Innovation in European IT

Claranet Research Report 2015

claranet

European summaries

The IT department

Innovation

Applications

IT services providers

Case study

Introduction

Welcome to the Claranet Research Report 2015: Innovation in European IT. The report, in its fourth year, is the first to analyse the IT trends of the six Western European markets that Claranet operates in: previous reports focused solely on the UK and specifically its cloud adoption trends.

Cloud is an established delivery model, and has changed the way we consume, create and manage applications and data. However, cloud in its various forms is just one important part of the larger, more complex and increasingly co-dependent relationship that business and IT share.

This report aims to examine the entire IT ecosystem in order to understand the ways that organisations are using IT to innovate and differentiate. Initially focusing on the state of the European IT department, the report investigates innovation, applications and finally the relationships European businesses have with their IT services providers.

In the process of compiling this report, 900 senior IT decision-makers from mid-market organisations (100–2000 employees) in Benelux (100), France (200), Germany (200), Portugal (100), Spain (100) and the UK (200) were surveyed.

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Claranet

Founded in 1996, Claranet is one of Europe's leading IT services providers offering businesses integrated hosting and network services.

The company has annual revenues in excess of £140 million (€195 million*) with over 800 employees in six countries. While Claranet has grown internationally, the focus has always been on local service, out of local offices, using local data centres.

Claranet brings together the best people, process and technology to provide flexible, secure and cost-effective managed services that guarantee network and application performance. We allow customers to focus on their core business, not IT management.

Vanson Bourne

The research was carried out by Vanson Bourne. Vanson Bourne is an independent specialist in market research for the technology sector. For more information, visit www.vansonbourne.com

* Correct as of 06/04/2015. Conversion rate 1 GBP = 1.36 EUR.

The European view

The European IT decision-maker is facing an increasingly complex landscape. IT departments across Europe are both tasked with performing both their traditional roles as administrators and reactive problem solvers, and are also expected to drive innovation, which, in turn, should result in business success and market differentiation.

With finite resources available, IT leaders have to use their resources wisely to innovate solutions that reduce costs while increasing business effectiveness. However, IT departments are still, for the most part, functioning as administrative centres, unable to give innovation the attention that it needs. By failing to get the balance right, many IT leaders will ultimately make their IT departments more expensive than is sustainable and fall into a decreasing cycle of effectiveness and value for money.

Ensuring that business IT works correctly is of course vital to the day-to-day success of a business, but to survive, and even thrive in the longer term, businesses will need to use their technology in ever more advanced and integrated ways. This means embedding the IT department deeper into business strategy, investing more, introducing board representation, and building joined-up innovation programmes and digital strategies.

Across the six nations we surveyed, IT budgets rose by an average of 3 per cent in the last year, and will continue to rise – with this there will be more opportunity to re-evaluate the deployment of resources in order to drive the business forward.

Complexity is, however, rising; skills shortages, data analysis, application management and development, shadow IT, mobile working and many other challenges lie in the way between reality and the ideal implementation of IT in business.

By establishing trusted relationships with IT services providers with expertise in their respective fields, IT departments can begin to concentrate on the things they excel at and which will truly differentiate their business in the long term. However, as our research found, IT services providers need to do more to prove that they are the right option for IT departments, providing guidance and working in ways best suited to individual businesses.

How IT leaders and services providers respond to these challenges today will affect not only their businesses, but also their national markets and the European economy in the longer term.

Spain

60%

of Spanish organisations have an innovation programme

Portugal

62%

of Portuguese respondents see the role of the IT services provider as understanding and helping guide future priorities

Europe

3%

average IT budget increase this year

26%

of IT leaders completely understand their business

9%

of IT department time is spent innovating

36%

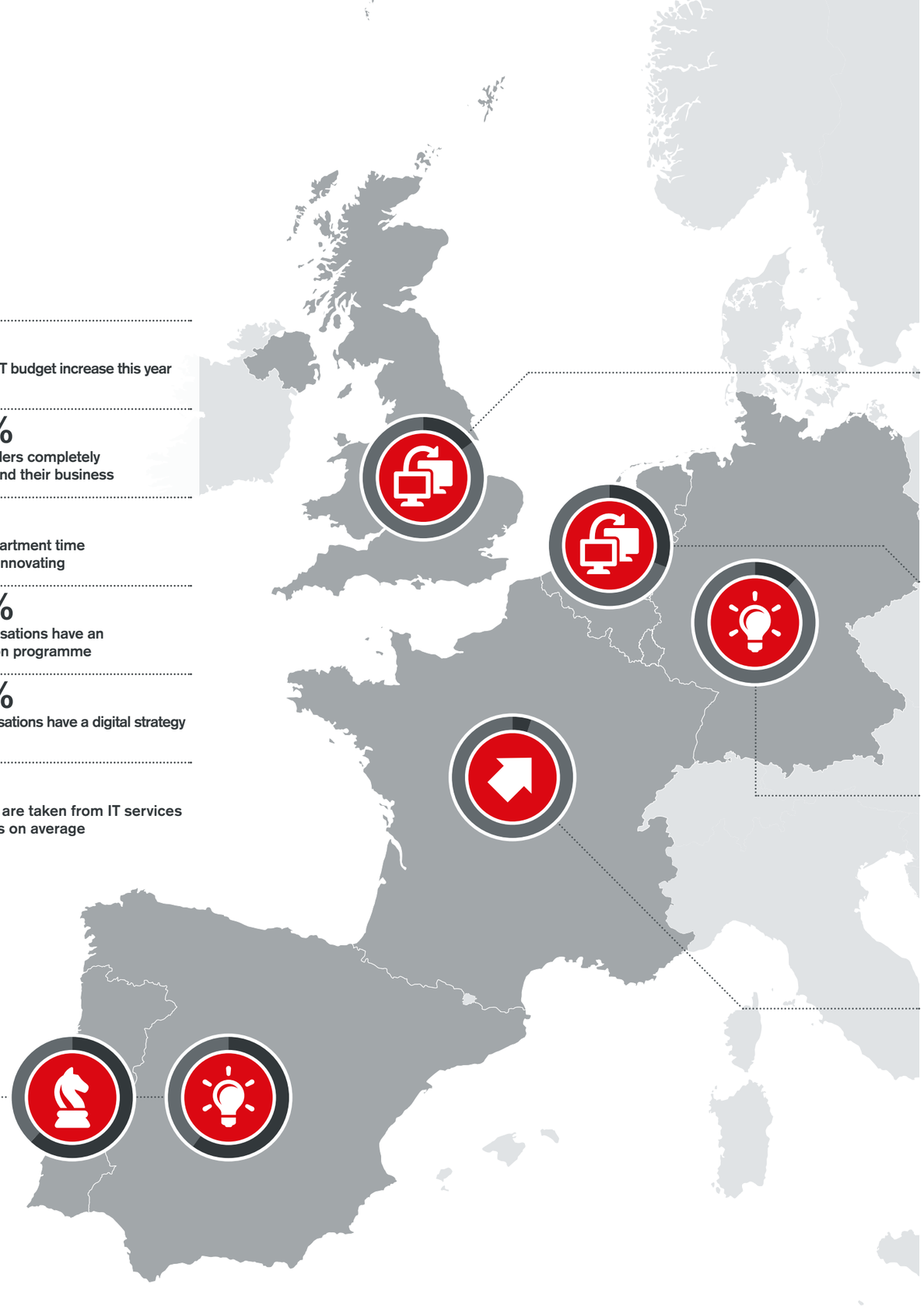
of organisations have an innovation programme

89%

of organisations have a digital strategy

3

services are taken from IT services providers on average



UK

15%

of UK IT infrastructure is currently managed by third parties

Benelux

31%

of IT estate is anticipated to be managed by third parties by 2020 in Benelux

Germany

12%

of German IT department time is spent innovating – the joint highest in Europe

France

5%

average increase in IT budgets in France in the past year

Benelux

Of all of the respondents questioned as part of this research project, it is those from Benelux that appear to be the most comfortable with the use of third parties to develop their applications and the use of IT services providers to manage them. Looking to the next five years, these practices are set to grow substantially.

Already adept at working with external providers to develop their applications, seven in 10 respondents expect their level of in-house application development to decline further still by 2020. Similarly, the shift to third-party application management in the region is set to continue. While 14 per cent of the estate is managed by IT services providers today, this figure will swell to 31 per cent by 2020, and the average number of services taken is set to increase from three to five. If these predictions hold true, the Benelux region will be the heaviest user of IT services providers in Western Europe.

Using IT services providers could free time for the IT department to be more strategic and innovative, and innovation no doubt plays a part here. However, the primary drivers of this trend towards using third parties appear to be more practical in nature. Around half of respondents indicated that a reason they use IT services providers is due to a lack of internal skills – the highest national response rate of its kind. Further, skills shortages are a reality for some Benelux IT departments and this issue is expected to intensify over the next few years.

An additional reason may relate to cost. IT budget increases last year were some of the most modest in the research and the year ahead looks likely to be only marginally better. Against this backdrop, working with IT services providers is eminently sensible.

In order for IT departments from the Benelux region to make the move towards a more strategically aligned role within the organisation, the department and the business need to work towards viewing IT as a driver for innovation. Working with the right IT services providers to alleviate resource issues will continue to help maintain a functional IT department. More importantly, moving towards a more strategic perception of the IT department will ensure that the full potential of both the department and the business is realised.

€1218 billion
GDP (2014)[1]

€56 billion
IT market spend (2014)[2] excluding Luxembourg

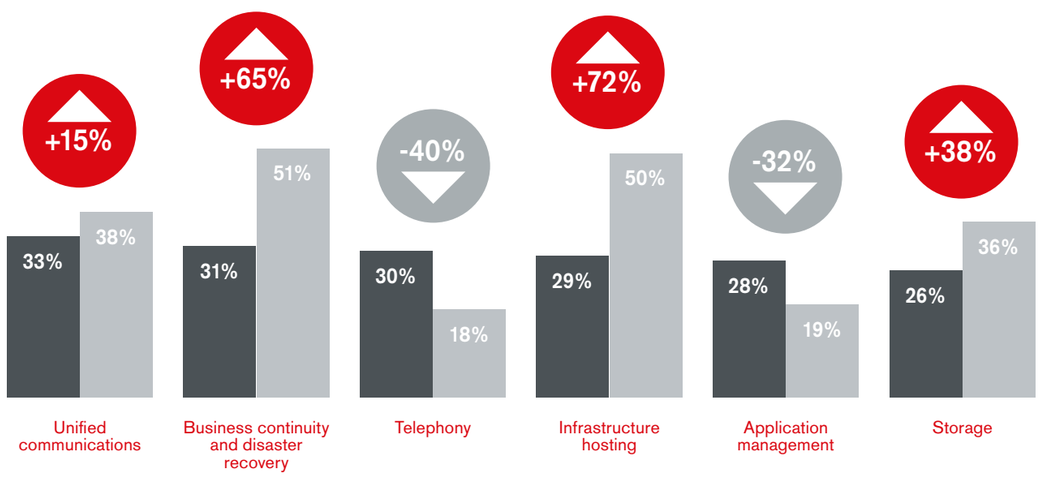
1%
average IT department budget increase (2014)

78%
of organisations have a digital strategy

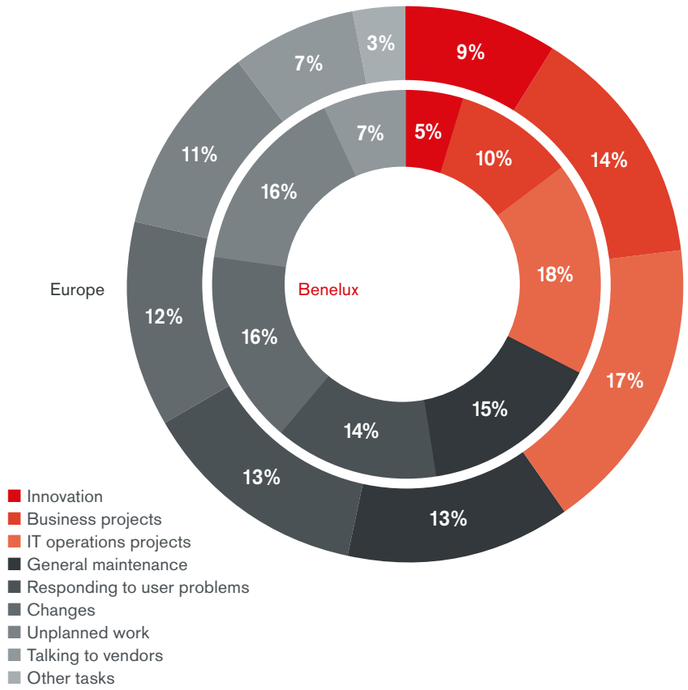
25%
of organisations have an innovation programme

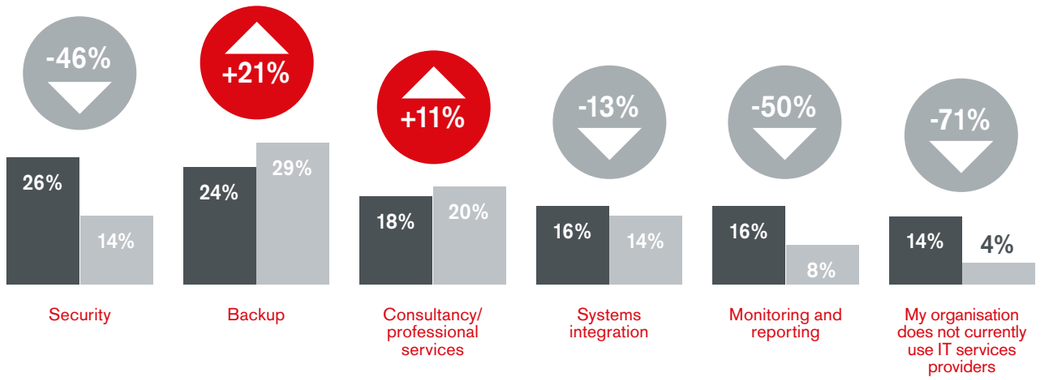
"The predicted uptake in services from third parties demonstrates a strategic response to the challenges facing IT leaders in the Benelux region."
Bert Verhoeff, Sales Director, Claranet Benelux

WHICH OF THE FOLLOWING SERVICES DOES YOUR ORGANISATION CURRENTLY PROVISION FROM IT SERVICES PROVIDERS?



HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?





[1] Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.89 EUR. [2] Source: Gartner Market Databook, 1Q15 Update, 31 March 2015 G00272883. Conversion rate 1 USD = 0.89 EUR.

France

French organisations emerged as some of the most dynamic and forward-looking in Europe, focused on innovation, collaboration, innovative application development techniques and digital strategies. Fully 97 per cent of French respondents expect their organisations to change radically over the next two years, and it looks likely that the IT department will sit at the heart of this transformation.

Responses from our French survey gave a strong indication that the French IT department is well equipped to navigate IT challenges today and in the future. Though the traditional administrative and responsive IT department clearly exists, and to some extent always will, it is clear that French organisations grant their IT departments licence to think and act strategically. For example, French respondents were the most likely to report enabling business agility and inspiring new initiatives as core functions of the IT department. Furthermore, just one in four identified technological support of employees as a core function, pointing to a more strategically important role.

This supports the idea that French organisations are concerned with cross-business innovation, and understand the crucial role that the IT department can play in facilitating this. Respondents indicated the second-highest number of organisations with a formalised innovation programme and the highest number thinking of implementing one. Unsurprisingly, the time spent on innovation by IT departments (12 per cent) was also above the European average (9 per cent).

It is worth noting, however, that innovation does not appear to be the preserve of IT departments, and is, instead, likely to be led by a range of stakeholders within French organisations. Indeed, French respondents gave the most balanced view of any country surveyed as to where innovation originates from within their respective organisations: the IT, operations, marketing and sales departments were all found to play a significant role here.

In a similar vein, French organisations are highly attuned to the importance of possessing digital strategies; 97 per cent report having one. Roughly a quarter of these strategies are led by the Chief Executive Officer, demonstrating recognition of the value of digital at the highest levels of management.

The strong adoption rates of a DevOps approach (32 per cent currently, with 43 per cent planning adoption in the next two years) place France second only to Spain and cement the French IT department's reputation for innovation and collaboration. This approach to application development does not currently extend to the outsourcing of much development work, with 72 per cent of the current application development in France understood to be carried out in-house.

€2434 billion
GDP (2014)[1]

€102 billion
IT market spend (2014)[2]

5%
average IT department budget increase (2014)

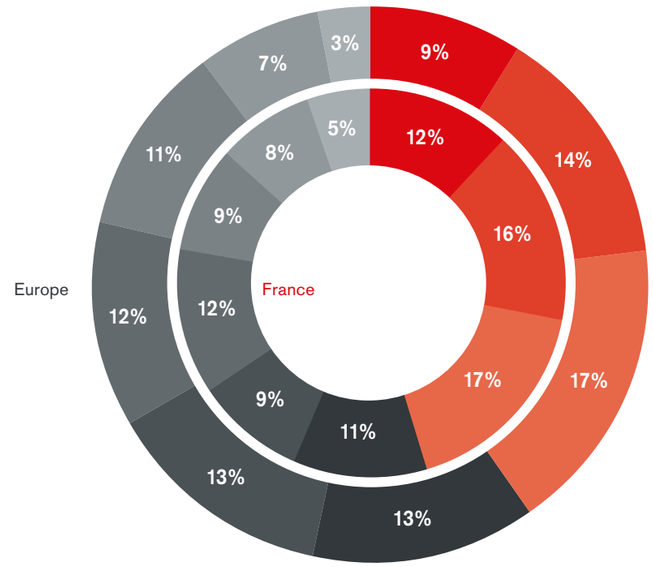
97%
of organisations have a digital strategy

43%
of organisations have an innovation programme

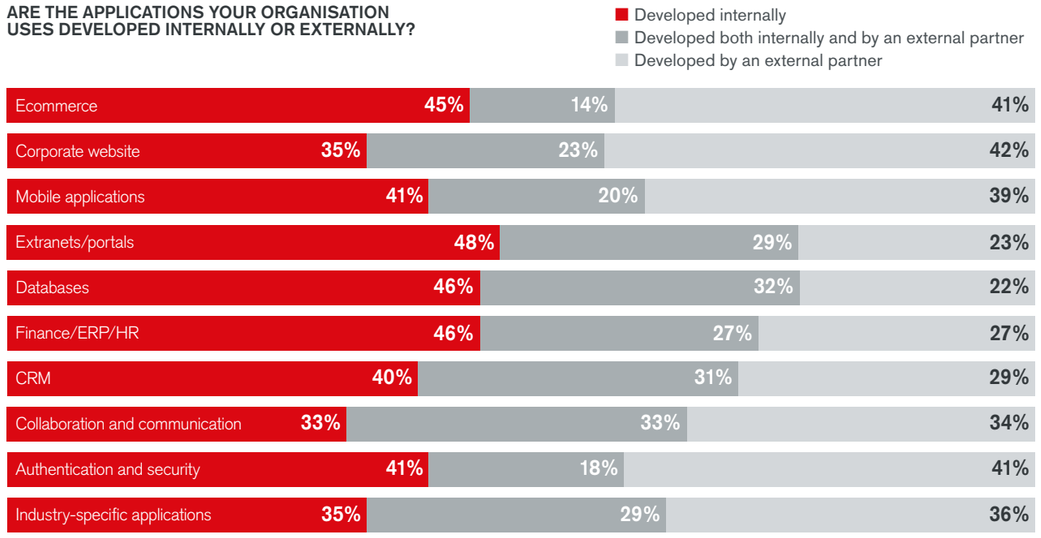
[1] Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.89 EUR. [2] Source: Gartner Market Databook, 1Q15 Update, 31 March 2015 G00272883. Conversion rate 1 USD = 0.89 EUR.

"The research shows how much French organisations are at the forefront of change through IT innovation in Europe. Over the last two years, we have seen a rapid change in our customers' requests in France, leaning more and more towards a more agile DevOps approach to IT services."
Olivier Beaudet, Managing Director, Claranet France

HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?



ARE THE APPLICATIONS YOUR ORGANISATION USES DEVELOPED INTERNALLY OR EXTERNALLY?



Germany

Of all the European markets examined in this report, the German market was the most security-conscious. Strict data laws ensure that organisations place an above-average focus on security protocols in IT and security was ranked the highest priority in much of the research. While it could be assumed that this emphasis on security would stifle innovation, the German IT department presents a different view.

Most likely to report that it is not currently facing any IT challenges, the figures point to a German IT department that is in a healthy state and one that is well supported by the wider business. Budgets have shown healthy increases and respondents believe interdepartmental understanding to be strong. This mutual understanding suggests that on the whole German organisations maintain a well-aligned and transparent approach to IT and business integration.

Security remains a persistent worry, but, importantly, it does not appear to be an insurmountable one. Rather than being an absolute barrier to using IT services providers, security is something that can be managed – assuming the correct hosting arrangements and hosting partner can be found.

German IT leaders have the most stringent criteria when selecting an IT services provider and appear to be highly prescriptive about the characteristics of their preferred partners, ranking trust, security expertise and in-country service provision among their top priorities.

That said, their expectations of what an IT services provider should be and their views of their own IT services providers are the closest match in Europe, suggesting that IT services providers are largely satisfying their customers' requirements.

This may go some way to account for the expected increase in the use of IT services providers. Although German respondents tend to manage a relatively high proportion of their IT estates in-house today, when compared to their immediate neighbours, those that currently use IT services providers expect to extend more of their applications to them over the next five years, bringing them to a level comparable with France, Spain and Portugal.

The projected rise in the procurement of third-party services is significant as it suggests that German IT decision-makers are increasingly beginning to look outside their department to support the IT needs of their business. The message here is that once German IT departments have been convinced through due diligence and experience that their IT services provider is trustworthy, they are increasingly willing to embrace working with a third party.

€3235 billion
GDP (2014)[1]

€129 billion
IT market spend (2014)[2]

4%
average IT department budget increase (2014)

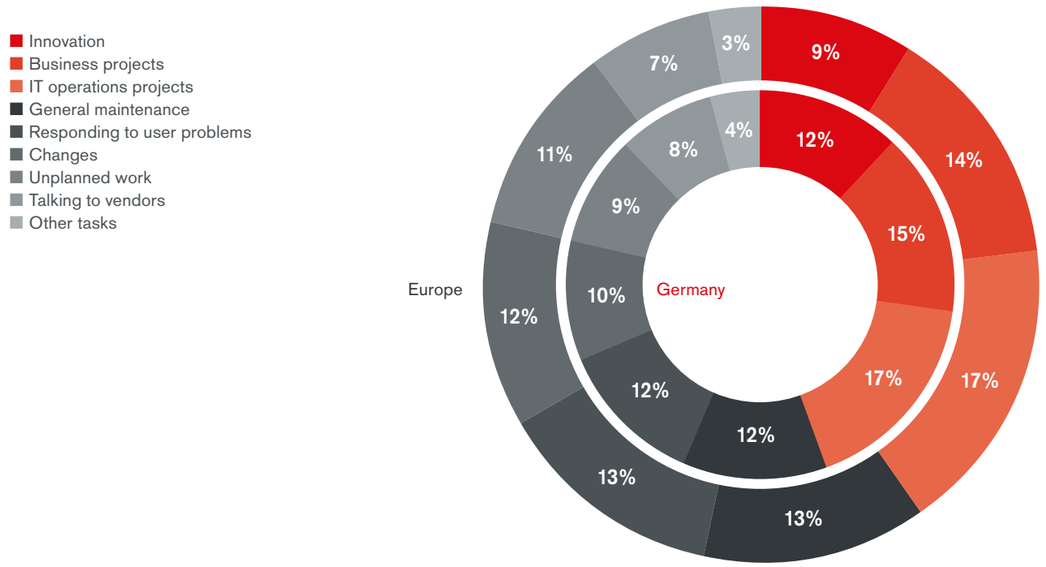
96%
of organisations have a digital strategy

41%
of organisations have an innovation programme

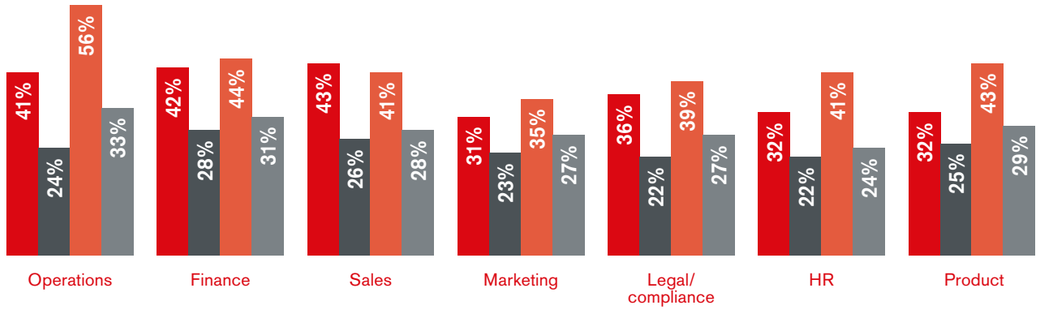
[1] Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.89 EUR. [2] Source: Gartner Market Databook, 1Q15 Update, 31 March 2015 G00272883. Conversion rate 1 USD = 0.89 EUR.

"These findings show that while German IT decision-makers continue to show valid concerns around security and compliance, there is also an increasing understanding of the benefits that working with IT services providers can bring to their business."
Olaf Fischer, Managing Director, Claranet Germany

HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?



WHAT IS THE LEVEL OF UNDERSTANDING BETWEEN THE IT DEPARTMENT AND THE REST OF THE BUSINESS?



Portugal

In spite of signs of economic recovery, Portuguese IT departments remain some of the most cost-conscious in Europe, with a drive for cost efficiencies a common thread throughout our research in the region. Given their stagnant budgets, this comes as scant surprise. There is, however, reason for optimism as the economic recovery takes hold.

The Portuguese IT department appears to be the most pressurised of the markets examined. In stark contrast with the other European markets in this report, IT budgets in Portugal contracted last year, and further contractions are expected in the year ahead. The implications of this are clear, with innovation being sacrificed in favour of "keeping the lights on"; Portuguese IT departments devote just nine minutes each working day to innovation, instead focusing the majority of their time on administrative and reactive work.

One way of better aligning IT and business strategy would be to address the low rates of existing or planned innovation programmes, which stand far behind those in the other countries included in this report. Tied to this is the reported absence of digital strategies amongst Portuguese organisations. Key to adopting and sustaining a forward-looking approach to IT, this will need to be addressed.

The desire to drive cost efficiencies is a recurring theme among Portuguese respondents, informing their perceptions of the role of the IT department and organisations' relationships with IT services providers. Half of those surveyed consider cost reduction to be a core function of the IT department – the highest proportion by some margin – and where Portuguese organisations use IT services providers, they are the most likely to do so in pursuit of cost savings.

That said, cost is not the only driver, and Portuguese IT decision-makers appear to be using IT services providers for the tangible business benefits they can offer: easing internal skills shortages, gaining access to advice and expertise, while improving data analysis and data delivery.

Indeed, business transformation appears to be high on the agenda, something which IT services providers are expected to play a central role in. Although Portuguese IT departments are currently the second least likely to use IT services providers, with just 8 per cent of estate managed this way on average, they are expected to match their European counterparts by 2020, with a rise to 14 per cent predicted.

Where IT services providers are used, their ability to bring value is most highly prioritised, and whether this is through immediate cost savings or through a greater ability to execute, some Portuguese IT decision-makers are realising the possibilities third parties can offer.

This perspective demonstrates a forward-thinking view, though whether the IT department's make-up will change in time to bring in a more analytical approach, only time will tell.

€174 billion
GDP (2014)[1]

€9 billion
IT market spend (2014)[2]

-3%
average IT department budget decrease

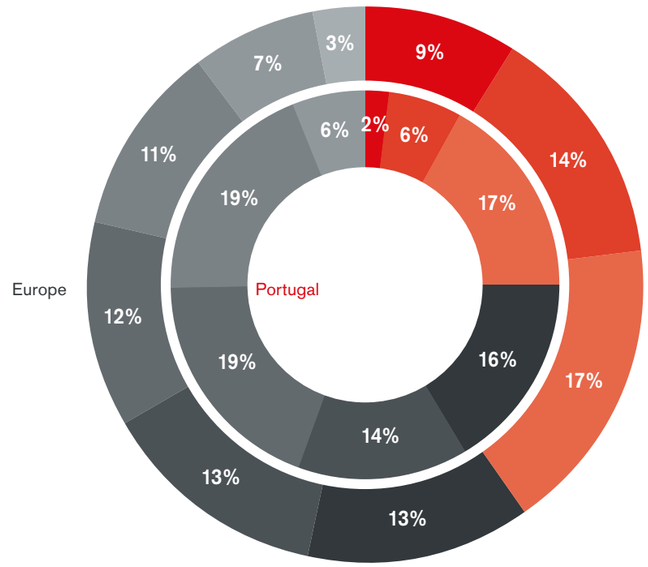
74%
of organisations have a digital strategy

8%
of organisations have an innovation programme

[1] Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.89 EUR. [2] Source: Gartner Market Databook, 1Q15 Update, 31 March 2015 G00272883. Conversion rate 1 USD = 0.89 EUR.

"IT departments are being tasked with delivering cost efficiencies to their businesses which IT services providers are well positioned to help with. Over time, this relationship should be directed towards a more strategic partnership in order to maximise the potential benefits."
António Miguel Ferreira, Managing Director, Claranet Portugal

HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?



WHY DID YOU CHOOSE TO USE AN IT SERVICES PROVIDER?

	Europe	Portugal
To improve data delivery	37%	44% ▲
To improve data analysis	35%	48% ▲
To increase efficiency	34%	26%
A shortage of the required skills	32%	40% ▲
To improve the core business	32%	22%
To gain access to new technology, tools and best practices	29%	33% ▲
A shortage of internal IT resources	27%	41% ▲
Cost savings	27%	42% ▲
To drive innovation	27%	15%
To allow internal resource to work on strategic initiatives	26%	21%
To gain access to advice and expertise	24%	33% ▲
The convenience of the cost model offered by the IT services provider	11%	16% ▲

Spain

Healthy IT budgets, combined with a consistent and pervasive focus on innovation and digital strategies, put Spanish organisations in good stead to drive business change, of which there is much expected; 95 per cent of respondents predict radical change within their organisation during the next two years.

The Spanish market appears to be dynamic and optimistic, with businesses harnessing their IT department as a driver for business growth and IT departments nurturing culturally progressive approaches. In this sense, the Spanish market seems to be overcoming the economic uncertainty of recent years.

Spanish IT departments conduct the greatest amount of IT performance measurement of any European market. By measuring their performance, Spanish IT departments are able to make better-informed decisions which impact the business as a whole, promoting a high level of transparency and ensuring the department is well aligned with the business objectives. Another area where Spanish IT departments' commitment to innovation is apparent is through their high adoption rates of a DevOps approach; eight in 10 expect to have implemented a DevOps approach within the next two years.

IT departments in the region exhibited both the greatest understanding of the rest of the business and were in turn the best understood of the European markets surveyed – critical for ensuring that IT services are fit-for-purpose. 98 per cent of organisations surveyed had a digital strategy in place and 60 per cent an innovation programme – both represent the highest averages in Western Europe, exemplifying the progressive approach being adopted in the Spanish market. This commitment to innovation is further underscored by the fact that Spanish IT departments spend an eighth of their time on innovation.

Respondents predict the emergence of a more strategic, less technical IT department by 2020. With a significant amount of application development currently conducted in-house, this remains a vital part of an IT professional's skillset. However, as Spanish organisations gradually move more of their IT estates and application development to third parties, respondents anticipate a shift in the skills required by IT departments geared more towards vendor and product management.

Spanish respondents indicated that they tend to view their IT services providers as innovators, but also returned one of the lowest averages in Europe for viewing them as trusted advisers. One interpretation of this view is that some Spanish IT decision-makers prize innovation in their business and in the services of the IT services provider, but do not look for guidance in innovating and mapping their organisation's future path as strategic partners would. In support of this idea, the Spanish were most likely to believe the role of the IT services provider should be transactional and not an extension of the business.

€1209 billion
GDP (2014)[1]

€48 billion
IT market spend (2014)[2]

5%
average IT department budget increase (2014)

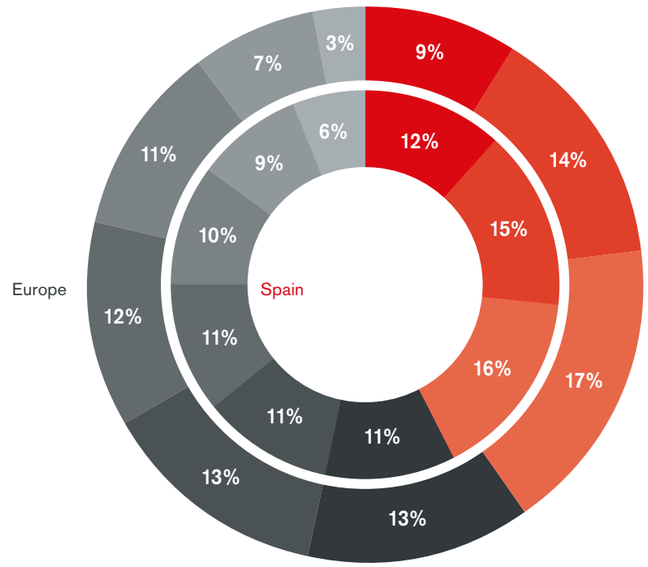
98%
of organisations have a digital strategy

60%
of organisations have an innovation programme

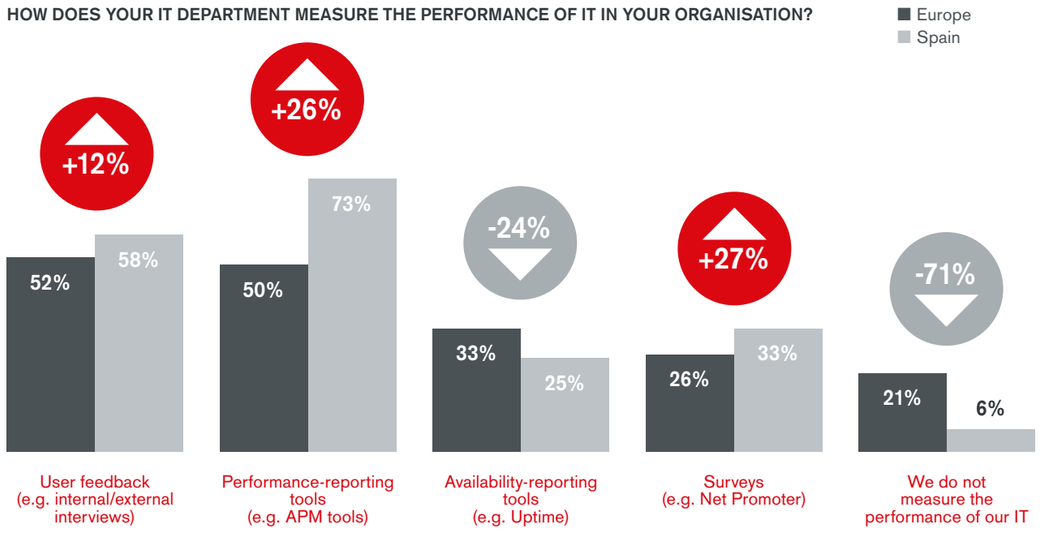
[1] Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.89 EUR. [2] Source: Gartner Market Databook, 1Q15 Update, 31 March 2015 G00272883. Conversion rate 1 USD = 0.89 EUR.

"After a period of flat economic growth, the Spanish IT market has just begun to undergo a rapid and deep transformation, not only in terms of technology adoption, but also with processes such as DevOps and agile methodologies."
Carles Acero, Managing Director, Claranet Spain

HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?



HOW DOES YOUR IT DEPARTMENT MEASURE THE PERFORMANCE OF IT IN YOUR ORGANISATION?



UK

IT decision-makers from the UK appear to be struggling to keep pace with the rate of change, and rely heavily upon IT services providers for support. While UK respondents told us that the biggest challenge their organisations currently face is security and compliance, they were far more likely to highlight "complexity" and "ensuring that IT is able to support a fast-changing business" as challenges, compared with the European average.

The main casualty here is innovation. British IT departments devote just 7 per cent of their time to innovation, instead prioritising general maintenance and responding to user problems. Additionally, respondents from the UK were twice as likely to report technological support of employees as a core function of the IT department, compared with their counterparts in France, Germany and Spain.

With the picture forming of a busy department torn between keeping the lights on and supporting the business's aspirations, it is no surprise that the vast majority of respondents report the use of IT services providers. Accordingly, the UK market currently has the highest frequency of third-party IT estate management in Western Europe, with 15 per cent. It is clear that this approach to IT is fast becoming commonplace, and by 2020 it is expected that 22 per cent will be managed in this way.

The success of this approach owes much to the strength of user-provider relationships in the country: British respondents are likely to see their IT services provider as trusted advisers or as expert guides and appear to be open to being led by their providers.

There is, however, clearly work to do for IT services providers to assist with and accelerate the transformation of British businesses. Despite the fact that 42 per cent of British respondents think that the role of an IT services provider should be as an innovator, just 23 per cent view their IT services providers as innovative.

While IT services providers are helping to support the pressures felt by UK IT departments, IT decision-makers need to do more themselves to bolster innovation by collaborating and understanding the wider business and, in the process, promoting themselves as drivers of innovation. For businesses dependent on certain application types, DevOps could be crucial to alleviating pressure and fostering collaboration. While a similar proportion of British organisations have implemented a DevOps approach as France and Germany, growth rates will need to exceed the projected levels to ensure that the UK is not left behind in this respect.

€2245 billion
GDP (2014)[1]

€174 billion
IT market spend (2014)[2]

5%
average IT department budget increase (2014)

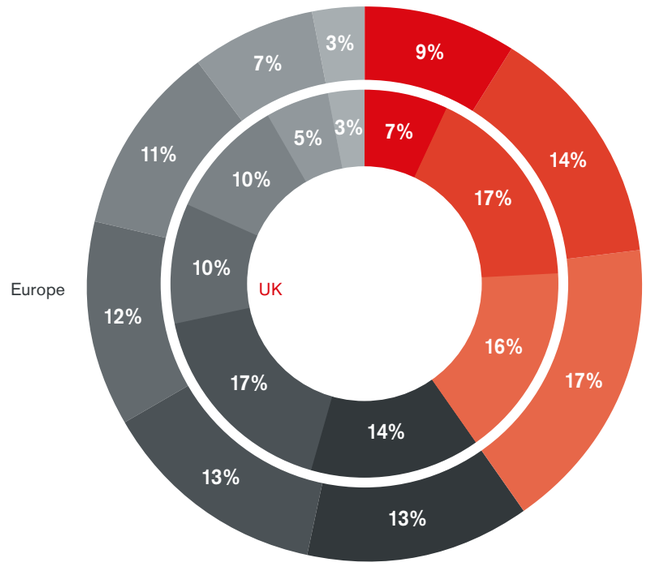
85%
of organisations have a digital strategy

34%
of organisations have an innovation programme

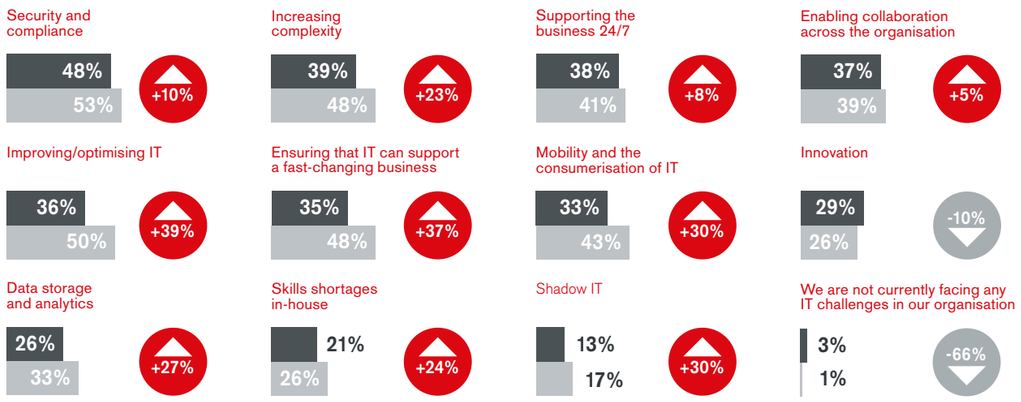
[1] Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.89 EUR. [2] Source: Gartner Market Databook, 1Q15 Update, 31 March 2015 G00272883. Conversion rate 1 USD = 0.89 EUR.

"Given the intense pressures on today's IT departments, and the lack of available time to devote to priorities like innovation, organisations should be able to turn to their providers for their guidance and expertise."
Michel Robert, Managing Director, Claranet UK

HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?



WHAT ARE THE BIGGEST IT CHALLENGES YOUR ORGANISATION IS CURRENTLY FACING?



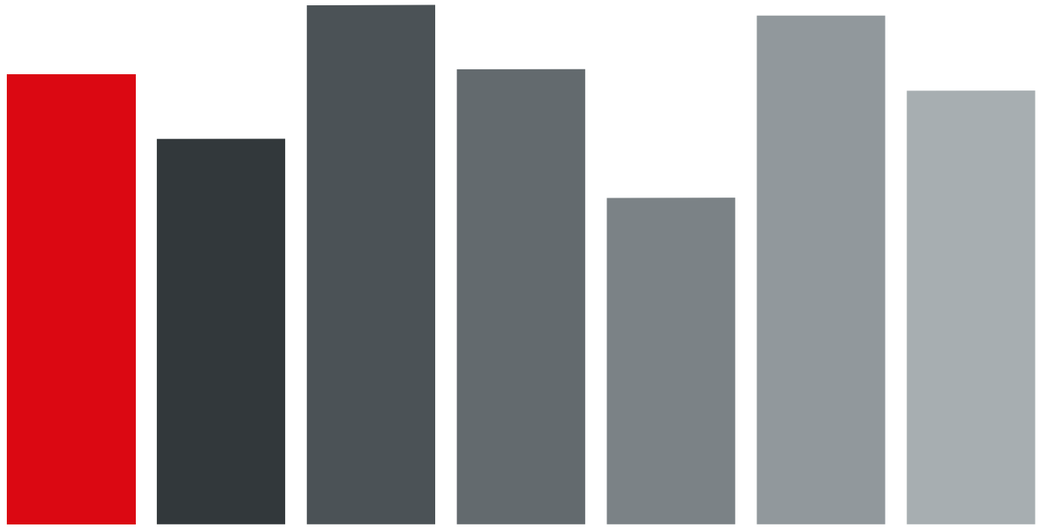
The IT department

1.1: The changing business

Business is becoming ever more reliant on IT to succeed, causing the IT department to move to a more strategic model, but this change appears to be slow. While radical operational change is expected by 84 per cent of organisations across Europe, the views of IT decision-makers are that challenges, roles and skillsets are broadly considered to stay the same with small but important shifts towards an increasingly strategic IT department. One potential danger with this situation may be that the IT department is neither ready nor able to support radical change. While budgets are generally increasing, there still appears to be a lack of understanding between the organisation and the IT department which will need to be addressed if the move towards an IT department better able to cope with the changing business landscape is to be realised.

84%
of companies across Europe expect radical change

1.1
DO YOU EXPECT YOUR ORGANISATION TO RADICALLY CHANGE IN THE WAY THAT IT OPERATES OVER THE NEXT TWO YEARS?



Europe	Benelux	France	Germany	Portugal	Spain	UK
84%	72%	97%	85%	61%	95%	81%

1.2: IT challenges

Organisations face, and expect to face, a broad variety of issues with their IT. Although there are fluctuations, IT leaders largely expect to face the same challenges in 2020 as they do today.

For example, the most often cited challenges today are security and compliance, selected by roughly half (48 per cent) of respondents. By 2020 this figure stands at 47 per cent.

Similarly, the challenge of innovation is set to remain constant. The same percentage (29 per cent) expect innovation to be one of the biggest IT challenges in 2020 as it is today.

In-house skills shortages stand as the issue most likely to challenge IT leaders in five years' time compared with today: 21 per cent state that this issue is currently one of their biggest IT challenges, compared with 25 per cent by 2020.

Fewer IT leaders anticipate that facilitating collaboration and supporting the business 24/7 will be a challenge by 2020. That may be due to the anticipated uptake in the use of IT services providers (detailed later in this report), which could make these tasks easier to manage.

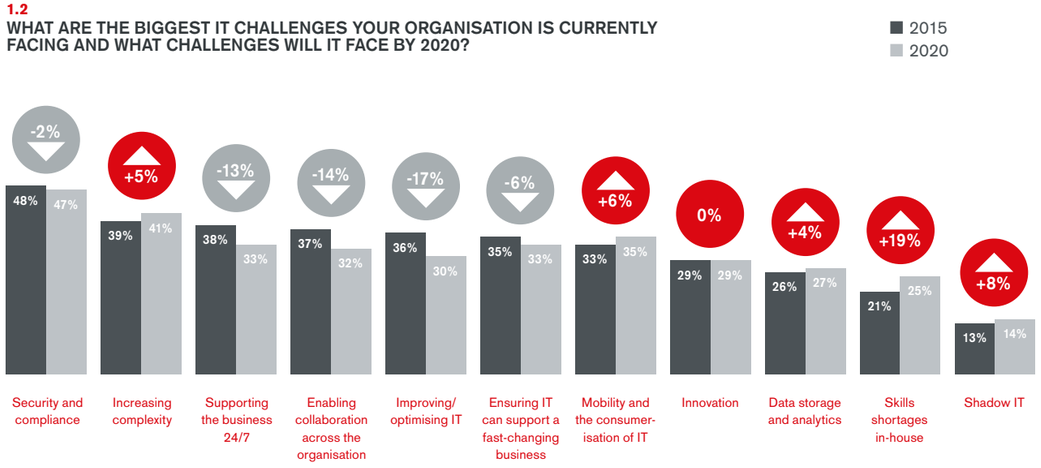
UK IT decision-makers are, on average, more likely to report that something is a challenge today than their European counterparts. They do, however, predict the sharpest drop in terms of the challenges that they will likely face by 2020. Half state that improving/optimising IT is a challenge today, but just 32 per cent expect it to remain one in 2020.

Although there are differences for each challenge, overall, German and Spanish organisations expect their IT challenges to decrease by 2020. However, IT leaders from France, Portugal and Benelux expect to face more challenges over the next five years.

48%
of IT decision-makers currently view security and compliance as the biggest IT challenge

Both Portugal and Benelux predict big increases in in-house skills shortages and complexity. For example, a quarter (26 per cent) of IT decision-makers in the Benelux see in-house skills shortages as one of their biggest challenges today, a figure that is expected to climb to 47 per cent by 2020.

1.2
WHAT ARE THE BIGGEST IT CHALLENGES YOUR ORGANISATION IS CURRENTLY FACING AND WHAT CHALLENGES WILL IT FACE BY 2020?



1.2: Continued

1.2a
WHAT ARE THE BIGGEST IT CHALLENGES YOUR ORGANISATION IS CURRENTLY FACING?

	Europe	Benelux	France	Germany	Portugal	Spain	UK
Security and compliance	48%	44%	47%	48%	56%	34%	53%
Increasing complexity	39%	45%	36%	40%	38%	25%	48%
Supporting the business 24/7	38%	43%	37%	30%	39%	42%	41%
Enabling collaboration across the organisation	37%	44%	40%	31%	36%	31%	39%
Improving/optimising IT	36%	28%	34%	37%	25%	29%	50%
Ensuring IT can support a fast-changing business	35%	46%	27%	28%	42%	25%	48%
Mobility and the consumerisation of IT	33%	26%	27%	40%	22%	34%	43%
Innovation	29%	24%	27%	38%	22%	35%	26%
Data storage and analytics	26%	22%	21%	26%	31%	26%	33%
Skills shortages in-house	21%	26%	10%	18%	36%	21%	26%
Shadow IT	13%	23%	9%	6%	14%	16%	17%

1.3: How are IT budgets changing?

At a European level, IT budgets are steadily increasing and, looking to the year ahead, IT leaders remain optimistic about their budgets. Last year, 75 per cent of organisations saw their budgets increase, with over one-third having experienced an increase of 5 per cent or more. Next year looks similarly positive for European IT departments, with the average European IT budget predicted to increase by a further 4 per cent.

These increases are, however, largely weighted in favour of bigger businesses, with smaller businesses more likely to face stagnant budgets. The average increase among organisations with more than 1000 staff was just over 5 per cent – roughly five times the figure for those with fewer than 250 employees.

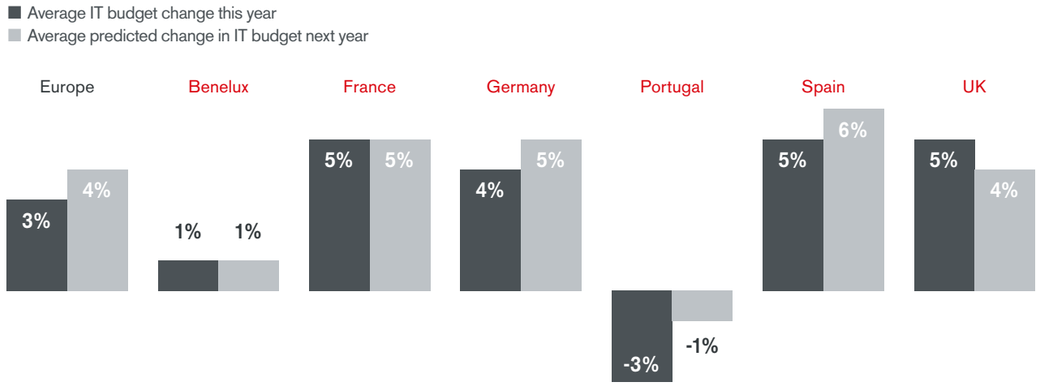
The most modest increases were found in the public sector, with an average increase of just 2 per cent. Around one-third (31 per cent) saw their budgets remain the same, while 9 per cent actually saw their budgets decrease.

The average budgets in France, Germany, Spain and the UK all grew by more than 4 per cent in 2014, with increases of a similar order expected in 2015, indicating that IT is generally being prioritised in these countries.

Organisations in Portugal and Benelux stand apart from those in other countries as the most likely to have had, and most likely to continue to have, their IT budgets reduced: the average Portuguese budget decreased by 3 per cent last year, and is expected to decrease by roughly 1 per cent next year; similarly, although IT budgets in Benelux showed a marginal increase overall last year, roughly one in five (18 per cent) saw their budgets decrease.

75%
of organisations saw their budgets increase in the last year

1.3
HOW HAS YOUR ORGANISATION'S IT DEPARTMENT BUDGET CHANGED THIS YEAR AND HOW MUCH WILL IT CHANGE NEXT YEAR?



1.4: Understanding between the IT department and the business

One measure of a well-aligned strategic IT department is how well it understands the wider business, and how well the business understands it. High levels of mutual understanding can be viewed as a barometer of progress for the business and the IT department as they seek to become better integrated.

It's clear from the results that there is more work to do. Only 26 per cent of European IT decision-makers are able to claim they have complete understanding of the rest of the business. Worse still, there is perceived to be even less of an understanding about the role of the IT department, with only 22 per cent of respondents feeling as if the wider business had a complete understanding of their function.

Operations was viewed as the department best understood by IT leaders, potentially due to its business-critical function, while HR was deemed to be the least understood, which could, to some extent, stem from the secure, often third party-managed applications favoured by the department.

26%
of IT departments have complete understanding of the IT needs of the rest of the business

1.4
DOES YOUR IT DEPARTMENT HAVE COMPLETE UNDERSTANDING OF THE IT NEEDS OF THE REST OF THE BUSINESS?

	Europe	Benelux	France	Germany	Portugal	Spain	UK
Operations	30%	11%	37%	56%	4%	44%	25%
Finance	31%	30%	34%	44%	7%	52%	19%
Sales	25%	9%	39%	41%	4%	40%	18%
Marketing	24%	5%	38%	35%	0%	48%	20%
Legal/compliance	23%	2%	42%	39%	1%	41%	19%
HR	22%	7%	26%	41%	2%	34%	21%
Product	25%	0%	43%	43%	0%	42%	24%
All departments	26%	9%	37%	43%	3%	43%	21%

From the other direction, IT decision-makers were most likely to suggest that finance had the best understanding of the role of IT as a department.

Respondents from Germany and Spain answered that they had the most complete understanding of all the IT needs of all the departments across the business, with 43 per cent of IT leaders indicating this. In general, rates of IT department and business understanding correlated with only a few points' difference, suggesting that seeking to understand the wider business leads to a mutually advanced level of understanding.

The rates of understanding of the IT department in Germany and Spain were accordingly 37 per cent and 39 per cent respectively. One exception was the UK, which expressed a much higher rate of understanding of the business (21 per cent) than the business had of the IT department (12 per cent).

22%
of businesses have complete understanding of the role of the IT department

1.4a
DOES THE REST OF THE BUSINESS HAVE COMPLETE UNDERSTANDING OF THE ROLE OF YOUR IT DEPARTMENT?

	Europe	Benelux	France	Germany	Portugal	Spain	UK
Operations	21%	6%	32%	41%	0%	35%	14%
Finance	28%	17%	36%	42%	3%	59%	11%
Sales	23%	7%	42%	43%	2%	34%	10%
Marketing	21%	9%	41%	31%	2%	31%	12%
Legal/compliance	20%	1%	39%	36%	0%	31%	10%
HR	21%	8%	32%	32%	1%	44%	10%
Product	22%	1%	46%	32%	0%	40%	14%
All departments	22%	7%	38%	37%	1%	39%	12%

1.5: Measuring IT department performance

As data-driven analysis increases its bearing on business strategy, measuring the importance of the IT department will become ever more crucial as a way of delivering transparency across the organisation and improving the way the IT department works.

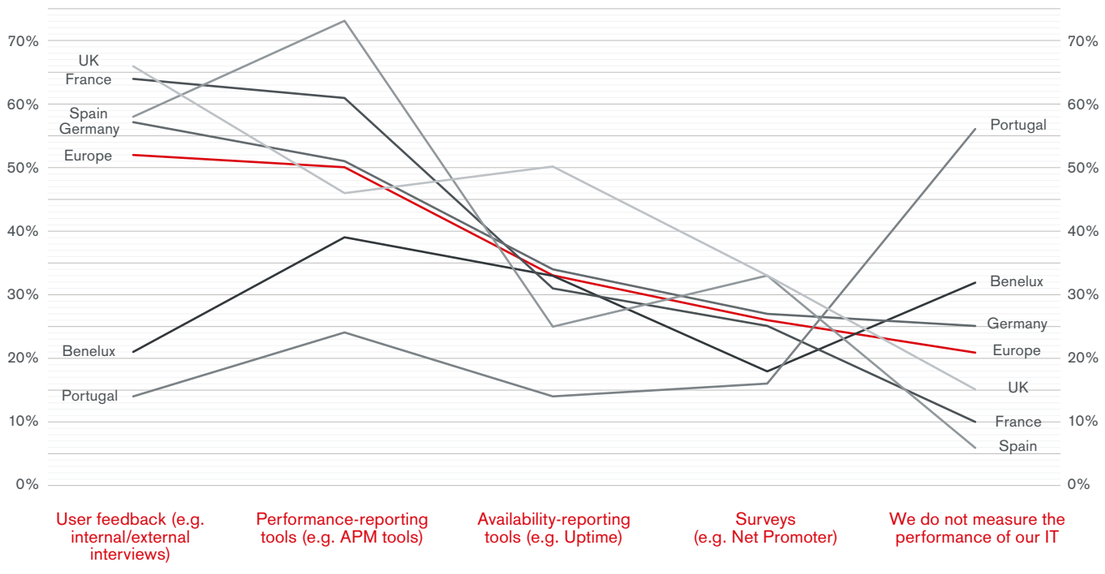
Across the European markets, a mixture of different approaches to IT performance measurement is being used. Spain leads the way with the use of performance-reporting tools, while the UK is the biggest user of availability-reporting tools such as Uptime. IT leaders will have to choose the right measurement options for their individual IT needs, as failing to measure the performance of IT will prevent the adoption of a clear strategic approach to IT.

21%

of European businesses do not measure the performance of their IT department

1.5

HOW DOES YOUR IT DEPARTMENT MEASURE THE PERFORMANCE OF IT IN YOUR ORGANISATION?



1.6: The role of the IT department, 2015 and 2020

The views of European IT leaders suggest the role of the IT department differs widely from organisation to organisation though data security was consistently viewed as the core function of the IT department, which should not be a surprise given the proliferation of threats facing business data.

Worryingly for the strategic positioning of IT was the commonly regarded view of the IT department as a cost centre, charged with driving down costs, rather than as a business enabler. Twice as many respondents viewed cost reduction as a core function (34 per cent) as those that selected enabling revenue generation in the business (17 per cent), improving competitiveness (16 per cent) and improving customer loyalty (14 per cent).

Many of the core functions of IT departments are expected to remain the same in 2020. There are, however, a few notable exceptions, which likely reflect the predicted increase in the use of IT services providers (detailed later in this report).

One of the most significant changes relates to big data analytics, demand for which is set to increase by roughly 30 per cent over the next five years. Over one-third (34 per cent) of businesses expect big data analytics to be a core function of the IT department by 2020, making it the second most sought-after function of the IT department, behind security.

While security is currently regarded as a core function for IT departments across Europe, not all focus on it to the same extent. For example, IT leaders in the UK (66 per cent) and Germany (63 per cent) were twice as likely to identify data security as a core function than those from Spain (32 per cent).

French IT departments appear to be adopting more strategically important roles than those in the other countries looked at. French respondents were the most likely to state that enabling business agility and inspiring new business initiatives with new technologies were core functions, and the least likely to state that technological support of employees was a core function. These figures point towards a more progressive alignment of the IT department as a vehicle for innovation and the driving force behind business strategy.

Perhaps reflecting the stunted growth in their IT budgets, the countries most likely to report that cost reduction was a core function came out as Portugal (52 per cent) and Benelux (40 per cent).

34%

of businesses expect big data analytics to be a core function of the IT department by 2020, making it the second most important function after security

1.6: Continued

1.6
WHAT DO YOU CONSIDER THE CORE FUNCTIONS OF THE IT DEPARTMENT TO BE?

	Benelux	France	Germany	Portugal	Spain	UK	Europe 2015	Europe 2020
Data security	49%	53%	63%	57%	32%	66%	56%	50%
Technological support of employees	37%	24%	32%	42%	30%	61%	38%	32%
Cost reduction	40%	32%	31%	52%	29%	30%	34%	31%
Acquiring new technologies to support business initiatives	50%	27%	20%	36%	17%	42%	31%	26%
Enabling business agility	24%	35%	31%	19%	22%	30%	29%	31%
Big data analytics	32%	21%	29%	30%	25%	25%	26%	34%
Inspiring business initiatives with acquisition of new technologies	13%	30%	24%	14%	21%	28%	23%	25%
Contract management	22%	30%	22%	19%	34%	16%	23%	21%
Accelerating introduction of new products/services	12%	20%	27%	12%	16%	17%	18%	18%
Enabling revenue generation for the wider business	14%	16%	18%	14%	20%	20%	17%	19%
Making us more competitive	14%	15%	17%	11%	17%	18%	16%	18%
Increasing customer loyalty	12%	21%	17%	10%	10%	8%	14%	13%
Procurement	12%	9%	12%	14%	17%	16%	13%	11%
Setting frameworks for other departments to make purchasing decisions	13%	11%	18%	12%	17%	8%	13%	12%
Improving supply-chain efficiency	7%	9%	14%	14%	8%	11%	11%	11%
Having a distinct IT department	19%	3%	2%	37%	1%	14%	10%	8%
Expanding into new geographical markets	13%	10%	7%	7%	12%	5%	8%	13%
Executing new business models	14%	4%	7%	6%	4%	7%	6%	12%

1.7: Skills in the IT department, 2015 and 2020

Mapping to the perceived core functions of the IT department, the most required skills for IT professionals are technical expertise (84 per cent), followed by project management (83 per cent), and support desk and security and compliance (each 81 per cent). All four of these skills point towards the average IT department primarily seeing itself as a reactive and administrative department. However, by 2020, responses suggest the formation of an increasingly analytical IT department.

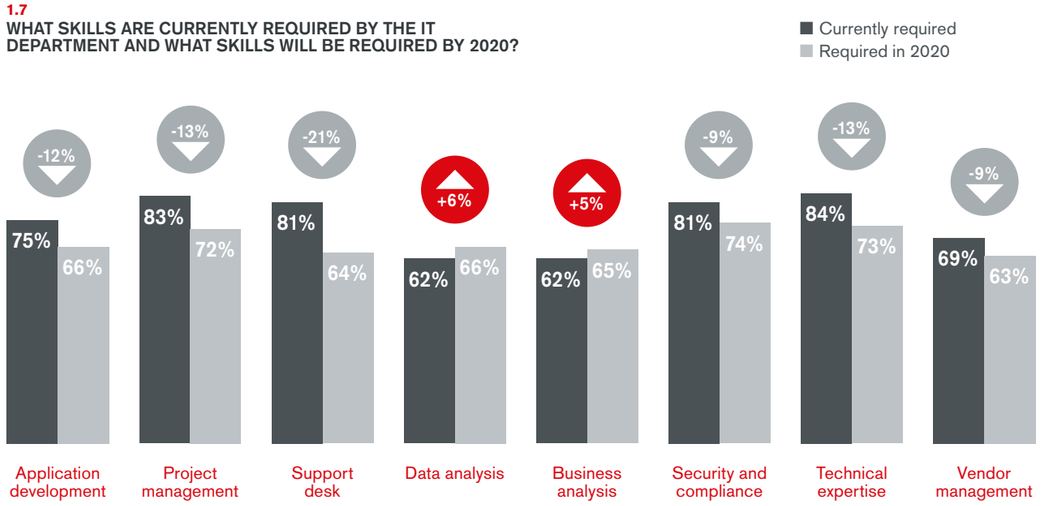
All but two of the skills currently required by IT departments today are less likely to be required by 2020. Data analysis and business analysis skills are predicted to increase in desirability, with 66 per cent and 65 per cent respectively, predicting they will be required by 2020. This supports the view that data analytics will become a core function of the IT department in the future.

The biggest difference in the number of IT leaders predicting that skills would no longer be required in 2020 was the support desk, with 21 per cent fewer respondents stating that this skill would be required. This supports the idea that the IT department will do less reactive work as more third parties manage more of the day-to-day running of IT estate. Another large decrease, which also supports this theory, is the reduction of those believing technical expertise will be required in 2020.

While it is still viewed as the most important skill for an IT professional in 2020, security and compliance also sees a reduced number viewing it as a required skill then, further supporting the argument that IT departments are moving towards a more strategic, innovative position within an organisation.

66%
of IT leaders predict data analysis skills will be needed by the IT department in 2020

1.7
WHAT SKILLS ARE CURRENTLY REQUIRED BY THE IT DEPARTMENT AND WHAT SKILLS WILL BE REQUIRED BY 2020?



Innovation

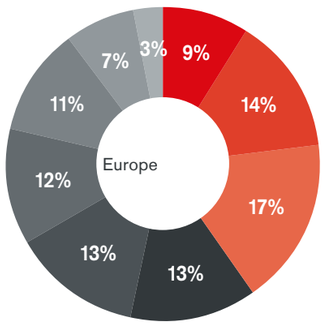
2.1: Time management

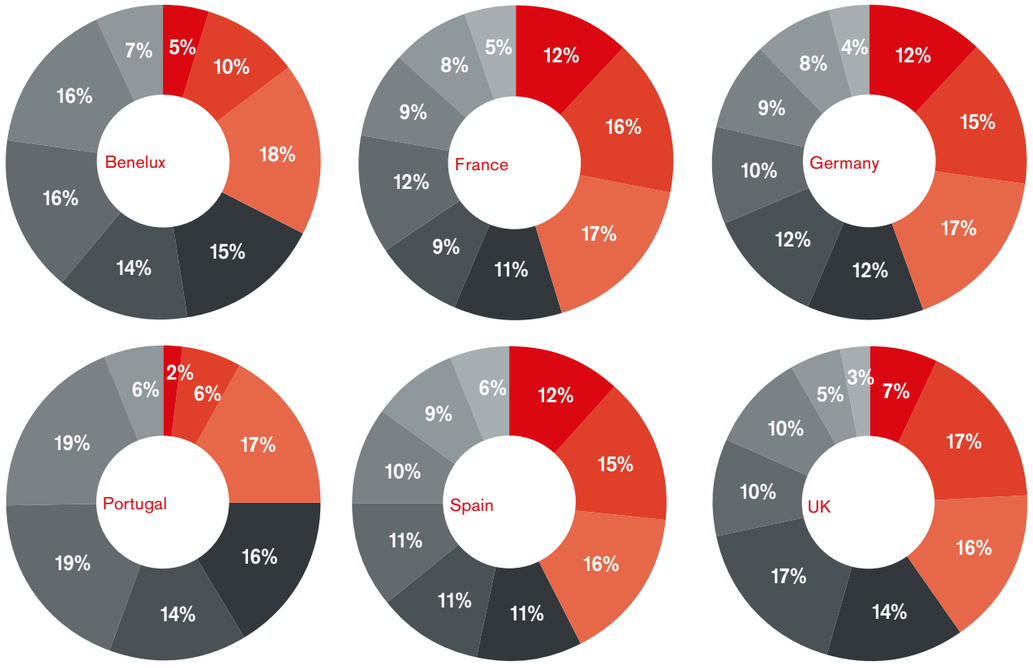
Organisations that don't innovate stagnate. With IT touching every part of the business, setting aside time to think and implement new approaches that improve the business's ability to deliver is crucial. However, while organisations may be implementing innovation programmes (detailed later in this report), IT departments do not appear to be focusing their resources on innovation on a day-to-day basis. The average European IT department spends a good deal more time responding to business issues than driving the business forward. General maintenance, responding to user problems, changes and unplanned work equates to 49 per cent of their time, while just 9 per cent of time is spent on innovation. This holds true for all countries, although French, German and Spanish IT departments appear to devote slightly more time to innovation.

9%
of European IT department time is spent innovating

2.1
HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING?

- Innovation
- Business projects
- IT operations projects
- General maintenance
- Responding to user problems
- Changes
- Unplanned work
- Talking to vendors
- Other tasks





2.2: Formalising innovation

Formalising innovation into strategic programmes ensures that it becomes an important part of the way an organisation operates. Of the organisations across the European nations surveyed, 36 per cent have an innovation programme, and a further 37 per cent state that they have plans to implement one, suggesting that the majority are conscious of the need to implement formal processes to drive innovation.

There is a direct correlation between the size of business and the likelihood that they have already implemented, or have plans to implement, an innovation programme: in organisations with more than 1000 staff, 53 per cent already have an innovation programme, and a further 33 per cent have plans to develop one; for organisations with fewer than 250 employees, these figures were 21 per cent and 39 per cent respectively.

Organisations from the media, leisure and entertainment industries are most likely to have innovation programmes, followed by those in the professional services and financial services sectors.

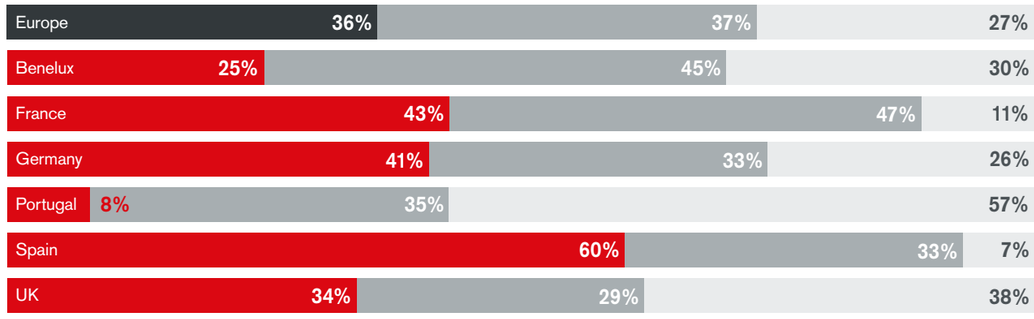
Spanish and French organisations appear to be most advanced in the move towards formalised innovation models. Among the respondents, 93 per cent of Spanish and 89 per cent of French state that their organisations have either implemented or have plans to implement an innovation programme.

The Portuguese were the least likely to have an innovation programme, with 8 per cent stating that one is in place, and over half stating that they had no plans to implement one. Slightly less severely, though still far short of the average, 38 per cent of respondents from the UK stated that they have no plans for an innovation programme.

36%
of organisations across the European nations surveyed have an innovation programme

2.2
DOES YOUR ORGANISATION HAVE AN INNOVATION PROGRAMME?

- Yes
- No, but we are planning to implement one
- No and we are not planning on implementing one



2.3: Driving innovation

For those organisations with, or planning to implement, an innovation programme, the IT department plays a pivotal role in driving innovation in European businesses. Almost half (45 per cent) of respondents stated that IT was the department most likely to drive innovation, and it ranked in the top three for 78 per cent of respondents. Given the relatively low amount of time dedicated to innovation among all European IT departments, it would seem prudent for organisations to encourage IT departments to innovate further to achieve more.

Innovation appears to be driven in conjunction with a number of other stakeholders within the organisation: 50 per cent stated that marketing played a significant role, with operations the next most likely to have a hand in driving innovation.

For organisations of all sizes, the IT department was viewed as the most likely to drive innovation, though there are clear differences when looking at the other stakeholders involved. For example, the product team is three times more likely to play the lead role in driving innovation in organisations with more than 1000 employees than in those in the 100–250 bracket.

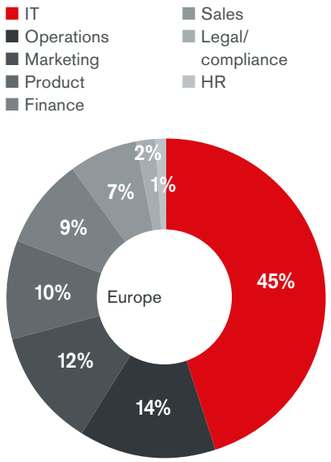
Although the IT department was found to play a key role in driving innovation in all countries surveyed, its influence from country to country differed considerably. For example, 55 per cent of British and 55 per cent of German IT decision-makers stated that the IT department was the most likely to drive innovation, compared with just 31 per cent of French and 37 per cent of Portuguese.

Looking at the three departments most likely to drive innovation in France, IT, marketing and operations were found to have roughly equal influence, pointing to a collaborative approach to innovation within French organisations.

Interestingly, the marketing department was found to play a greater role in driving innovation in Portuguese organisations than the IT department (42 per cent and 37 per cent respectively).

45%
of respondents stated that IT was the department most likely to drive innovation

2.3
WHICH DEPARTMENT IN YOUR ORGANISATION IS MOST LIKELY TO DRIVE INNOVATION?



2.3a
WHICH ARE THE TOP THREE DEPARTMENTS IN YOUR ORGANISATION MOST LIKELY TO DRIVE INNOVATION?

	Europe	Benelux	France	Germany	Portugal	Spain	UK
IT	78%	90%	51%	87%	93%	83%	87%
Marketing	50%	83%	50%	39%	79%	51%	33%
Operations	47%	33%	51%	47%	44%	37%	58%
Product	38%	4%	41%	48%	5%	41%	50%
Finance	35%	23%	39%	32%	42%	43%	32%
Sales	34%	47%	48%	30%	21%	20%	29%
Legal/compliance	11%	3%	15%	14%	7%	19%	2%
HR	7%	17%	5%	4%	9%	6%	6%

2.4: Digital leadership

In a similar way to the formalised innovation programme, a digital strategy seeks to bring various parts of the business together, notably the marketing and IT functions, to optimise the way IT and content interact. More organisations are likely to have a digital strategy, though it does not touch as much of the business as an innovation programme. Like the innovation programme, it can be driven from many different angles.

The person most commonly held accountable for an organisation's digital strategy is the Chief Information Officer, with this being the norm in 31 per cent of European businesses, followed closely by the Chief Technology Officer (29 per cent). The Chief Executive Officer came in at a distant third.

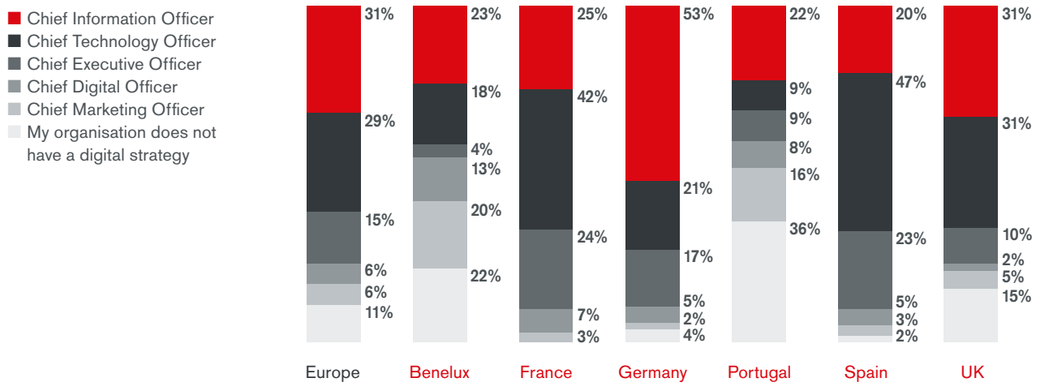
Notably, 11 per cent of respondents do not have a digital strategy. This is most likely to be the case in organisations with 100–250 employees, where a quarter (23 per cent) do not have a digital strategy. Somewhat more surprisingly, 5 per cent of organisations with more than 500 employees similarly lack a digital strategy.

Organisations from the not-for-profit and professional services sectors were more likely to have a Chief Technology Officer in charge of their digital strategy as opposed to a Chief Information Officer.

11%
of European businesses lack a digital strategy

2.4
ORGANISATIONS WITH A DIGITAL STRATEGY

2.4a
WHICH PERSON IS RESPONSIBLE FOR YOUR ORGANISATION'S DIGITAL STRATEGY?



Applications

3.1: Application development

Application development in Europe is more likely to be carried out in conjunction with an external partner than developed internally. More than half of the IT leaders questioned indicated that their applications were developed externally or with a combination of external providers and internal development. The application most likely to be developed internally is the database, which may be due to concerns around security.

Smaller organisations (100–250) are more likely to develop their own applications than larger ones. For example, over half (52 per cent) of these organisations develop their extranets/portals themselves, compared with just 31 per cent of those at the top end of the sample.

Organisations in the not-for-profit sector appear to undertake the most in-house application development, with 63 per cent developing their own ecommerce platforms and 60 per cent their finance and HR tools. By contrast, firms in the professional services appear to be the most comfortable with outsourcing their application development, typically outsourcing more of their development to external providers than other sectors.

The Benelux region and Portugal appear to be significantly more comfortable with outsourcing at least part of their application development to external partners than the other countries included in the research. Those that undertake the least were found to be Germany and Spain.

There are huge variations in the development of corporate websites from country to country. For example, in Benelux, 17 per cent of corporate websites are developed solely in-house, compared with 62 per cent in Germany and 57 per cent in Spain.

47%
of organisations develop databases in-house – the most commonly internally developed application type

3.1
ARE THE APPLICATIONS YOUR ORGANISATION USES DEVELOPED INTERNALLY OR BY AN EXTERNAL PROVIDER?

	Developed internally	Developed both internally and by an external partner	Developed by an external partner
Ecommerce	40%	20%	39%
Corporate website	43%	25%	33%
Mobile applications	37%	27%	37%
Extranets/portals	37%	28%	35%
Databases	47%	29%	24%
Finance/ERP/HR	39%	29%	32%
CRM	37%	25%	38%
Collaboration and communication	34%	30%	36%
Authentication and security	39%	23%	37%
Industry-specific applications	37%	30%	33%

3.2: Application development, 2020

European IT decision-makers appear to be split about the future of in-house application development. On average, 24 per cent believe that they will undertake more in-house application development by 2020, while 22 per cent expect to undertake less.

On average it is predicted that organisations across Europe will develop 30 per cent fewer applications internally by 2020. However, when we examine each individual application, a mixed picture emerges.

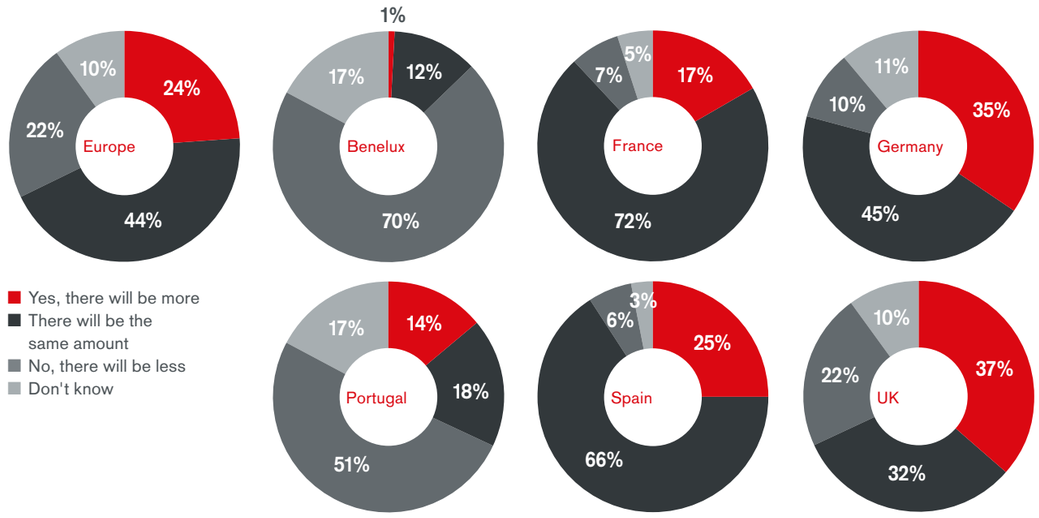
For example, the internal development of mobile applications is likely to remain static at 37 per cent, though the internal development of ecommerce (23 per cent), CRM (21 per cent) and industry-specific applications (18 per cent) is set to decline by roughly half.

The biggest change in development practices will likely be felt in organisations with fewer than 500 employees, with ever more of their application development set to be outsourced. Although these businesses currently undertake the most internal application development, this shift will bring their development practices in line with the rest of the business community.

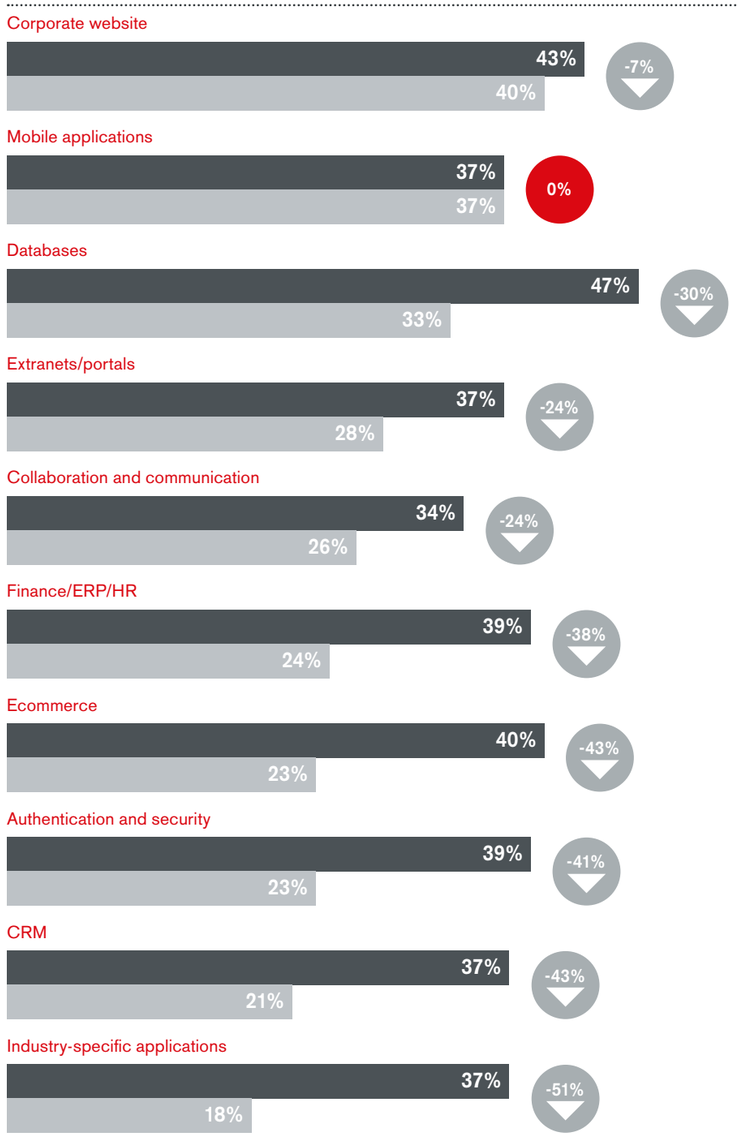
The figures suggest that the greatest growth in in-house application development will come out of the UK and Germany: 37 per cent of UK-based organisations and 35 per cent of those based in Germany expect to engage in more of this activity. These figures contrast sharply with the projections from Portugal and Benelux, with 51 per cent and 70 per cent respectively predicting that they will reduce their amount of in-house application development.

30%
fewer applications are predicted to be developed internally by 2020

3.2
WILL THERE BE MORE IN-HOUSE APPLICATION DEVELOPMENT IN YOUR ORGANISATION BY 2020?



3.2: Continued



3.2a
WHICH OF THE FOLLOWING APPLICATIONS ARE LIKELY TO BE DEVELOPED INTERNALLY IN YOUR ORGANISATION BY 2020?

- Developed internally - 2015
- Developed internally - 2020

3.3: The future of DevOps

With application development and management being approached in an increasingly collaborative way, DevOps looks set to be a key and ongoing focus for European businesses. Although, on average, just a quarter (26 per cent) of the organisations surveyed had already developed a DevOps approach, a further 42 per cent expect to do so in future.

Broken down by size, however, it would appear that the largest organisations in the sample are significantly further advanced in this space and have plans to develop their DevOps strategies further still. Today, 48 per cent of organisations with more than 1000 staff have developed a DevOps approach, contrasting sharply with smaller organisations, where this figure stands at just 15 per cent.

The public sector appears to have the least amount of enthusiasm for, or experience with, DevOps. Fully 39 per cent have no plans to go down this route, 14 points higher than the average.

Although the percentage of UK organisations that have implemented a DevOps approach is roughly on a par with those in France and Germany (30 per cent, 32 per cent and 24 per cent respectively), it looks likely to be left behind over the coming two years. By 2017, 41 per cent of UK businesses expect to have developed a DevOps approach, significantly lower than France (75 per cent) and Germany (62 per cent).

However, Spanish IT decision-makers appear to be most optimistic about the role of DevOps within their organisations. Just 7 per cent have no plans at all to develop a DevOps approach, and within two years, 86 per cent expect to have developed one.

At the opposite end of the spectrum, only one in 12 Portuguese organisations has rolled out a DevOps approach – roughly one-third of the European average. Although some growth is expected, over half have no plans to go down that route.

26%
of organisations currently have a DevOps approach in place

"DevOps is a methodology for code deployment that uses new tooling and working practices to reduce traditional handoffs between development and operational teams. It enables teams to work closer together, resulting in greater business agility and increased productivity."
Neil Thomas, Product Director, Claranet UK

3.3
HAVE YOU DEVELOPED A DEVOPS APPROACH AT YOUR ORGANISATION?

	Europe	Benelux	France	Germany	Portugal	Spain	UK
Yes	26%	24%	32%	24%	8%	35%	30%
No, but we are planning to in the next two years	29%	14%	43%	38%	10%	51%	11%
No, but we are planning to beyond the next two years	13%	23%	7%	11%	20%	4%	19%
No, and we are not planning to	25%	28%	14%	27%	51%	7%	31%

3.4: Application hosting and management

Although a significant number of IT departments still manage their applications internally, the figures point to a collaborative approach being adopted across Europe whereby businesses work with external parties to manage the hosting and administration of their applications: 38 per cent of mobile applications, 36 per cent of extranets/portals and 35 per cent of collaboration and communication applications are managed in this way.

Databases, authentication and financial applications stand as the applications most likely to be managed internally in the countries surveyed, kept in-house by more than half of IT decision-makers, most likely out of security concerns.

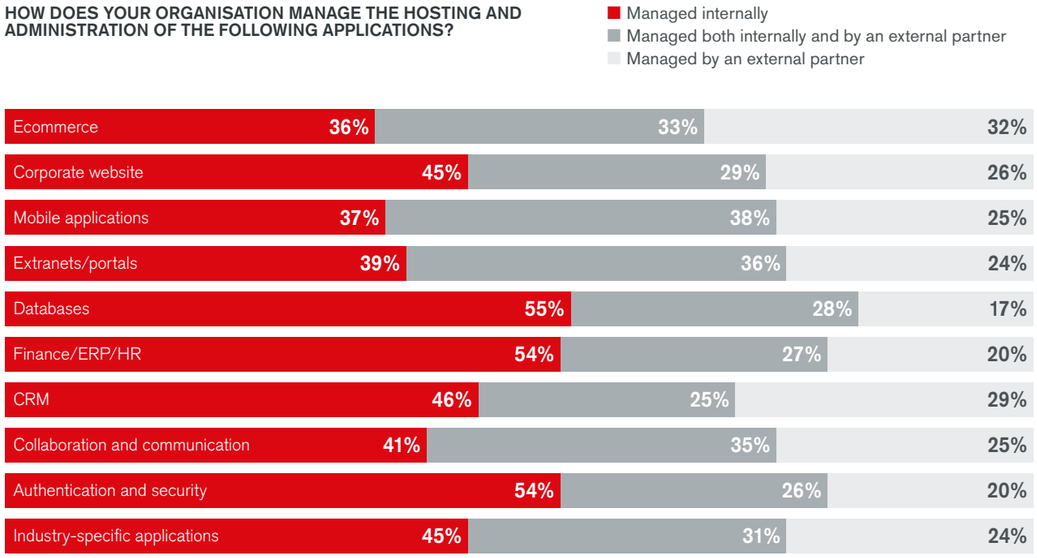
It appears that organisations with more than 500 employees are consistently more likely to outsource the management of their application estate than those with fewer. For example, 65 per cent of those in the sub-500 category manage their finance, HR and ERP applications themselves, compared with 45 per cent of their larger counterparts.

The picture across Europe is varied, but it would appear that organisations in Germany and the UK tend to be more reticent about outsourcing the hosting and administration of their applications than other Western European nations. For example, just 35 per cent of British and 38 per cent of German organisations outsource the management of their databases, compared with over half of French.

55%
of databases are hosted internally

In Benelux, more outsourcing seems to occur: around nine in 10 IT leaders stated that their corporate website is managed externally, and as many as 95 per cent of organisations use an external partner to some extent to manage their mobile applications.

3.4
HOW DOES YOUR ORGANISATION MANAGE THE HOSTING AND ADMINISTRATION OF THE FOLLOWING APPLICATIONS?



3.5: Application delivery

Given a choice between availability, performance and security, European businesses prize the availability of their ecommerce applications above all others, selected by 46 per cent of respondents. Considering the criticality of these applications to businesses, this comes as little surprise.

Organisations felt that the applications that required the best performance were industry-specific applications and CRM tools, chosen by 40 per cent and 39 per cent respectively. Security, meanwhile, came out as the most important consideration for authentication (49 per cent), financial (40 per cent) and mobile (39 per cent) applications.

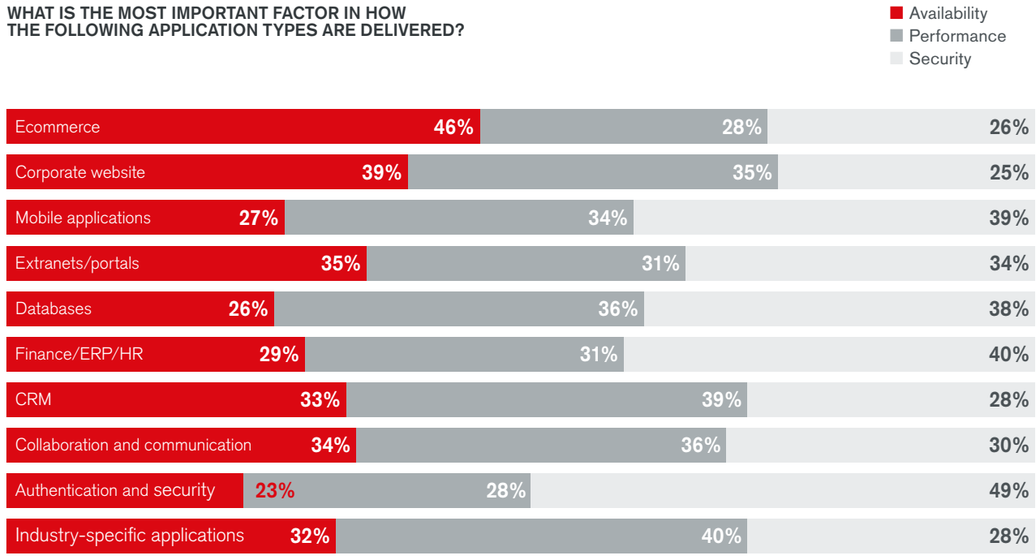
Split by size of organisation, those at the lower end of the scale appear to be marginally more concerned about security than those organisations with more than 1000 employees, which tend to prioritise application performance.

On balance, German organisations would appear to be marginally more security-conscious than other countries in the survey: 40 per cent stated that the most important factor in the delivery of collaboration applications was security, compared with 28 per cent in France and just 20 per cent in the UK.

IT decision-makers in Portugal favour security and performance above availability in all but a handful of applications. Just 23 per cent stated that availability was the most important factor for CRM tools. This is 10 points lower than the European average and 16 points lower than Spain.

Meanwhile, the Benelux nations appear to prioritise the performance of their application estate over the other available options. For example, whereas one might reasonably expect security to be the most important factor for financial applications, performance came out as the most important, chosen by 44 per cent, 15 points higher than the European average.

3.5
WHAT IS THE MOST IMPORTANT FACTOR IN HOW THE FOLLOWING APPLICATION TYPES ARE DELIVERED?



IT services providers

4.1: IT services provider usage, 2015 and 2020

Among European businesses, 86 per cent currently use an IT services provider to manage some of their IT and the average European business has 13 per cent of its IT estate managed in this way, demonstrating that the vast majority are comfortable with outsourcing at least part of the IT estate. However, penetration varies widely between countries, size of organisation and sectors.

Respondents predict that by 2020 the average European business will have 18 per cent of its IT estate managed by third parties, while 89 per cent will use an IT services provider to do this. Also predicted is a three-point increase in organisations using third parties to manage more than half of their infrastructure.

From a national perspective, the UK leads the way in the use of third-party providers, with an average 15 per cent of the estate managed by IT services providers, although Spanish organisations appear to be the most advanced in terms of penetration. In Spain, 82 per cent outsource more than 10 per cent of their IT estates – considerably more than in Germany and Portugal. German organisations are the most likely to manage all of their IT estate in-house, with 28 per cent of respondents answering this way. This can possibly be attributed to tighter German data laws.

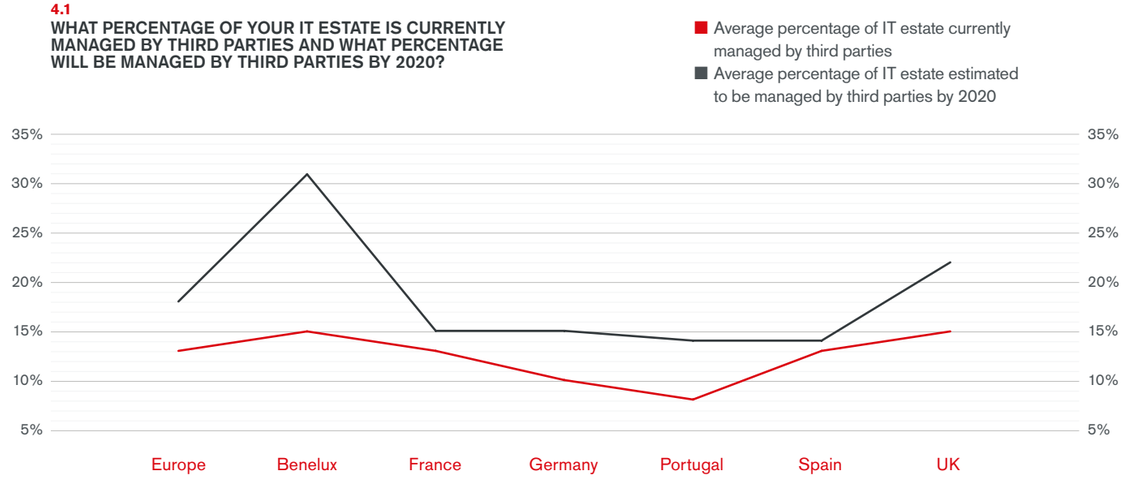
It is anticipated that the Benelux region will experience a huge shift towards using third-party providers to manage the IT estate. Respondents suggest that, on average, 31 per cent of their total IT estates will be outsourced, up from 14 per cent today.

French and Spanish IT decision-makers have more modest predictions about the use of third parties to manage their IT estates, each expecting an increase of around 10 per cent from the current level of usage.

86%
of European businesses currently use an IT services provider to manage some of their IT

German businesses continue to anticipate managing much of their infrastructure in-house. Although the hard core of organisations not currently using any third parties is set to remain roughly the same, those organisations that do outsource expect to move more of their IT estate across to third parties. These statistics suggest that while data laws are still predicted to slow the progress of third-party IT management, there is a pragmatic move towards this approach occurring.

4.1
WHAT PERCENTAGE OF YOUR IT ESTATE IS CURRENTLY MANAGED BY THIRD PARTIES AND WHAT PERCENTAGE WILL BE MANAGED BY THIRD PARTIES BY 2020?



4.2: Services taken from IT services providers

The average European business provisions three services from IT services providers, with the most popular being unified communications (33 per cent), business continuity services (31 per cent) and telephony (30 per cent). The services used are, however, wide ranging and, with no clear majority held by any individual application, we can determine that the use of IT services providers is dependent upon the particular needs of each organisation.

IT services providers can anticipate organisations requesting further services from them within the next five years, with more of the IT estate set to be provisioned by third parties. In 2020, IT decision-makers anticipate the average number of services their organisations provision from IT services providers will increase from three to four. They are most likely to provision unified communications (37 per cent), infrastructure hosting (37 per cent), and business continuity and disaster recovery services (37 per cent). The biggest increases are expected to be in monitoring and reporting, up by 60 per cent from today, and systems integration services, up by 40 per cent.

By 2020, the UK and Benelux look set to take the most services from IT services providers, with an average of five predicted, up from four and three respectively. Elsewhere, Portuguese organisations expect to take four services on average, up from three currently.

3
services from IT services providers are taken on average

4.2
WHICH OF THE FOLLOWING SERVICES DOES YOUR ORGANISATION CURRENTLY PROVISION FROM IT SERVICES PROVIDERS AND WHICH WILL IT PROVISION 2020?

	2015	2020
Unified communications	33%	37%
Business continuity and disaster recovery	31%	37%
Telephony	30%	33%
Infrastructure hosting	29%	37%
Application management	28%	34%
Storage	26%	31%
Security	26%	31%
Backup	24%	33%
Consultancy/professional services	18%	23%
Systems integration	16%	22%
Monitoring and reporting	16%	25%
My organisation does not/will not use IT services providers	14%	11%
Average number of services provisioned from IT services providers per organisation	3	4

4.3: Why use an IT services provider?

Organisations that use IT services providers do so for a wide range of reasons, from a shortage of in-house skills to the need to reallocate internal resources. However, the primary motives for using IT services providers emerged as the need to improve data delivery, improve data analysis and to increase efficiency. Interestingly, the convenience of the cost model offered by the IT services provider ranked as the least important for respondents, chosen by just 11 per cent.

IT leaders from Portugal and Benelux were the most likely to suggest that a shortage of internal IT resources contributed to their usage of IT services providers, potentially correlating with their available budgets. With permanent staff and infrastructure seen as a greater and more long-term investment, working with an IT services provider and a operational expenditure model would allow for greater business flexibility.

The largest organisations in the sample (1001–2000 employees) appear to be keener to drive innovation with the use of IT services providers than smaller ones (100–250 employees): 35 per cent of the former stated this was a reason to use an IT services provider, compared with just 14 per cent of the latter.

The variety of motivations for choosing an IT services provider is further shown in the fact that the most often reported reason also varies from country to country: respondents from organisations in Benelux are most likely to report gaining access to new technology and improving data delivery; those in the UK are most likely to report increasing efficiency, and those in Portugal are most likely to report improving data analysis.

The primary motives for using IT services providers emerged as the need to improve data delivery, improve data analysis and to increase efficiency

4.3
WHICH OF THE FOLLOWING WERE REASONS YOUR ORGANISATION CHOSE TO USE AN IT SERVICES PROVIDER?

	Benelux	France	Germany	Portugal	Spain	UK
To gain access to new technology, tools and best practices	50%	16%	28%	33%	26%	34%
To improve data delivery	50%	43%	34%	44%	39%	22%
A shortage of the required skills	46%	30%	27%	40%	29%	31%
A shortage of internal IT resources	44%	17%	22%	41%	16%	32%
To improve data analysis	44%	39%	32%	48%	43%	18%
To increase efficiency	41%	25%	41%	26%	21%	47%
Cost savings	30%	19%	27%	42%	13%	33%
To allow internal resource to work on strategic initiatives	28%	26%	21%	21%	24%	34%
The convenience of the cost model offered by the IT services provider	27%	1%	11%	16%	4%	11%
To drive innovation	24%	33%	34%	15%	28%	20%
To improve the core business	23%	37%	35%	22%	33%	31%
To gain access to advice and expertise	23%	15%	30%	33%	22%	27%

4.4: What factors were important in the choice of your IT services provider(s)?

Application expertise stands as the most important factor in helping decision-makers choose their IT services providers: 76 per cent of those surveyed felt that this was either important or very important. The next most important attributes came out as the levels of support offered by the provider, with 72 per cent stating this was important or very important, security expertise (72 per cent) and price (71 per cent). These factors broadly reflect the challenges facing IT decision-makers today, suggesting that organisations are actively looking to IT services providers for support.

At the other end of the scale, just 57 per cent felt that breadth of portfolio was important or very important, though this will likely change as IT leaders start to extend the management of more of their applications to IT services providers.

Organisations with more than 1000 employees are significantly more likely to expect more from their IT services providers than those with fewer than 250. There may be any number of reasons for this, though this may owe something to experience with IT services providers and customer clout.

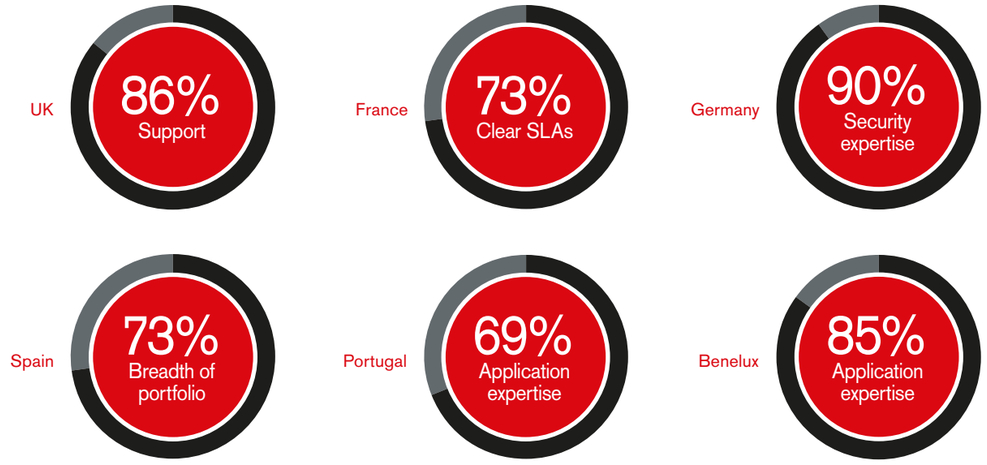
UK IT decision-makers value support over all other factors, by a large margin: 86 per cent felt that support was important or very important. The next most important attributes were security expertise at 75 per cent, and clear SLAs at 73 per cent.

German organisations appear to be the most prescriptive about their preferred IT services provider attributes, and are more likely than any other country to state that something is important or very important. Security expertise topped the list of wants, with 90 per cent. Less of a priority, though still the highest of the countries surveyed, was local in-country service provision (81 per cent).

No single characteristic holds a clear majority in France, suggesting that French IT decision-makers hold a range of criteria that are equally important. Clear SLAs, support and application expertise came out as the most important factors in the decision-making process, followed closely by flexibility and price.

76%
of IT decision-makers ranked application expertise as an important reason for choosing an IT services provider

4.4
WHAT WAS THE MOST IMPORTANT FACTOR IN THE CHOICE OF YOUR IT SERVICES PROVIDER(S)?



4.4: Continued

4.4a
HOW IMPORTANT WERE THE FOLLOWING REASONS FOR CHOOSING YOUR IT SERVICES PROVIDER(S)?

	Benelux	France	Germany	Portugal	Spain	UK
Trusted brand	58%	56%	82%	44%	70%	60%
Security expertise	65%	70%	90%	39%	73%	75%
Clear SLAs	68%	73%	71%	54%	69%	73%
Support	59%	73%	81%	48%	62%	86%
Breadth of portfolio	48%	60%	76%	31%	73%	44%
Flexibility	36%	72%	85%	35%	66%	64%
Price	57%	70%	87%	58%	70%	72%
Local in-country service provision	55%	61%	81%	45%	71%	60%
Data centre location	50%	62%	78%	49%	62%	52%
Knowledge of specific industry	72%	62%	85%	46%	70%	60%
Data management expertise	36%	69%	84%	20%	67%	57%
References	52%	60%	76%	38%	70%	55%
Application expertise	85%	73%	86%	69%	72%	69%

4.5: The ideal IT services provider vs the reality

Organisations overwhelmingly favour IT services providers that can proactively engage with them over those that will simply follow orders. Over half (54 per cent) believe that IT services providers should be trusted advisers, and 46 per cent think they should be innovators. By contrast, just one in 10 stated that IT services providers should be passive, and a quarter believed the relationship should simply be transactional.

However, when asked about their actual experiences, it becomes apparent that IT services providers have some work to do to match IT decision-makers' expectations, with many falling short. Just one in three believes that their IT services providers are innovators, and 40 per cent see them as trusted advisers.

Experiences of IT leaders from organisations in different countries vary: German IT decision-makers' experiences of their IT services providers largely tally with their expectations. For example, 56 per cent stated that an IT services provider should be a trusted adviser; the same percentage view their IT services provider as one. This also holds largely true for those that expected their IT services providers to be innovators and those that want a safe pair of hands, suggesting that German IT services providers are good at meeting their customers' requirements.

There are, however, large discrepancies between the expectations of British IT decision-makers and their experiences with IT services providers. While 62 per cent look for expert guidance, just 35 per cent believe their IT services providers to be expert guides. Similarly, 42 per cent want their IT services providers to be innovators, though only 23 per cent view their providers as innovators.

IT decision-makers in Spain generally view their IT services providers as innovative. Over half (52 per cent) believe them to be innovators, compared with just 13 per cent of their Portuguese counterparts.

54%
of IT decision-makers believe that IT services providers should be trusted advisers

4.5
WHAT SHOULD THE ROLE OF AN IT SERVICES PROVIDER BE AND HOW DO YOU VIEW YOUR IT SERVICES PROVIDER(S)?

	Ideal	Reality
Aggregator of IT services	20%	17%
Expert guide	43%	38%
Influencer	30%	26%
Innovator	46%	33%
Passive	11%	10%
Safe pair of hands	42%	40%
Transactional	24%	25%
Trusted adviser	54%	40%

4.5: Continued

4.5a
WHAT SHOULD THE ROLE OF AN IT SERVICES PROVIDER BE?

	Benelux	France	Germany	Portugal	Spain	UK
Aggregator of IT services	41%	9%	13%	30%	19%	23%
Expert guide	54%	29%	44%	32%	29%	62%
Influencer	42%	31%	31%	26%	26%	27%
Innovator	42%	57%	49%	26%	48%	42%
Passive	27%	9%	7%	13%	6%	11%
Safe pair of hands	44%	48%	35%	38%	30%	51%
Transactional	29%	22%	21%	27%	39%	17%
Trusted adviser	57%	53%	56%	44%	32%	69%

4.5b
HOW DO YOU VIEW YOUR IT SERVICES PROVIDER(S)?

	Benelux	France	Germany	Portugal	Spain	UK
Aggregator of IT services	33%	9%	12%	22%	19%	18%
Expert guide	42%	32%	50%	28%	38%	35%
Influencer	17%	27%	31%	14%	32%	26%
Innovator	15%	44%	45%	13%	52%	23%
Passive	11%	10%	3%	9%	8%	17%
Safe pair of hands	46%	51%	33%	32%	34%	41%
Transactional	30%	34%	18%	19%	30%	21%
Trusted adviser	41%	26%	56%	26%	30%	51%

4.6: Where do IT services providers help most?

Decision-makers value IT services providers' ability to be flexible and supportive. Organisations view flexibility to deliver customisable solutions to customers (61 per cent), regular communication around service performance (49 per cent), and understanding and helping guide future priorities (48 per cent) to be the top three most important ways an IT services provider helps their business.

There is a direct correlation between the size of the business, and the requirement for a comprehensive service portfolio and partner ecosystem. This ranked as a top-three priority for 43 per cent of organisations with over 1000 staff – double that of the 100–250 category. This can be attributed to the fact that larger organisations tend to outsource more of their IT estates.

IT leaders from organisations in Spain are most likely to report a comprehensive portfolio as one of their top three most helpful attributes, and those in Portugal are most likely to report commitment to delivering value as one of their top three benefits of working with an IT services provider.

French, German and Spanish IT decision-makers are statistically much more likely to value an IT services provider's ability to provide analysis and business intelligence than the other countries surveyed.

61%
of IT decision-makers view flexibility to deliver customisable solutions as an important way in which IT services providers help their business

4.6
WHICH ELEMENTS OF AN IT SERVICES PROVIDER'S SERVICE ARE THE MOST IMPORTANT TO YOUR BUSINESS?

	Europe	Benelux	France	Germany	Portugal	Spain	UK
Flexibility to deliver customisable solutions to customers	61%	59%	58%	68%	60%	52%	62%
Regular communication around service performance	49%	35%	46%	44%	49%	48%	62%
Understanding and helping guide your future priorities	48%	58%	41%	37%	62%	46%	53%
Providing analysis and business intelligence	38%	29%	49%	50%	15%	48%	28%
Specialisation and domain expertise	38%	33%	41%	47%	25%	38%	35%
Comprehensive portfolios and partner ecosystems	34%	32%	49%	35%	19%	55%	14%
Commitment to delivering lasting value to clients	33%	52%	17%	20%	69%	12%	45%

Case study: Peugeot cruises to hosting durability with Claranet

About Peugeot

Established in France in 1810 as an engineering firm producing a host of mechanical objects, Peugeot is best-known today as one of the leading car manufacturers in the world.

The car company has a long history and remains rooted in its heritage, but its ethos is thoroughly modern and forward-looking. To mark its bicentenary in 2010, Peugeot revamped its branding, with a more dynamic logo, and unveiled a range of stylishly modern vehicles.

Key to this forward-looking approach is the company's website, which serves as an interactive portal through which customers and prospective customers can find out about its range, the brand itself, access customer support and arrange test drives at its local dealerships.

The challenge

At the beginning of 2013, a high-profile IT services provider collapsed, impacting a number of businesses – including Peugeot.

The company had been relying on the MSP to manage the hosting of a number of microsites and suddenly found itself in the position of having to find, vet and migrate to a new hosting provider quickly – or risk temporarily losing the delivery of these sites. Such a scenario would have dealt a serious blow for the car dealer, explained Vijay Mistry, Manager – Technical Services, at PSA Peugeot Citroën.

"Beyond our primary site, we also operate a number of distinct tactical campaign microsites which are intrinsically linked to our marketing operations. These sites, which attract a considerable number of visitors each month, serve as valuable platforms for customer engagement and interaction, and ultimately help to drive brand loyalty and sales. These sites also hold our online booking engine for test drives, which helps us to feed tangible sales leads to our dealerships. When our old provider folded, we needed to act quickly to find a new one to maintain the delivery of our microsites and avoid any negative impact on the business."
Vijay Mistry
Manager – Technical Services,
PSA Peugeot Citroën

The solution

Having consulted with and reviewed a number of suppliers, Peugeot opted for Claranet, which came up with a proposal that would not only meet its requirements for the immediate short term, but which would also be fit for purpose five years down the line.

"Claranet's recommendations for our hosting solution were head and shoulders above the other suppliers that we spoke to," Mistry explained. "While our primary concern was getting our microsites up and running, we were also keen to see what other options were available in terms of our hosting arrangements.

"Claranet's technological expertise is plain to see – they understood our requirements immediately – but it has been the overall service wrap that has impressed us the most."
Vijay Mistry
Manager – Technical Services,
PSA Peugeot Citroën

"The team at Claranet proposed a managed hosting solution that was flexible and scalable enough to satisfy our immediate hosting needs, but with the potential to evolve and develop the solution as the business required. Given the time constraints, this was quite a feat. We were impressed with their professionalism and willingness to go the extra mile, so they were the obvious choice."

Peugeot's microsites were migrated to Claranet's managed hosting environment, whereby Claranet manages and monitors the infrastructure and the applications themselves. With the initial phase of the migration completed, Claranet worked with Peugeot to devise a migration strategy for other less business-critical applications in its IT estate, which have been gradually moved across to Claranet's unmanaged environment. Here Claranet provides technical support up to the operating system level, while the technical team at Peugeot supports the applications itself.

Mistry continued: "Our primary concern is ensuring that our externally facing apps perform as they should, so it makes sense to have an additional layer of management in place. But for internal functions, such as our dealer support and communications applications, which are less critical to our business, a lower level of management is sufficient. Dividing our applications in this way makes most business sense for us and is a more efficient use of our time and resources."

The benefits

In spite of the tight time frame, Claranet took the time to work out the hosting solution that would be right in the short term, to maintain delivery of Peugeot's web properties – but also with a mind to developing the solution over time.

Mistry said: "The main constraint with this project was time. Our previous supplier collapsed in quite a sudden and dramatic fashion, giving us only a short time to find a new hosting provider. Claranet fully appreciated the situation and the pressure that we were under, and responded accordingly. Typically a migration project like this could take over a month to complete from start to finish; that Claranet were able to deliver the solution within such a short space of time is an absolute credit to them."

The success of the relationship with Claranet owes much to its ongoing technical support and technical architects, who helped to devise a migration road map as the solution evolved. Since initial implementation of the managed hosting solution, Peugeot has steadily increased its workloads and storage, having migrated a large number of additional applications across to Claranet's unmanaged environment.

"Claranet's technological expertise is plain to see – they understood our requirements immediately – but it has been the overall service wrap that has impressed us the most," Mistry explained. "They have been agile and flexible at every turn, working with us to ensure that the solution is functioning the best way possible. Every time we have asked for advice or assistance, they have been responsive, getting the right people to us at the right time. Essentially we now have a two-tier hosting arrangement with Claranet, but with a single point of contact and a single management structure, which ensures complete transparency in the solution and means that our IT staff can focus their efforts where they are needed most.

"With the previous solution we were 'fire-fighting' quite a lot, just to maintain delivery and performance of the website. If the website were to go down, or not perform as it should do, we would risk losing potential customers, so it's imperative that it operates well. Moreover, as a dynamic business, we often take on ad hoc projects, which put additional pressure on the IT infrastructure. Claranet's platform allows us to easily accommodate these projects. We have the confidence we need that the team at Claranet will manage the behind-the-scenes delivery of our applications, giving us flexibility and freedom to move the business forward," he concluded.

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