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MID-MARKET IT PRIORITIES IN 2017

How mid-market companies are investing in IT infrastructure and cloud services to drive growth in a challenging business climate

UK RESEARCH-BASED STUDY 2017

INTRODUCTION

Multiple studies have highlighted the contribution of mid-market companies as the engine of the UK's economy. These companies are increasing revenue by an average of 6.7% per year, according to professional services firm Grant Thornton International[1], putting the sector's growth ahead of small and large rivals alike.

With a unique set of challenges facing mid-market businesses in 2017, we wanted to focus on the IT priorities of this vital sector of the UK economy. The rapid development of cloud-based infrastructures presents constantly moving goalposts for companies of every size. We wanted to find out how the mid-market's IT infrastructure, cloud platforms and capabilities compare with their bigger – and smaller – competitors.

What are the mid-market's IT priorities? Are their budgets adequate to deal with the challenges they face? What are they spending their money on? And are they making the right IT infrastructure investments for the future?

To address these questions, and find out how IT decision makers are responding to the priorities and pressures they face in 2017, Node4 commissioned a fresh survey of 200 IT Decision Makers from mid-sized UK firms defined as companies with turnover of between £15m and £800m. The IT leaders we spoke to were responsible for an average IT headcount of around 90 people, with an annual IT budget of up to £10m. This report examines the findings of our survey.

[1] http://www.telegraph.co.uk/business/private-equity-investment/britains-mid-market-business-growth/

2017 OUTLOOK OVERVIEW
CONFIDENCE IS HIGH, BUT THERE ARE CHALLENGES AHEAD

According to recent data[2] the UK economy will receive an 18% boost from mid-market companies over the next five years, from £285bn in 2015 to £335bn in 2020, creating thousands of new jobs, and expecting to employ 737,000 people by the end of the decade.

Effective deployment of technology will be vital to the successful growth of this sector and, our survey paints a picture of a sector that understands the importance of IT, is prepared to fund it, and which employs skilled IT Management.

Business growth, security and reducing operational costs are the top three IT priorities for the UK's mid-market sector in 2017. When asked to compare their IT effectiveness with both large and smaller companies, mid-sized companies are markedly confident in their abilities, believing themselves to be better at IT than both categories.

Challenges ahead

- However, when it comes to confidence in their businesses' wider financial outlook, the picture is not quite so rosy. A mere 18% of mid-sized businesses claimed to be optimistic about their organisations' fortunes in 2017. Furthermore, 10% expect revenues for the business they work for to remain flat in 2017. It seems that for the majority, while growth may be a priority, it is not a given for mid-market companies.

- Brexit is also clearly perceived to be a cloud on the horizon by many, with 31% saying the impact of Brexit is being felt hardest by mid-sized companies and an overwhelming 81% agreeing that weathering Brexit is a medium to high priority for them this year.

- A lack of clarity around data regulation also presents a cloud on the horizon; just 10% of mid-market companies think EU GDPR legislation – which looks likely to go ahead in the UK despite Brexit - will be good for their business.

Mid-market IT leaders are confident in their ability to deliver next-generation IT systems and have the budget to spend on getting it right; 77% of businesses in our survey expect to increase their IT budgets in 2017.

An under-served sector?

And it seems that the government, the financial sector and IT partners could be doing much more to help this increasingly important sector of the UK economy: Just over one in three (36%) of mid-market companies say their needs are overlooked by government policy makers. 34% say it's getting harder to attract investment, and 25% say their needs are overlooked by IT providers.

[2] http://www.telegraph.co.uk/business/private-equity-investment/britains-mid-market-business-growth/

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MID-MARKET IT BUDGETS AND HEADCOUNT 2017

Although they may have concerns about Brexit and the general economic outlook, the mid-market IT sector seems to be one of the most upwardly mobile, bucking the general trend towards shrinking IT budgets[3]. While UK companies as a whole will have to do more with less in 2017, the overwhelming majority of mid-sized businesses (77%) expect to increase their IT budgets this year.

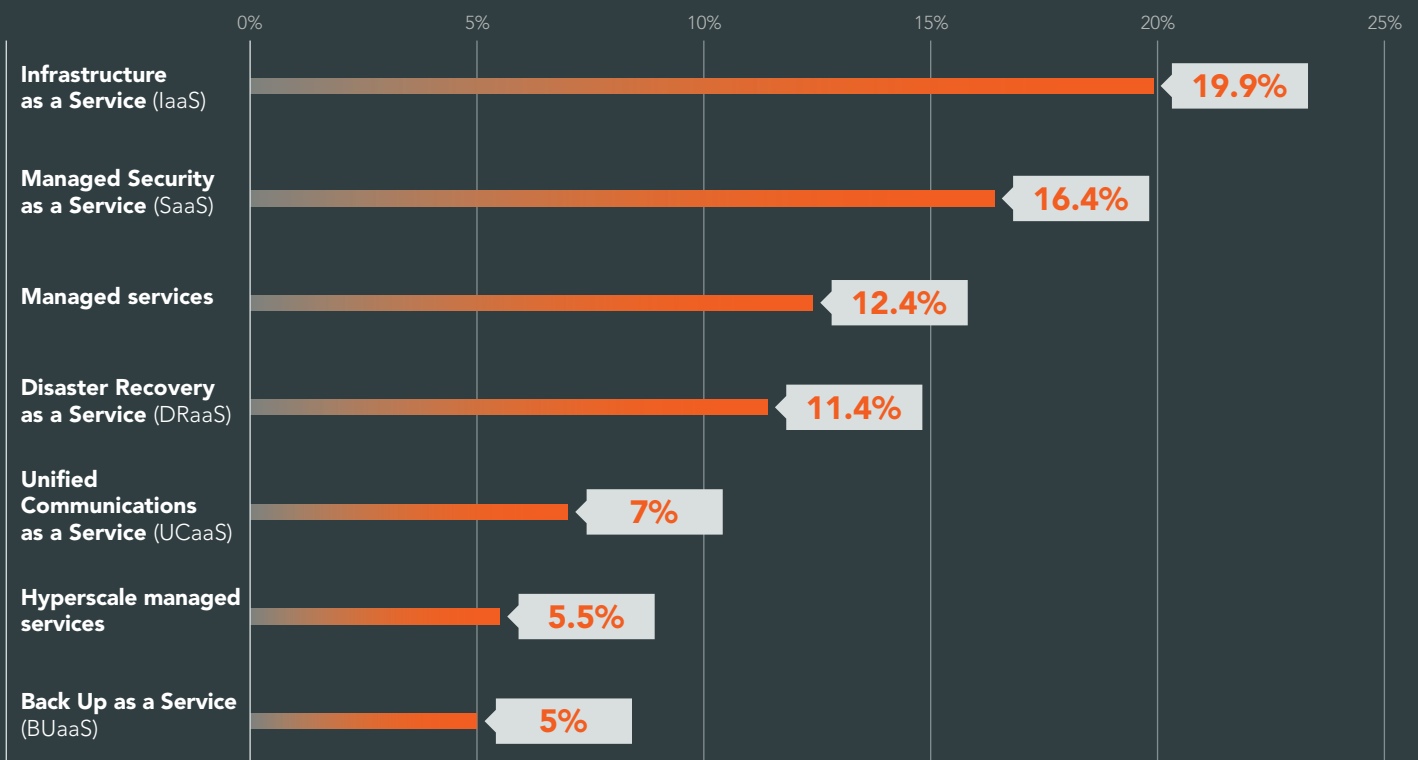|				
8.0%	**9.0%**	**18.9%**	**35.3%**	**22.4%**
I expect my IT budget to **to be cut** in 2017	I expect my IT budget to **remain flat** in 2017	I expect my IT budget to **grow by up to 5%** in 2017	I expect my IT budget to **grow by 5-10%** in 2017	I expect my IT budget to **grow by more than 10%** in 2017
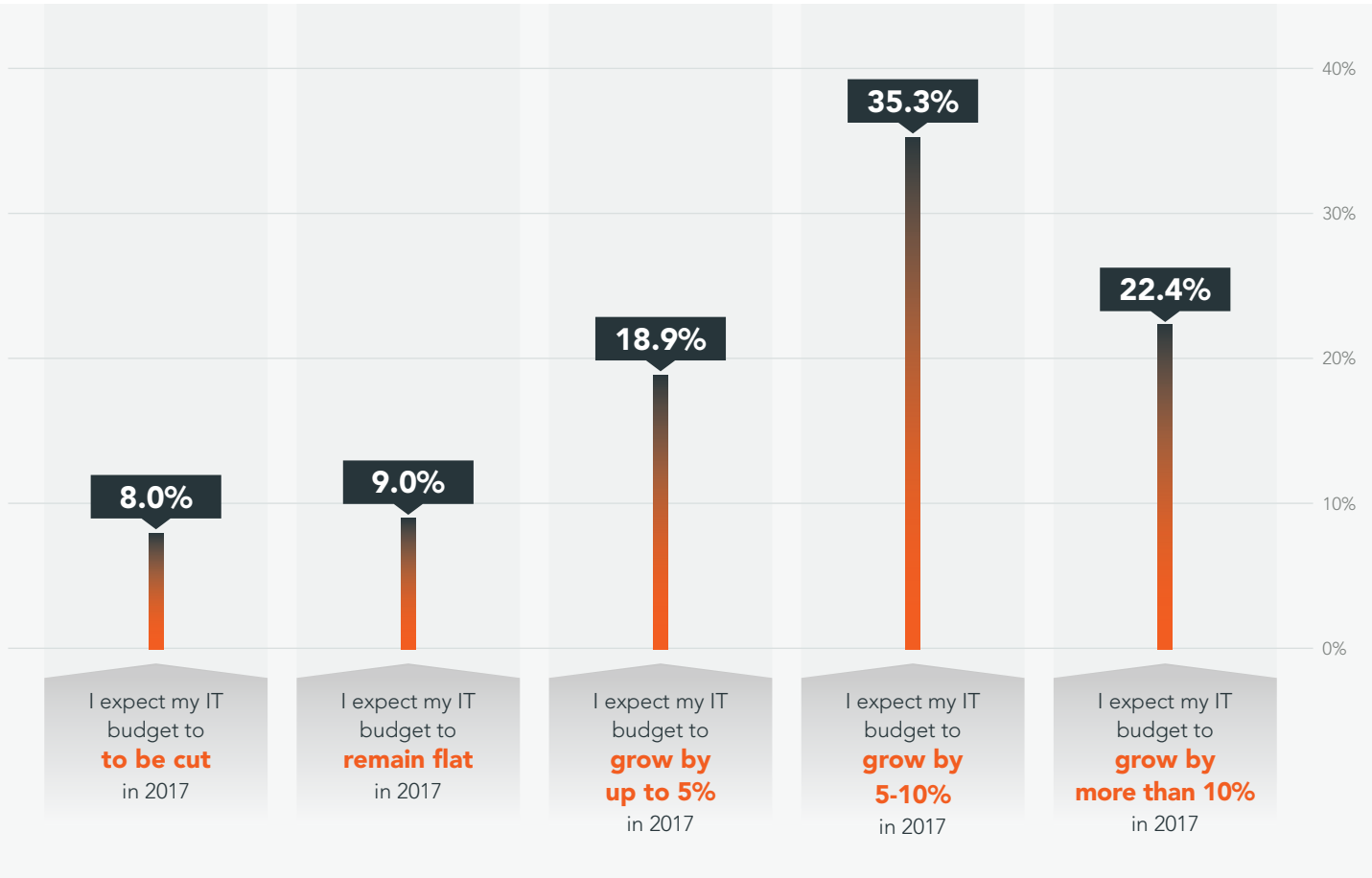
With an average headcount of 90 in their IT department, the mid-market is clearly a significant employer of IT talent. However, while 29% said that they expected their headcount to remain the same or increase, a similar number (28%) feel it is getting harder to recruit IT staff with the appropriate skills and qualifications.

[3] As outlined in Spiceworks 2017 State of IT report

MID-MARKET CLOUD SERVICES INVESTMENT IN 2017

It is no surprise to find that the mid-market sector is turning to cloud services to help drive efficiency, agility, scalability, and to empower workforces. Our research confirmed that hosted and cloud-based services will take a significant share of mid-market IT budgets in 2017, with Infrastructure as a Service and Managed Security as a Service being the top two cloud spending priorities.

I expect to spend more money in 2017 on….

Service	Percentage
Infrastructure as a Service (IaaS)	19.9%
Managed Security as a Service (SaaS)	16.4%
Managed services	12.4%
Disaster Recovery as a Service (DRaaS)	11.4%
Unified Communications as a Service (UCaaS)	7%
Hyperscale managed services	5.5%
Back Up as a Service (BUaaS)	5%

These findings reflect a broader trend that is reflected by enterprises and SMBs alike. With IT spread across an increasingly homogenous environment, on different clouds, media and in different locations, the task of managing and securing an enterprise's disparate IT is becoming ever-more challenging.

Mid-sized businesses are looking to cloud companies and IT integrators to provide service-based solutions that can take the pain out of IT, and infrastructure, security and disaster recovery represent clearly-marked 'pain points' for the mid-market.

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THE MID-MARKET'S TOP FIVE IT PRIORITIES IN 2017

It seems that IT decision makers in mid-market companies are very clear about the impact they need to make on the bottom line; 65% say one of their top five IT priorities is to help the business increase growth, while 61% say helping to reduce operational costs is a top priority.

What are your organisation's top five IT priorities in 2017?

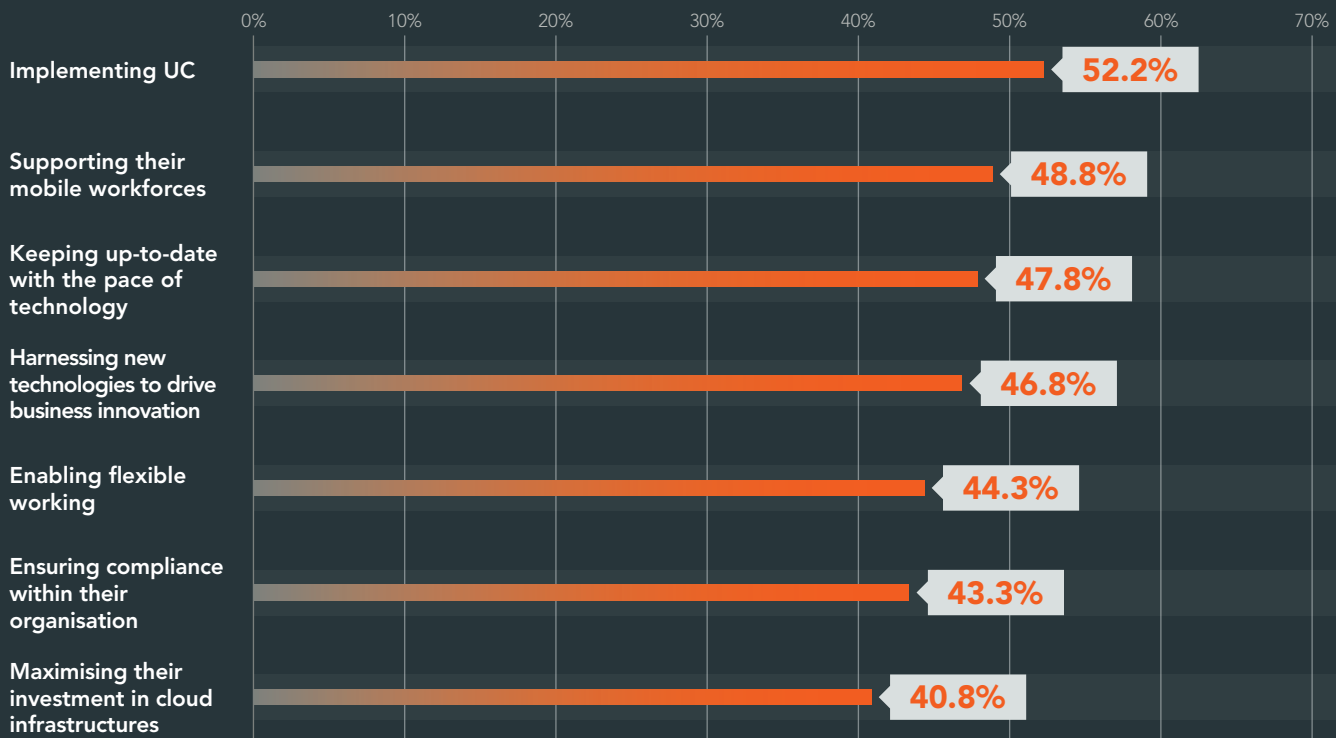| Priority	Percentage
Helping the business to increase growth	64.7%
Security	62.7%
Helping the business to reduce operational costs	60.7%
Improving workforce productivity	55.7%
Supporting the needs of the modern workforce	39.8%
Keeping up with regulation and compliance	38.8%
Assessing the potential impact of Brexit	32.3%
Data privacy	30.8%
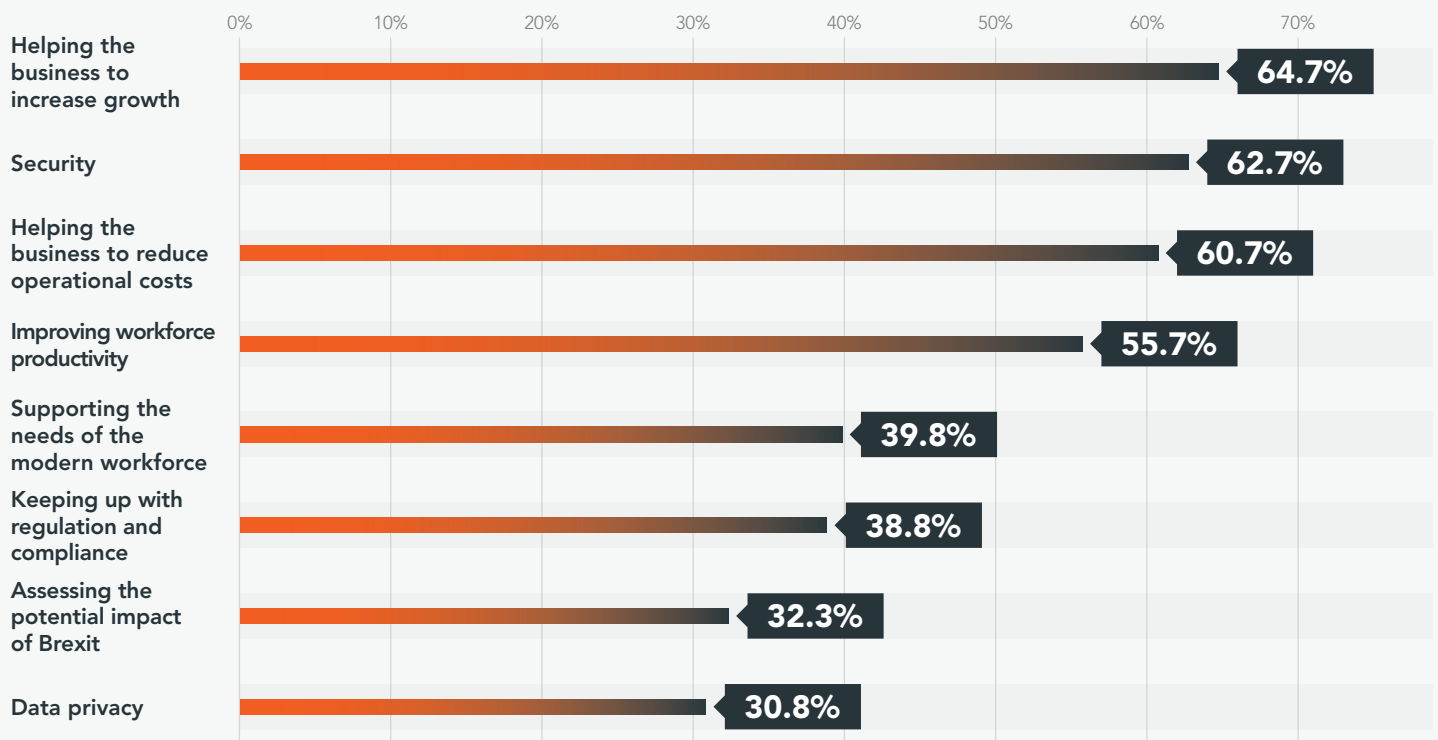
It's clear that growth is a primary concern of these companies, which is an encouraging sign. Fast-growing companies exhibit very particular pain-points, and are likely to be amongst the first in line to espouse the benefits of cloud solutions. Any company that suddenly needs to switch on an additional 500 users, due to an acquisition or expansion, for example, is likely to appreciate the clear benefits the cloud can offer in terms of instantly scaling their systems while minimising capex.

It is also reassuring that the mid-market is also focused on the growing security risk. The threat landscape is evolving rapidly – cryptographic ransomware; mobile devices; The Internet of Things; together with trends such as BYOD, SaaS and the Cloud, are all expanding the number of potential attack vectors, allowing cyber-criminal gangs to exploit software and users. Mid-market companies often have a huge wealth of data at their disposal and, as such, are increasingly becoming a target for hackers and cyber criminals alike.

WHAT DO MID-SIZED ENTERPRISES THINK THEY ARE PARTICULARLY GOOD AT?

Mid-sized companies are markedly confident in their abilities, believing themselves to be better at IT than both small and large organisations.

In particular, mid-sized companies think they are the best at:

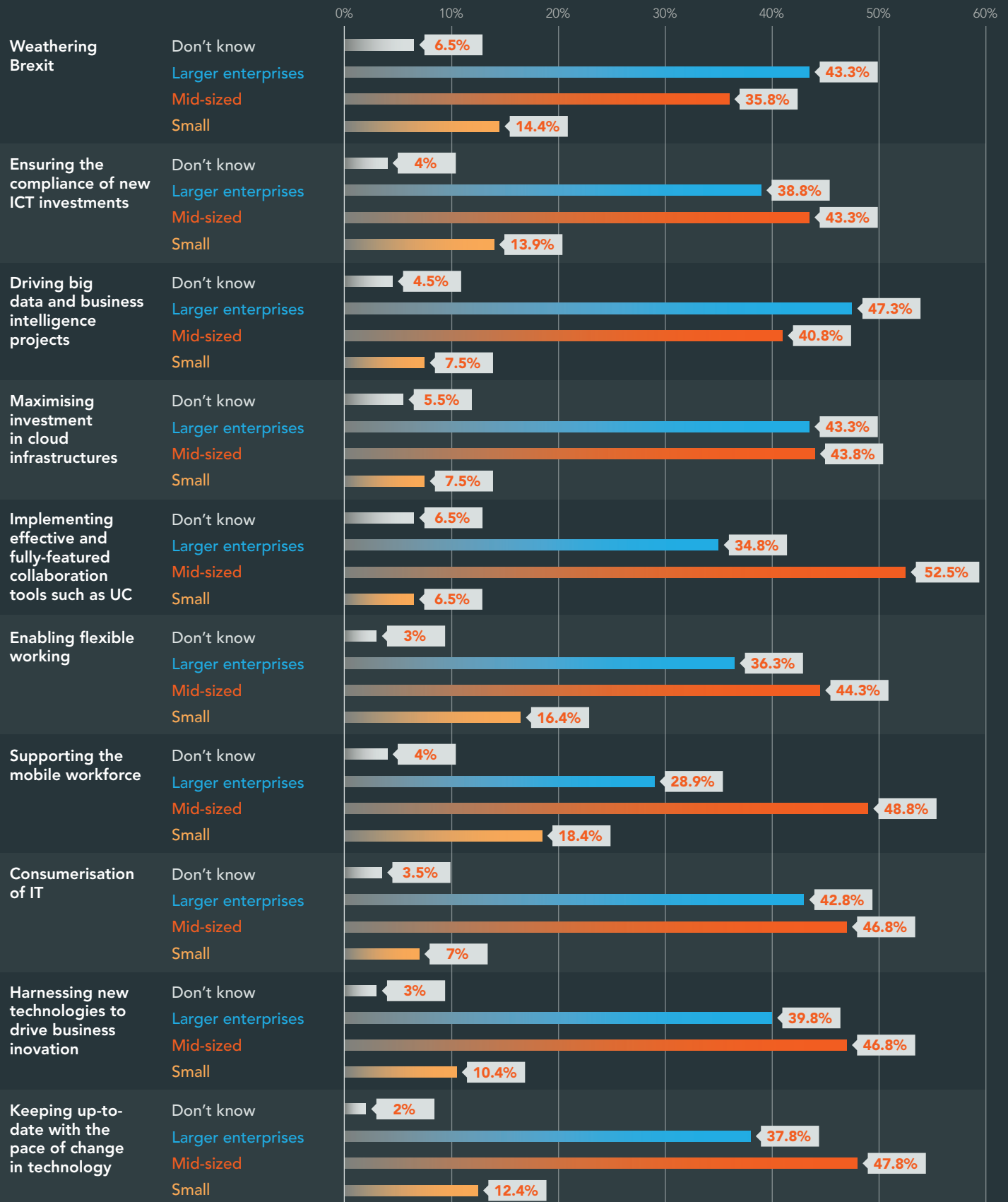| Category	Percentage
Implementing UC	52.2%
Supporting their mobile workforces	48.8%
Keeping up-to-date with the pace of technology	47.8%
Harnessing new technologies to drive business innovation	46.8%
Enabling flexible working	44.3%
Ensuring compliance within their organisation	43.3%
Maximising their investment in cloud infrastructures	40.8%

Almost without exception, mid-sized organisations rank large organisations as just behind them in ability, with small organisations ranked as a distant third *(see next page)*.

Interestingly, the exception to this rule is Big Data, which the mid-market thinks big companies are best at. They also think big companies will be better at weathering Brexit.

It's tempting to draw the conclusion that IT has now become agile enough that mid-market companies represent the 'perfect balance' of ability and spending power. Again, this is all the more reason the mid-market should be a priority for IT and cloud companies.

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WHO DO MID-SIZED BUSINESSES THINK ARE BEST AT...

		0%	10%	20%	30%	40%	50%	60%

Weathering Brexit
- Don't know: 6.5%
- Larger enterprises: 43.3%
- Mid-sized: 35.8%
- Small: 14.4%

Ensuring the compliance of new ICT investments
- Don't know: 4%
- Larger enterprises: 38.8%
- Mid-sized: 43.3%
- Small: 13.9%

Driving big data and business intelligence projects
- Don't know: 4.5%
- Larger enterprises: 47.3%
- Mid-sized: 40.8%
- Small: 7.5%

Maximising investment in cloud infrastructures
- Don't know: 5.5%
- Larger enterprises: 43.3%
- Mid-sized: 43.8%
- Small: 7.5%

Implementing effective and fully-featured collaboration tools such as UC
- Don't know: 6.5%
- Larger enterprises: 34.8%
- Mid-sized: 52.5%
- Small: 6.5%

Enabling flexible working
- Don't know: 3%
- Larger enterprises: 36.3%
- Mid-sized: 44.3%
- Small: 16.4%

Supporting the mobile workforce
- Don't know: 4%
- Larger enterprises: 28.9%
- Mid-sized: 48.8%
- Small: 18.4%

Consumerisation of IT
- Don't know: 3.5%
- Larger enterprises: 42.8%
- Mid-sized: 46.8%
- Small: 7%

Harnessing new technologies to drive business inovation
- Don't know: 3%
- Larger enterprises: 39.8%
- Mid-sized: 46.8%
- Small: 10.4%

Keeping up-to-date with the pace of change in technology
- Don't know: 2%
- Larger enterprises: 37.8%
- Mid-sized: 47.8%
- Small: 12.4%

Mid-market IT priorities in 2017

CONCLUSION

Overall, the IT decision maker in the mid-market sector is supremely self-confident, and rightly so. Together these IT leaders are providing the technology infrastructure that is driving growth for the fastest-growing sector of the UK economy.

By its own estimation the sector is ahead of its bigger and smaller competitors in terms of maximising investment in cloud infrastructures and embracing new collaboration technologies such as Unified Communications (UC).

Perhaps even more encouraging is the mid-market's willingness to embrace next-generation technologies and their commitment to harness new technologies to drive business innovation.

The mid-market is clearly ready and willing to spend money on IT and cloud investments to improve the performance of their businesses, and there are significant opportunities for vendors to assist in the migration of critical infrastructure and functions to a utility-based model.

It is also clear that the mid-market wants vendors that are generally better aligned with their needs. What the mid-market needs is a meeting of minds; IT suppliers that will focus on their needs, with systems and processes custom-designed to deliver the best value to the innovative mid-market sector.

NODE4 AND THE MID-MARKET

Node4 is a UK-based Cloud, Data Centre and Communications specialist. Since 2004 Node4 has achieved great success and growth based on its focused customer service, market leading customer retention and comprehensive service offering.

Node4 views the mid-market as an under-served sector, and one that deserves better treatment from its IT and cloud suppliers. Node4 has a mission to bring top-tier, enterprise-grade functionality to mid-tier companies at affordable prices. That, Node4 believes, is one of the principle ways the industry today will foster the innovation of tomorrow.

Node4 has a range of services tailored to meet the needs of mid-market companies in terms of cloud services, including back-up, security provisioning, UC, as well as infrastructure services, tailored to address the unique needs of this sector.

For further information visit www.node4.co.uk

About this series:
Node4 believes that, as the powerhouse of our economy, the needs of mid-sized businesses demand closer examination.

This is the first in a series of whitepapers from Node4 examining mid-sized businesses, their attitudes, and the technologies they use.

Over the coming months Node4 will publish yet more original research, examining mid-market ITDMs' attitudes to:
* Unified Communications provisioning for the mid-tiers
* Security provisioning
* Cloud adoption by the mid-market