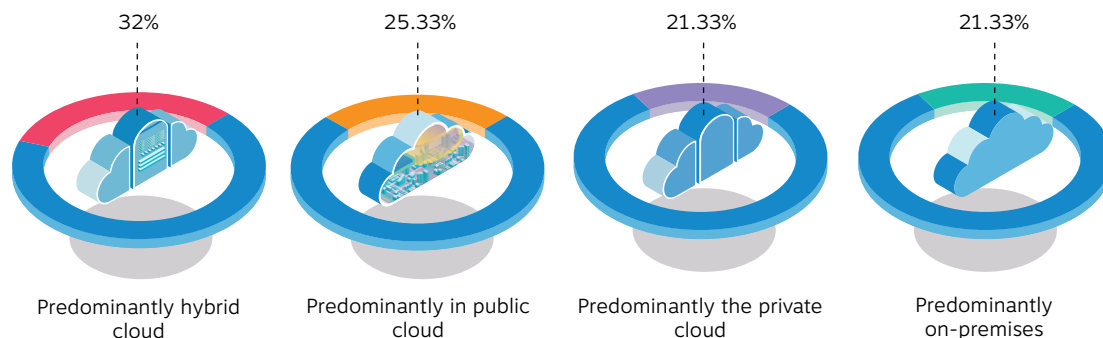
Healthcare

Optimising the remote working experience (20%)

Other

Security (27%)

Insurance

Improving customer service experience (20%)

Other

Security (26%)

Online retail

Security (35%)

Other

Mobile/endpoint management (22%)

Transport logistics

Security (40%)

Other

Reducing shadow IT (19%)

The Mid-Market Cloud Transformation Journey

Where are you on your cloud transformation journey right now?

32%
25.33%
21.33%
21.33%

Predominantly hybrid cloud

Predominantly in public cloud

Predominantly the private cloud

Predominantly on-premises

Today, most Mid-Market organisations are on a journey towards a predominantly hybrid cloud environment, and it's rare to find a business in this sector of the economy with a 100% on-premises IT infrastructure.

That said, our survey found that around one fifth (21%) of Mid-Market companies retain a predominantly on-premises component. It's important to note, however, that on-premises technology does not immediately mean legacy technology. Indeed, components that form some of the latest co-location and MPLS WAN infrastructure can legitimately be referred to as on-premises — and they play an essential role in supporting modern hybrid cloud or co-location environments.

Our research reveals that almost one in four Mid-Market sector organisations (38%) with a £50 Million - £99.99 Million annual turnover have a predominantly hybrid cloud infrastructure — making them the largest Mid-Market consumers of the technology. By contrast, two-thirds of companies with an annual turnover of £999,000 and under are mainly using on-premises technology — making them the largest Mid-Market on-premises technology consumers.

With 39% of companies running a predominantly hybrid cloud environment, the insurance sector is way ahead on its cloud transformation journey when compared with healthcare, online retail, and transport logistics organisations. Insurance companies also use the least amount of on-premises technology (16%).

This could be driven by the requirement for particularly fast product development and deployment cycles that keep pace (and outpace) the competition. It could also be due to the way in which cloud-based architecture has the potential to simplify and control identity management — which is critical for ensuring only authorised personnel gain access to sensitive customer data. This, in turn, enables insurance companies to manage and prove adherence to sector-specific data protection regulations.

By contrast, at 25%, Mid-Market healthcare companies have the highest use of predominately on-premises technology — and are the joint-lowest consumers of hybrid cloud. This could be because healthcare organisations often have to store large medical imaging files on-site and need physical hardware to do so. Medical imaging files are particularly large, so it's not always practical to store them off-site and access them via broadband or VPN connections.

Microsoft 365 as part of the Mid-Market cloud transformation journey

It's tempting to think of cloud and managed services in terms of large-scale, high-cost projects. But the adoption of Microsoft 365 may well be the first step for many Mid-Market organisations on their cloud transformation journey. So it's interesting to note that, according to our research, three-quarters of Mid-Market companies are finding it challenging to roll out Microsoft 365. This rings true from our experience in the field, where we've encountered many Mid-Market companies that underestimate the skills needed to create a stable and secure Microsoft 365 environment. In these instances, they often need third-party support to set it up and maintain it.

"3/4 Mid-Market companies are finding it challenging to roll out Microsoft 365."

Conclusion

"Cybersecurity is the most significant current and future issue faced by Mid-Market organisations".

But IT leaders must confront this challenge while dealing with the ongoing issues raised by Brexit and COVID-19 — and while coping with ever more complex compliance regulations and an increasingly crowded market.

This would be a difficult task under normal circumstances. However, with little optimism for increased IT budgets over the next 12 months (and with many Mid-Market IT leaders still unhappy with current budgets) our research points to the need for IT solutions that will deal with all these issues and deliver maximum value for money.

Adoption of cloud and managed services offer a way to navigate this complex set of issues — with a majority of Mid-Market organisations choosing a hybrid cloud infrastructure as their preferred cloud transformation strategy.

But it's not just about investing in cloud technology. Perhaps for the first time, our research also shows that, while many Mid-Market organisations are adopting cloud and managed services, they do so with a solid, stable, secure, and streamlined on-premises infrastructure in place. It's an approach that makes for much smoother, more efficient and increasingly predictable outcomes. This long-term vision and planning also points to the continuing maturity of the cloud and managed services market and a greater understanding of the technology across Mid-Market IT decision makers.

While this piece of research is largely optimistic about cloud and managed services adoption — even against the backdrop of so many concurrent challenges — we must sound a warning. During and after the pandemic, many Mid-Market companies hastily adopted cloud-based and SaaS solutions, such as collaboration working suites. Our respondents noted that this led to gaps and security concerns that they are yet to address, which suggests a wider issue across Mid-Market organisations and the potential for cybersecurity vulnerabilities.

For that reason, over the next 12 months, security should be the primary consideration for any network enhancements or even the most seemingly simple aspects of a cloud transformation journey. That's why, one of the key considerations for Mid-Market IT decision makers will be working with an IT partner that can provide a secure and compliant long-term plan for their IT infrastructure evolution: One that will grow in line with their organisation and deliver on security, availability, cost, and performance.

About Node4

Node4 provides advanced, cloud-led digital transformation solutions that empower UK businesses to do more.

Delivering end-to-end hybrid solutions, Node4 draws upon its broad portfolio of managed public and private cloud, security, and collaboration services, as well as cloud enablers including colocation and connectivity. Modular solutions, along with transformation services, are designed to support businesses at any point in their cloud journeys.

Committed to exceeding customer aspirations, Node4's teams combine technical expertise, innovation and Exceptional Service as a Standard to meet businesses' needs in any sector.

Thanks to Node4's fully-owned infrastructure, best-in-class integrated tooling, and strategic relationships with market-leading vendors, customers can expect access to a full range of sophisticated, scalable solutions.

Node4 has nationwide capabilities, with its own data centres in Derby, Leeds and Northampton, and points of presence in London and Manchester.

Key to Node4's success is its friendly, supportive culture, with Great Place to Work® ranking it as one of the UK's Best Workplaces™ for two years running (2020 and 2021).