Understanding the State of the Hybrid SharePoint Ecosystem

**Research conducted by CollabTalk LLC
and the Marriott School of Management at Brigham Young University**

Microsoft

CollabTalk

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OF MANAGEMENT

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1   Foreword

SharePoint is undoubtedly one of the most successful products that Microsoft has ever built. While the Microsoft Office suite of productivity tools dominates the desktop, SharePoint likewise dominates the enterprise. In fact, it became the fastest-to-a-billion business for Microsoft – only to be surpassed more recently by the success of Office 365, for which SharePoint plays an increasingly important role.

Not that the journey has been all roses. When SharePoint 2013 was released, many of its features were in response to an increasingly unhappy user base that wanted features more in line with the rising chorus of social and UX-focused competitors, as well as the rapidly growing shift toward cloud services. I don't think anyone would disagree that things have flipped – with Microsoft becoming a major force in the cloud, and with SharePoint being "cool" again.

When I joined Microsoft in early 2006, I was hired to help launch a hosted version of SharePoint as part of the team that would become BPOS (Business Productivity Online Services) and then Office 365. But back in 2006, I was one of a handful of employees who had participated in anything like it, having spent several years prior building out a hosted collaboration platform within the manufacturing sector, managing deployments around the Pacific Rim with companies like Hitachi, Matsushita, Omron, Seagate, and Solectron. What I learned in those experiences was how difficult it was to move years of infrastructure investment and massive amounts of data and intellectual property to the cloud.

After leaving Microsoft and joining a SharePoint migration ISV in 2009, I quickly became familiar with the complexities of moving between SharePoint farms and upgrading to newer versions. Two acquisitions later, and with the rapid rise of Office 365, the topic of migration from on-premises SharePoint environments to SharePoint Online really heated up – not just of the movement of data, but of the differences in use cases and lack of parity between on-prem and cloud. It started with the launch of Office 365, and has remained a hot topic with customers.

While Microsoft's messaging continues to focus on cloud-first, mobile-first when it comes to product innovation, the company has realized the need to bring hybrid features and messaging more to the forefront in recent years. Office 365 may be the future of

collaboration, but Microsoft has softened their tone in regard to on-prem customers needing to move to the cloud, not only reassuring them that on-prem will be supported as long as customers are using it, but acknowledging hybrid as a valid strategy for some organizations.

As stated by Bill Baer, Senior Technical Product Manager at Microsoft, a former peer, and one of the leading experts on the topic of hybrid SharePoint, "For many organizations, the cloud is a destination that requires a vision and strategy to make the most of it. Hybrid allows you to bring the cloud to your business while you bring your business to the cloud."

What has been missing from the community has been definitive data around hybrid SharePoint that provides statistics and revenue projections. Whether you are a SharePoint customer, an ISV or SI partner, or even a member of the SharePoint product team – having data around the number of customers using a hybrid environment today, or planning to leverage a hybrid strategy going forward – is useful for planning purposes. Customers need to know where other organizations are finding success, and where there is opportunity for improvement within the product, in the solution ecosystem, or in the services they need provided. As stated by Eric Overfield, a Microsoft Regional Director, SharePoint MVP, and President of PixelMill, "A hybrid solution sounds promising, but the lack of sound data hinders business decisions. This research may help us further understand how organizations are moving to the cloud, which in turn allows us to better collaborate and advise organizations on the best solution for their specific requirements."

When I approached Microsoft Corporate Vice President, Jeff Teper, and Director of Product Marketing, Dan Holme, last fall (2016) with the idea for this research project, they immediately recognized the need for this data. With Microsoft as the lead sponsor, the response from several partners was equally quick, with PixelMill and B&R Business Solutions signing on quickly, followed by other leading vendors in the community. Mike Oryszak, Managing Director at B&R Business Solutions, succinctly captured why this study will be valuable to partners, saying "We expect the survey results will help us to better understand where some organizations are experiencing challenges while others are successfully leveraging hybrid deployments. Results will be used to help our team focus on building the right accelerators to make deployments easier. I also expect that survey feedback will generate a healthy discussion within the technical community on overcoming the obstacles to achieve a successful deployment."

Conducted in partnership with the Marriott School of Management at Brigham Young University, the purpose of this study was to identify the top concerns or problems with hybrid SharePoint environments, and to provide insights into where customers, partners, and Microsoft can improve their strategies. In addition to the research findings, this report contains insights and feedback from some of our sponsors – as well as other influencers from with the SharePoint and Office 365 community.

I hope you find this research beneficial to your own strategic planning.

Christian Buckley, Founder & CEO of CollabTalk, April 2017

2   Research Approach

The following report was authored by the BYU research team in association with CollabTalk LLC. CollabTalk's sponsors for this research project are: Microsoft (Platinum), PixelMill and B&R Business Solutions (Gold), AvePoint, Crow Canyon Software, Focal Point Solutions, Rencore, and tyGraph (Silver), with BZ Media, Collab365 Community, European SharePoint, Office 365 & Azure Conference, fiftyfiveandfive, Redmond Magazine, and ShareThePoint (Media sponsors).

The aim of the report is to better understand the hybrid market space for Microsoft's SharePoint. It is not as study of all hybrid scenarios or workloads within the Office 365 platform, but focuses only on SharePoint on-premises and its cloud counterpart, SharePoint Online. Specific public data and reports concerning this topic did not exist prior to this report. For this reason, we conducted primary and secondary market research and conducted extensive analysis to answer key questions surrounding the hybrid market space.

While some customers consider 'hybrid SharePoint' to be running SharePoint on Azure virtual machines, others consider it to be the use of on-premises services that are integrated with Office 365 (such as single sign-on, or search). This report is focused primarily on the latter definition, although an Azure, private, or publicly-hosted SharePoint environment can also be considered a hybrid environment.

This report attempts to address some of the following questions:

- What is the size of hybrid SharePoint usage in terms of licenses (seats), users, and revenues?
- What is the composition of hybrid SharePoint usage in terms of company size, locations, versions, and features used?
- What are the potential opportunities?
- What are the risks?
- What are the benefits of hybrid SharePoint strategies?
- How are people using hybrid SharePoint environments?
- What different strategies will companies use around hybrid moving forward?
- What are the growth trends of Microsoft SharePoint in terms of environment type?

Overall, our findings reveal that hybrid SharePoint scenarios hold a very healthy and prominent position in the current Microsoft SharePoint environment landscape. In terms of company types, larger enterprise type companies of 1,000+ employees are the most prominent users of hybrid SharePoint and are likely to remain so. We also discovered that the need for hybrid as an environment type will likely remain a viable market space for the foreseeable future.

Please note: All data and research presented hereafter are approximations based on our own primary research coupled with secondary research from reputable industry sources. All secondary sources have been cited.

3 Introduction

3.1 Objectives

As collaboration moves from on-premises to the cloud, many organizations struggle with moving years of existing infrastructure and data. There is no current data on how many customers are actively pursuing hybrid solutions as a strategy versus displacing on-premises environments with the cloud.

This research seeks to determine the size and scope of the hybrid ecosystem for SharePoint and related technologies as well as study the impacts of those changes on customers and partners. We have worked with Microsoft and some of the largest SharePoint vendors in the world to provide guidance for individuals and companies impacted by this change.

CollabTalk[1] partnered with the Marriott School of Management from Brigham Young University to gather primary information from current users in an effort to understand their experience using SharePoint.

3.2 Demographics

To determine the size of the hybrid SharePoint market and the challenges/opportunities within the ecosystem, the research team conducted a detailed survey with Microsoft, SI's, ISV's and Microsoft partners.

The survey is based on responses from a total of 626 experienced SharePoint professionals across 54 different countries. Among the respondents, 35% were from the United States and the remaining 65% from other countries (see figure Figure 1: Map of Survey Respondent Locations). Of the total number of respondents, 510 unique companies were represented. These companies ranged in size from fewer than 10 employees to over 10,000. The distribution of the hybrid market is based on those 510 companies (see Figure 3).

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[1] CollabTalk provides academic research and community-driven conversations around key tools and trends in the enterprise collaboration, social, and business intelligence ecosystem, allowing you to stay on top of these changes -- and ahead of the game. (www.CollabTalk.com)

Survey Respondent Locations

Figure 1: Map of Survey Respondent Locations

Responses by Company Size

1001 - 5000 Employees	51 - 200 Employees	501 - 1000 Employees
109	85	45
10,000+ Employees	11 - 50 Employees	1 - 10 Employees
	54	45
89	201 - 500 Employees	5001 - 10000 Employees
	52	31

Figure 2: Responses by Company Size

4   Insights and Trends

4.1   Market Size

One important question had been unanswered by current data is the state of the hybrid market in terms of both licenses and dollars. In a presentation by Microsoft Corporate Vice-President Jeff Teper, who oversees the company's SharePoint and OneDrive business, we found several statistics that revealed some key pieces of information[2]. In 2017, there were 200+ million licenses and that the SharePoint environment market space exceeded $10B[3]. Based on the information from our survey in conjunction with the previously mentioned statistics, we estimated the distribution percentage of the three SharePoint environments in both users and dollars. See the figures below:
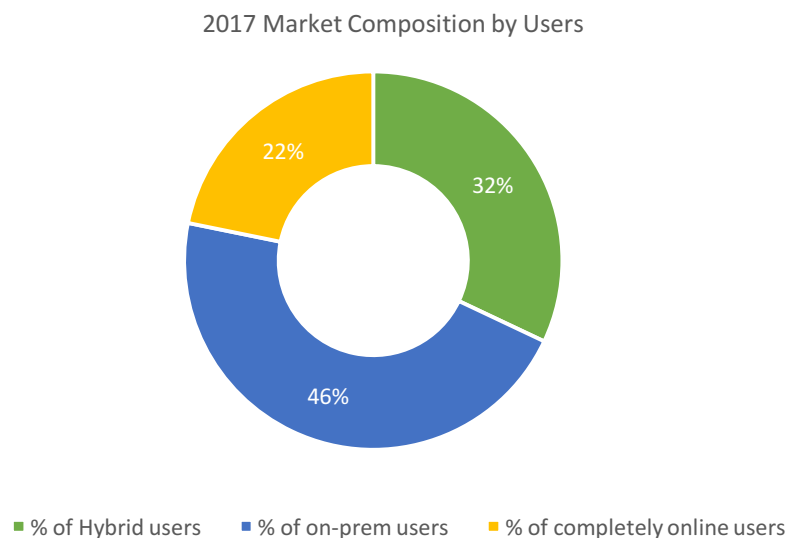
2017 Market Composition by Users

- % of Hybrid users
- % of on-prem users
- % of completely online users

Figure 3: Estimated Market Composition by Users (2017)

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[2] Jeff Teper, "The Future of SharePoint is Now", https://aka.ms/jt4ntx (February 14, 2017)

[3] This statistic was referred to as "$10B+ solutions ecosystem" around SharePoint. We assumed this to mean the total revenue generated by both Microsoft internally and by partnering companies externally around the SharePoint ecosystem.

Revenues per Market 2017

Hybrid $3,200,000,000	On-Prem $4,600,000,000	SPO $2,200,000,000

Figure 4: Estimated SharePoint Revenues per Market (2017)

Currently, demand among SharePoint customers is still highest for on-premises, but as we will see throughout this report, this trend will change in the coming years.

COMMUNITY INSIGHTS

John White, SharePoint MVP and CTO of UnlimitedViz: More than half of the respondents have at least a foot in the cloud. Totally on premises is now the minority, although it is still the largest of the 3 categories. Given the massive undertaking and risk that moving to the cloud is, this is a very significant statistic.

Christopher Regan, Managing Partner at B&R Business Solutions: I am surprised that less than one quarter of all users are completely online. With the push by not only Microsoft but Microsoft partners to move organizations completely to the cloud over the last several years, I would have anticipated this number to be at least one-third, if not higher. These figures are a reminder that on-premises is far from dead, and there is a still a lot that needs to be done to drive cloud adoption.

The figure of 32% of users being hybrid was also surprising to me, as we're seeing many of our customer as '100% on-prem or 100% cloud'. The interest in hybrid has been lukewarm, at best.

4.1.1   Distribution Percentages

The following distribution percentages are based off public information provided by Microsoft.[4]

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[4] Jeff Teper, "The Future of SharePoint is Now", https://aka.ms/jt4ntx (February 14, 2017)

4.1.1.1 By Company Size and Environment

According to Microsoft, there are currently 200,000+ organizations using SharePoint. It is important to understand that companies may behave differently regarding their technology strategy based on their size. As seen in the graph below, there are three organization sizes that are predominant in our survey responses:

- Between 1,001 and 5,000 employees: 21.4%
- With more than 10,000 employees: 17.5%
- Between 51 and 200 employees: 16.7%

This implies that ISV's and SI's should make solutions scalable to appeal to the different company sizes.
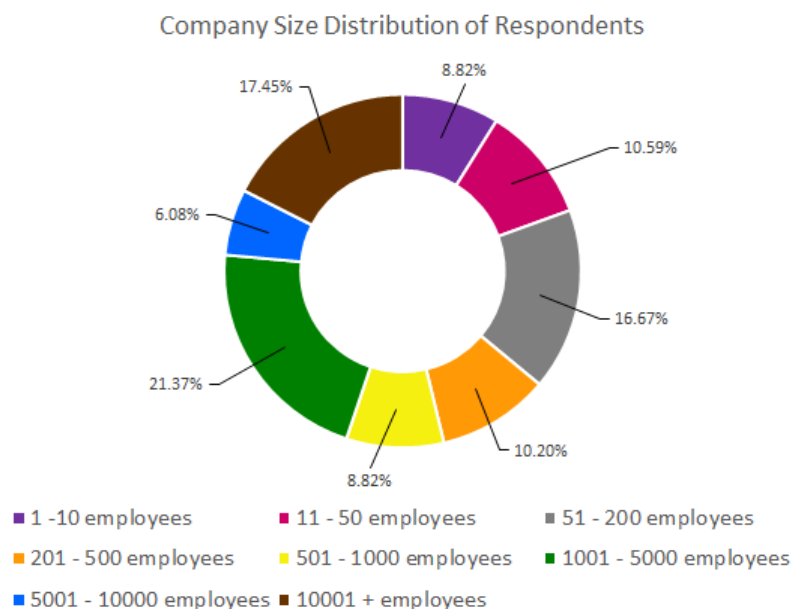

Figure 5: Company Size Distribution of Respondents

It is interesting to look at the distribution of company sizes by the different SharePoint environment types (See Figure 6: Company Size Distribution of Respondents by SharePoint Environment Type). The emergent trend is that the largest companies (1,000+ employees) all seem to gravitate towards hybrid, or completely on-premises. Conversely the bulk of completely cloud-based companies are made up of smaller companies (less than 200 employees). This will help identify who the target customers should be for those serving the hybrid market space. Over 50% of the hybrid market is comprised of companies that have over 1,000 employees. Therefore, these should be the target and focus of any company serving hybrid environments.
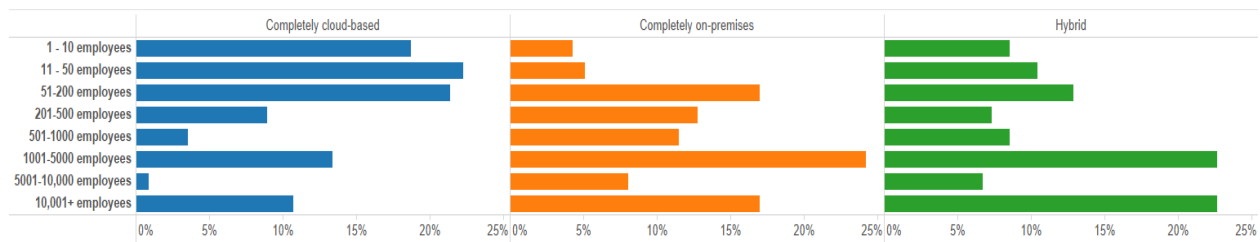
Figure 6: Company Size Distribution of Respondents by SharePoint Environment Type

It is also interesting to note, that from our research, it appears newer and smaller companies are more likely to have a completely cloud-based SharePoint environment. On the spectrum of company maturity and size, it appears that companies on the newer/infant/growth side of the spectrum are more likely to house their SharePoint solution completely in the cloud. Larger/older/mature organizations are more likely to house their SharePoint environment completely on-premises or in a hybrid deployment. After interviewing 25+ experienced SharePoint professionals one-on-one, we learned that the Larger/older/mature companies have a hard time pushing the whole organization to jump straight to cloud so they settle on hybrid as a strategy. They likely have or had a completely on-premises solution when cloud-based options emerged, and are apprehensive about adopting a completely cloud based solution. It seems to be too big a leap for them to take at once. Hybrid provides an opportunity for them to move part of the organization to the cloud and reap the benefits of the new features, while keeping any workloads that are difficult to transition on-premises.

Community Insights

Mike Oryszak, Managing Director at B&R Business Solutions: For very small organizations (under 200 people) the effort to setup and maintain the hardware needed to run SharePoint can be expensive and difficult which makes on-premises or hybrid systems less attractive than pure cloud based systems.

For larger organizations, the change cycles are typically slower so in many cases companies are just not catching up and evolving their strategy to better take advantage of these new opportunities. These organizations typically have both the financial resources and expertise to take advantage of the more complex deployment or highly customized benefits of SharePoint on-premises and hybrid environments.

Ryan Schouten, Senior SharePoint Architect at ZAACT: I find that the smaller companies have an easier time making the change to the cloud since there aren't as many people that need to change. Plus small organizations do not have the resources available to have existing or create on premise environments.

John White, SharePoint MVP and CTO at UnlimitedViz: Speaking as a smaller, albeit not exactly younger company, this entirely makes sense. The value of the cloud to smaller organizations is greater as they get to take advantage of the economies of scale that larger companies already have. The reason that larger companies go to the cloud is usually a simple matter of cost saving. Outsourcing IT has been a trend for years, and the cloud simply represents the logical conclusion of that. Smaller companies also have fewer existing assets to move, making them more agile.

Eric Overfield, SharePoint MVP and president of PixelMill: These statistics solidify the importance of understanding and listening to the organization. The completely cloud based environment is more easily adopted by a smaller, younger, and more nimble company, but there's a massive percentage of the audience that's resisting and shows minimal signs of being won over in the near or distant future. We must tailor our solutions to the customer's needs. Per this study, it's safe to say transition is the new position.

Christopher Regan, Managing Partner at B&R Business Solutions: No matter the size of the organization, SIs should always be thinking ahead. Organizations are always changing and the solutions should be able to meet their changing numbers and provide some level of flexibility with regards to the solution itself.

4.1.1.2 Distribution of Users and Licenses by Environment

As we began our investigation, we felt the need to differentiate between two concepts that we realize are usually interchangeable when referred to in the SharePoint community. These terms are "users" and "licenses" (seats). In many cases, we assume that a single user possesses a single license, which in many cases may be true, but not in a hybrid environment, where a single user may have two licenses: SharePoint Online (SharePoint Online) and on-premises SharePoint.

Note: Recognizing that this may not always be true, with some on-premises users not having SharePoint Online licenses and some online users without access to the on-prem environment, because the scope of our analysis focused specifically on SharePoint, we

found that respondents overwhelmingly owned or planned to acquire Office 365 E-licenses, where SharePoint is included. In other words, SharePoint on-prem users were generally given appropriate online licenses.

Based on this concept, we know that the number of SharePoint users are fewer than the number of licenses, and consequently, the percentage of licenses coming from companies using hybrid solutions will be greater than the number of users they have. (See graph below).

2017 Market Composition by Licenses

- % of Hybrid
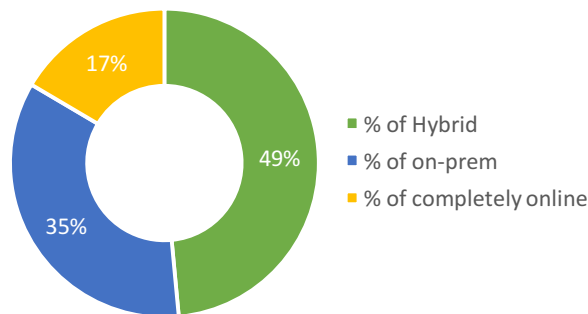- % of on-prem
- % of completely online

Figure 7: Market Composition by Licenses

Community Insights

Ed Senez, President of UnlimitedViz: This research is an excellent point-in-time report from which we can extrapolate important industry vectors. We can safely assume that the starting point for cloud based solutions was zero based in the simple fact that it did not exist previously. Thus, we can draw a line from that point of origin to the current state of 65% cloud adoption in the past 7 years (Figure 7). Nearly half of the cloud enabled companies are hybrid and we can glean a lot from that statistic as well.

4.1.1.3 Percentage of Cloud and On-Premises Licenses

The distribution of cloud and on-premises licenses is a factor that is going to change in the coming years as the adoption of cloud solutions continue to grow. Since its release as part of Office 365 in June 2011, SharePoint Online has already captured approximately 37% of the SharePoint market.
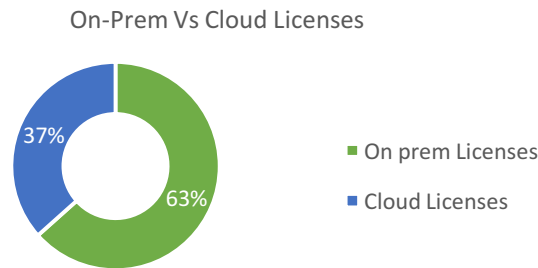
On-Prem Vs Cloud Licenses

- On prem Licenses
- Cloud Licenses

Figure 8: Estimated Market Composition by License Type (2017)[5]

4.2 Trends

Microsoft reported a $12.1B revenue from its commercial cloud business (including Office 365, Azure, and more) in Q4 2016 (Microsoft's fiscal year begins July 1). Statista predicts this number will increase to $20.1B by Q4 2017, so it is safe to say that cloud services trends are important to Microsoft and its partners.[6] Hybrid strategies are also expected to increase, as evidenced in a study by an IDG Enterprise report from December 2016, which found that 47% of IT executives worldwide plan to increase their company's spending on hybrid cloud services.[7] A recent report by systems management vendor SolarWinds found a significant increase in the percentage of IT infrastructure that businesses will migrate to the cloud, according to the company's 'IT Professionals in North America' survey. Not only does the SolarWinds study predict an overall increase in the percentage of infrastructure on cloud, but it also shows that 9% of companies are currently either completely on-premises or completely on-cloud. It also suggests that this number will decrease to only 4% of companies within 3-5 years. (Note: These numbers refer to general cloud usage of all company IT infrastructure, and not SharePoint or Microsoft cloud usage specifically.) This provides evidence that hybrid solutions are becoming more popular, with an increasing amount of cloud-based infrastructure used within those hybrid environments.[8]

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[5] We are aware that Microsoft has the exact breakdown of this information. Unfortunately, this information was not shared with us, hence we have made estimation based on the findings from our research.

[6] Felix Richter, Statista, "Microsoft on Track to Hit $20 Billion Cloud Revenue Target" https://www.statista.com/chart/5309/microsofts-commercial-cloud-revenue/ (July 20, 2016)

[7] IDG Enterprise, "CIO Tech Poll: Tech Priorities 2017", http://totalaccess.emarketer.com/chart.aspx?R=202677 (December 1, 2016)

[8] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: North America", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/north-america.pdf (March 29, 2016)
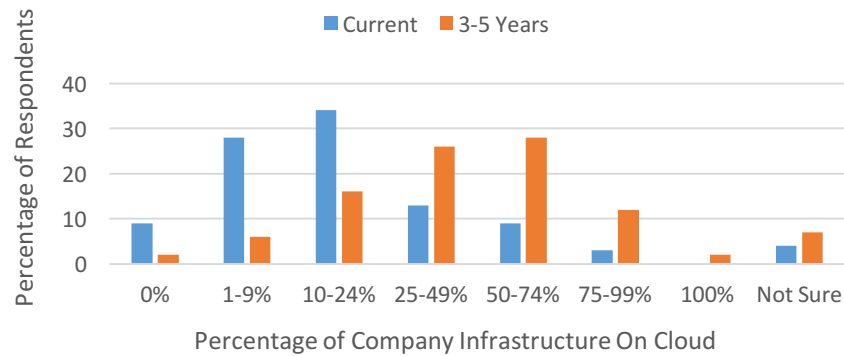
Figure 9: Percent of IT Infrastructure that Has Been vs. Will Be Migrated to the Cloud

4.2.1 Uses of SharePoint Online and On-Premises

4.2.1.1 Main Uses

In this section, we will discuss our findings related to why users adopt SharePoint. Our survey found that "collaboration", "document management", "document sharing", and "Intranet Services" were the most commonly cited reasons for adopting and using SharePoint in general. Figure 10 contains some of the additional reasons that were cited.

Figure 10: Word Cloud of survey responses to "Reasons for Adopting SharePoint"

Note: Since conducting our research for this project, SolarWinds has released their 2017 report on IT Trends, which focuses on hybrid and cloud solutions for general IT infrastructure. The 2017 report may be able to offer some additional insights, and can be accessed at http://it-trends.solarwinds.com/

According to survey respondents, the most common reasons for moving to SharePoint Online are:

- "It was aligned with our company strategy." (54%)
- "It was the most cost effective option." (49%)
- "It was the best technical option for our business." (45%)
- "It is where the market is going." (43%)
- "It was the only available option to leverage the latest features." (22%)
- "It offers a higher level of security than what we can provide on-premises." (19%)

Our survey also uncovered the tools and features currently being used by companies in the hybrid environment. It also helped us understand the tools and features non-hybrid companies plan to use once they move to a hybrid solution. Figures 11, 12, and 13 display the results of these inquiries, in terms of "percentage of respondents". We want to highlight that the most popular features currently are:

- Single Sign-On (68%)
- OneDrive for Business (66%)
- Team Sites (63%).

The least popular, currently, are profile redirection (20%), auditing (17%), and Duet (3%). Auditing, Extranet, and Branding are expected to grow the most, to 80%, 63%, and 57% respectively. The least growth is expected from Yammer (moving to 56%) and Duet (moving to 15%).
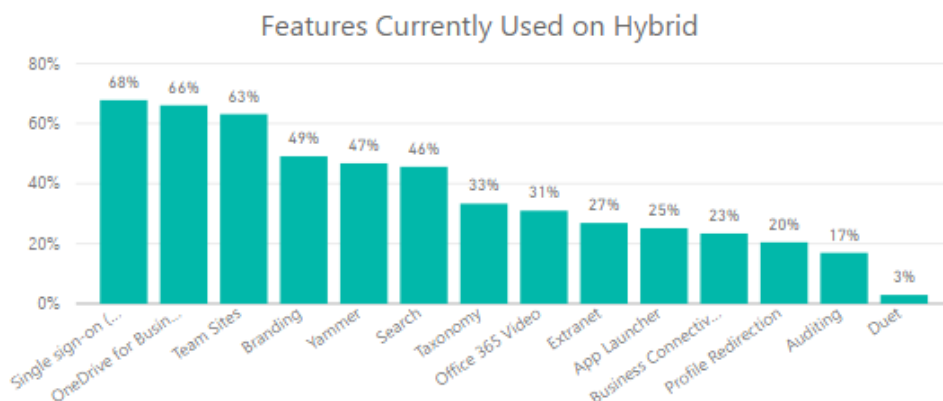

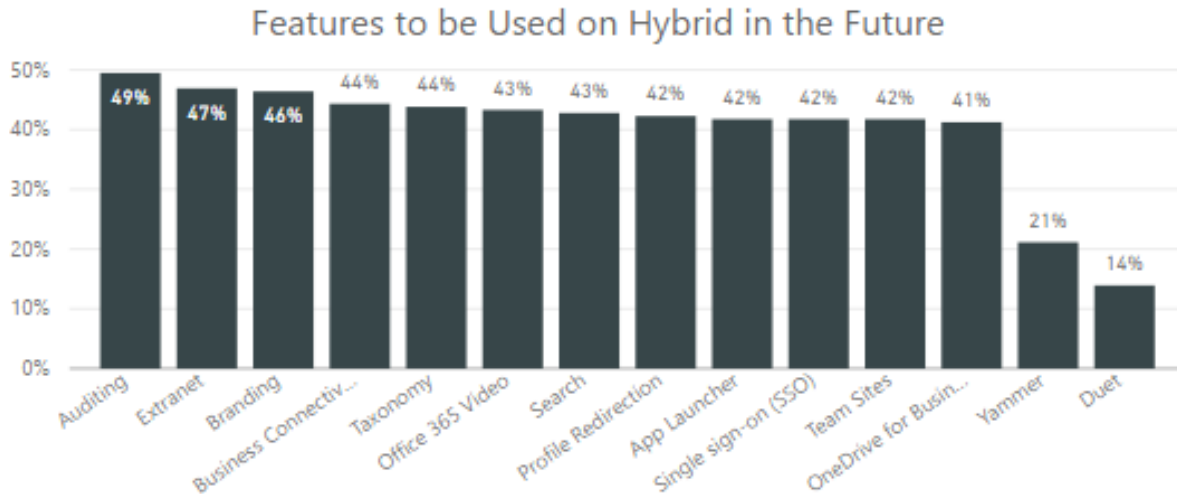Figure 11: Features Currently Used in Hybrid Environments

Features to be Used on Hybrid in the Future

Auditing 49%, Extranet 47%, Branding 46%, Business Connectiv... 44%, Taxonomy 44%, Office 365 Video 43%, Search 43%, Profile Redirection 42%, App Launcher 42%, Single sign-on (SSO) 42%, Team Sites 42%, OneDrive for Busin... 41%, Yammer 21%, Duet 14%

Figure 12: Features that Companies Expect to Use in the Future in a Hybrid Environment

Current and Future Hybrid Plans

Single sign-on (... 90%, OneDrive for Busin... 89%, Team Sites 87%, Branding 80%, Search 74%, Taxonomy 65%, Extranet 63%, Office 365 Video 63%, Business Connectiv... 58%, Auditing 57%, App Launcher 57%, Yammer 56%, Profile Redirection 54%, Duet 15%
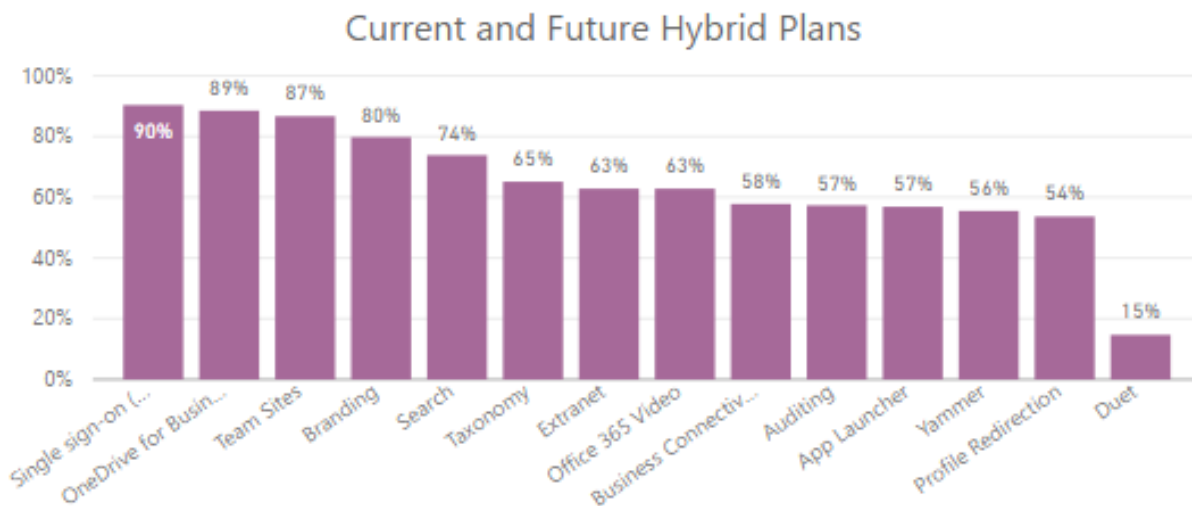
Figure 13: Expected Future Use of Features in Hybrid Environments
(both current and planned)

We also found useful data in the reports from SolarWinds, covering North America[9], Germany[10], the UK[11], and Australia[12]. These reports offered valuable insights into the

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[9] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: North America", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/north-america.pdf (March 29, 2016)

[10] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: Germany", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/germany.pdf (March 29, 2016)

[11] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: United Kingdom", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/uk.pdf (March 29, 2016)

[12] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: Australia", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/australia.pdf (March 29, 2016)

areas of IT infrastructure that companies have already migrated to the cloud, according to IT professionals. The stats regarding these areas are shown below: (by % of respondents)

- Applications (North America: 69%, Germany: 70%, UK: 72%, Australia: 71%)
- Storage (North America: 49%, Germany: 46%, UK: 40%, Australia: 40%)
- Databases (North America: 33%, Germany: 30%, UK: 27%, Australia: 31%)
- Security (testing SaaS) (North America: 15%, Germany: 10%, UK: 17%, Australia: 12%)
- Other (North America: 10%, Germany: 12%, UK: 16%, Australia: 20%)
- None (North America: 5%, Germany: 6%, UK: 3%, Australia: 3%)

Community Insights

Vlad Catrinescu, SharePoint MVP and President vNext Solutions: I am really surprised, and happy, to see that two of the features included in Feature Pack 1 are so widely used. Hybrid Taxonomy was in big demand since SharePoint 2013, so I am happy to see that this feature is used by 33% of the enterprises. Hybrid Auditing used by 17% of the organizations is also a lot, considering this feature was only out for 6 months. With Security becoming more and more important in every organization, it comes as no surprise that 49% of organizations plan to hybrid auditing it in the future.

Christopher Regan: With all of the reported breaches and ongoing security issues that IT Managers are facing with their own networks, I would have anticipated that more than 19% of respondents would have identified security as a major driver to the cloud. But – I am not surprised it's so low because many individuals don't realize just how secure the cloud is. They don't think about the army of security professionals that organizations like Microsoft have in place to ensure that their tenants are safe & secure – exponentially more safe that the typical on-prem networks.

John White: Document management and team sites are no surprise at #1 and #2 (I consider single sign on to be a given). The value proposition clear, and the experience on-prem and in the cloud is relatively similar. Branding coming in next however is a surprise given that the branding options are significantly more limited in the cloud. Perhaps the branding option in SharePoint Online are sufficient after all.

I also find it interesting how consistent the results are for current and future.

4.2.2 Versions

Since implementation of the very first version of SharePoint, many had assumed "as soon as a new version is released, a vast majority of the market will shift to the latest version". However, according to our investigation, this statement does not hold true in SharePoint. As we look at the numbers, the bulk of companies (49% of the market) are still working on SharePoint 2013, and there is still a small portion of companies using the 2003 version.
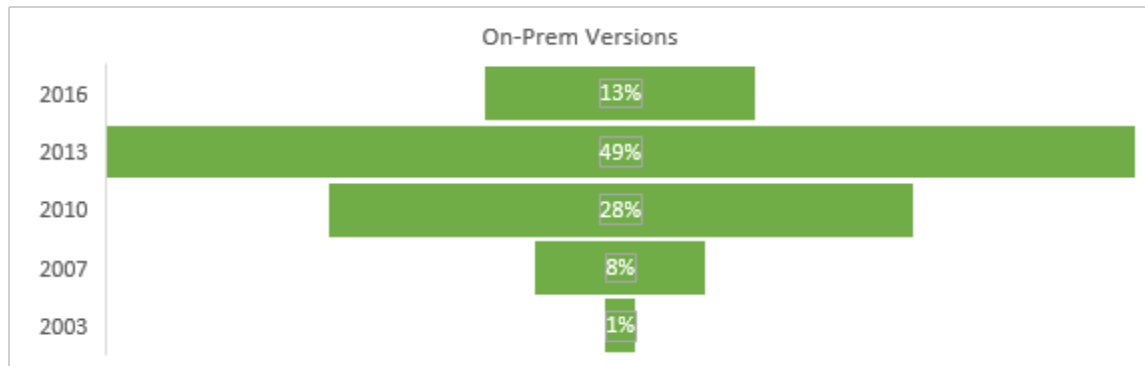

Figure 14: On-Premises Versions of SharePoint Currently Utilized by Respondents

This trend holds true even when looking at the market based on their current SharePoint environment. Nevertheless, we see that there is a higher percentage of companies running on a hybrid environment that are using the latest SharePoint version. Moving forward, many customers appear to assume that compatibility with older versions is crucial, since almost 38% of companies still use a version prior to 2013.
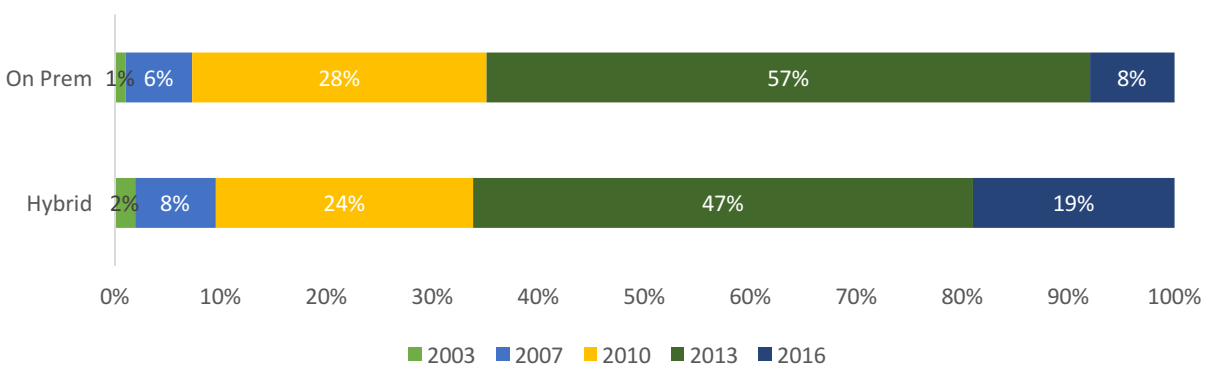

Figure 15: Currently Utilized Versions of SharePoint, by Environment
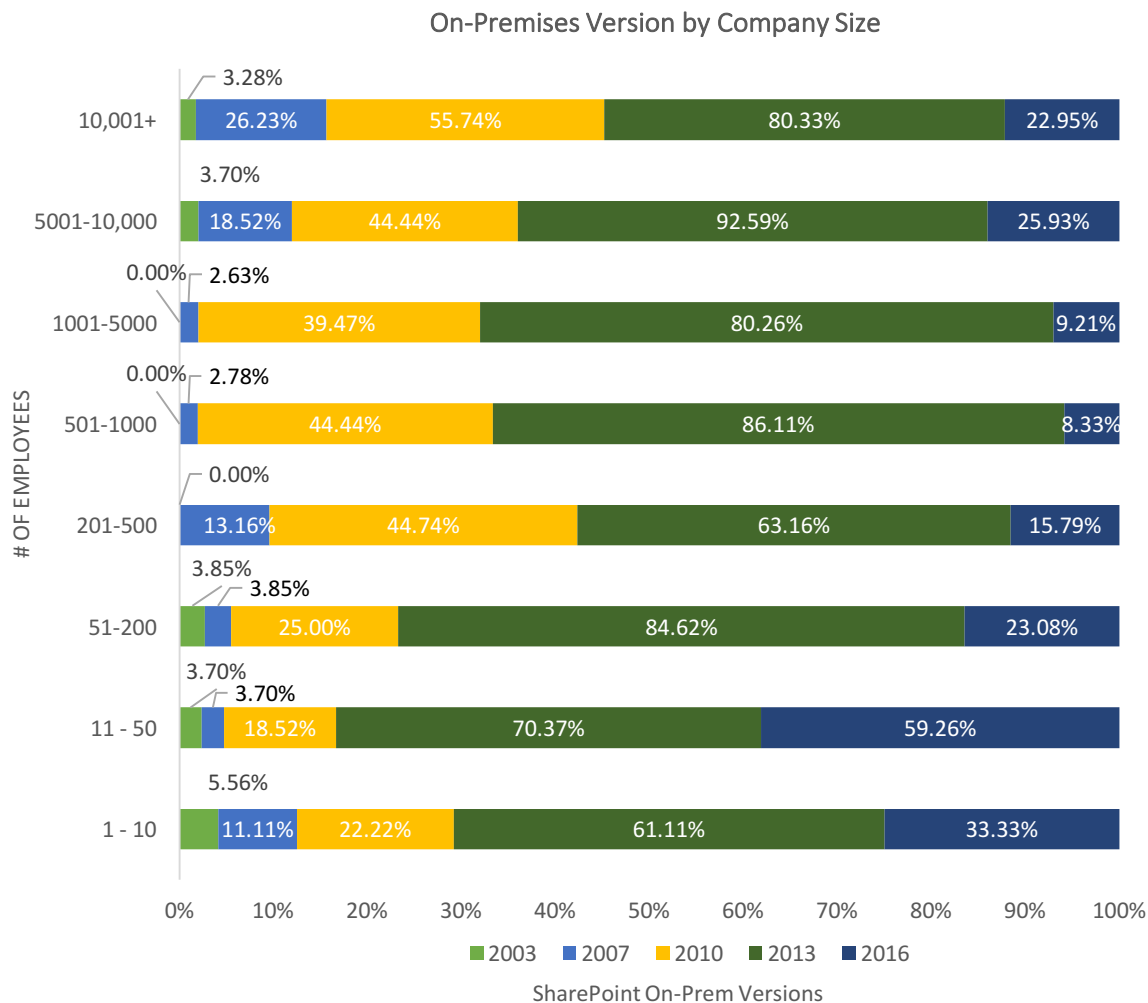
On-Premises Version by Company Size

Figure 16: On-Premises SharePoint Version by Company Size

During the individual interviews held with 25+ SharePoint users, one of the questions asked was regarding concerns as they move to a cloud based service. One topic that always surfaced was the difficulty of moving many years of on-premises development to the cloud. In some cases, many of these customizations were not even available in the newest versions of SharePoint Online. This problem gets even more complicated when companies are supporting several versions of on-premises SharePoint. As shown in the graph below, over 30% of companies that currently have a completely on-premises solution are using more than one SharePoint version, and 37% of companies using a hybrid solution use two or more SharePoint versions.

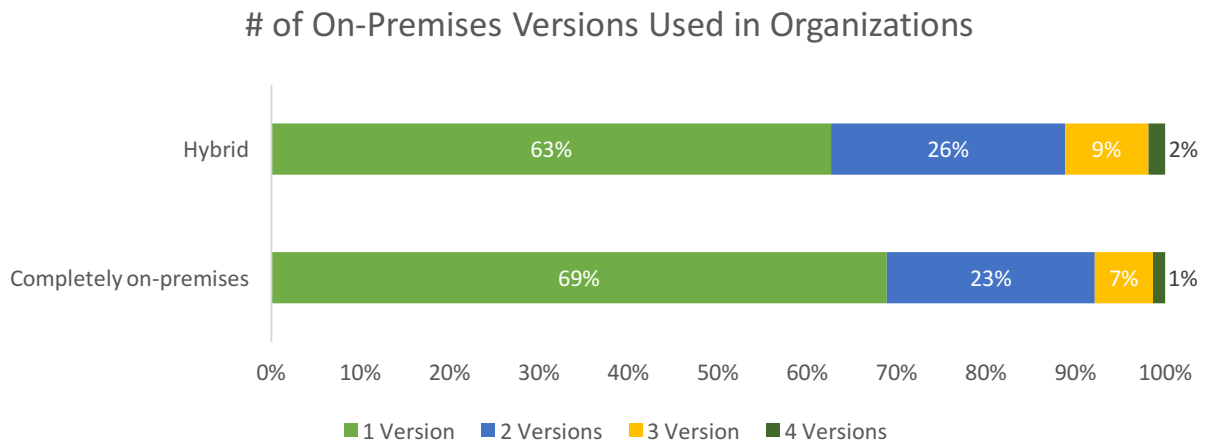## # of On-Premises Versions Used in Organizations

Figure 17: SharePoint environment broken out by # of
on-premises versions used in organizations

This status always increases the difficulty for companies to transition to newer versions, and even more, to a completely SharePoint Online solution. All stakeholders that touch this market must be mindful of these as they offer services and solutions for SharePoint users.

As we analyzed the future of the companies based on their dominant on-premises SharePoint version, we wanted to understand what their future SharePoint environment strategy would be. It is interesting to see that those who are predominantly using SharePoint 2003, are more likely to stick to their current strategy (staying on-premises) than those using more current versions. For those using an on-premises versions between 2007 and 2016, between 58% and 70% report that their future strategy is going to be a hybrid solution. Once again, we see hybrid as a growing trend, and the market is going to need to be ready to address this approach.

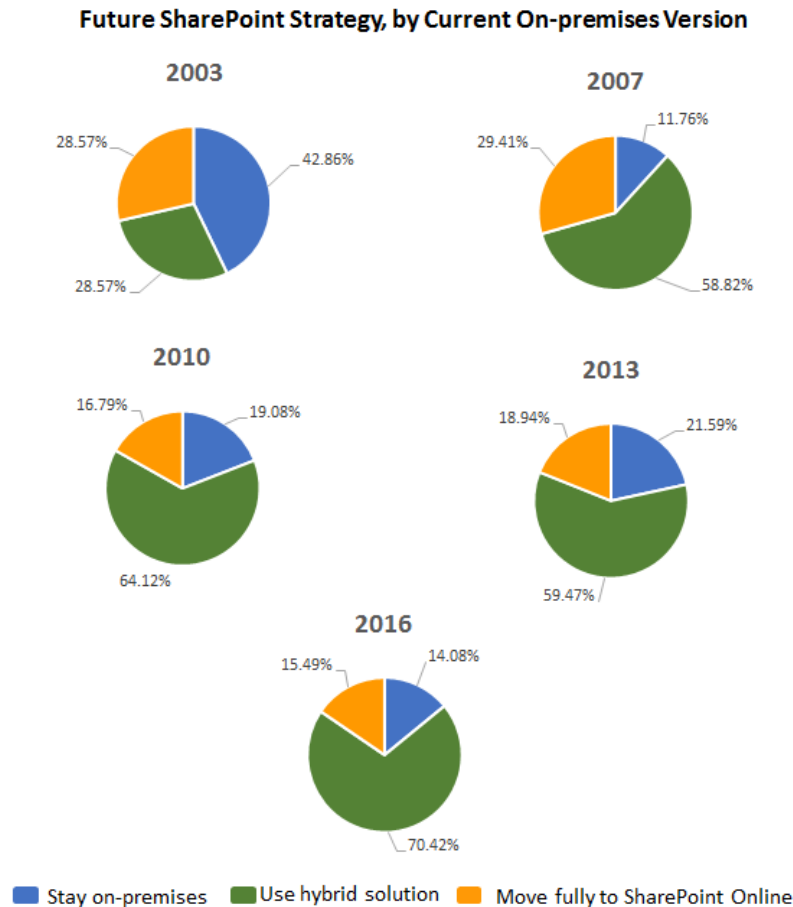**Future SharePoint Strategy, by Current On-premises Version**

Figure 18: Future SharePoint Environment Strategy, by Currently Utilized On-Premises SharePoint Version

Community Insights

John White: There are many technical blockers to cloud adoption. There are many SharePoint based workloads that will not move forward into the cloud (SQL Server Reporting Services Integrated Mode, PowerPivot for SharePoint, PerformancePoint Services) Companies that have made significant investments here cannot move these assets, making a complete move to the cloud impossible, hybrid is the only cloud option. Combine this with the prevalence of third party solutions (Nintex, K2, etc) and custom solutions, and it is easy to see why some on premises presence will be with us for quite some time.

Ryan Schouten: It is not surprising that organizations that have newer versions SharePoint are more willing to embrace Hybrid and full cloud because of the simpler integrations points and visibility.

Mike Oryszak: In our experience, for a variety of reasons many customers skipped the 2013 version or were at least slow to adopt it as they evaluated Microsoft's future roadmap and their internal plans. The companies that did skip 2013 are now moving swiftly to plan for 2016.

Chris Regan: We've always seen a lag of at least 6-9 months before any customers (new or existing) decide to take on the latest and greatest version of SharePoint. For many, they would rather utilize the previous version that is tried & true.

2013 is still heavily used because many organizations are not seeing the benefits of moving to 2016. They don't have plans to use hybrid, and with the deprecation of many features (in particular those around business intelligence), it makes sense to them to stick with 2013.

4.2.3 Strategy of Hybrid in the Future

One of the most important things this study intends to understand is the future of SharePoint deployments, and the distribution across on-premises, cloud, and hybrid environments. This information is valuable to understand the needs of the companies, and how the industry can prepare to serve those needs.

As we looked into our research, it became clear that hybrid is a definite strategy for many companies. As part of our investigation, we wanted not only to understand what hybrid SharePoint meant to customers, but also how their current and future strategies would impact the whole SharePoint ecosystem. In order to do this, we had to make a clear difference between two concepts, users and licenses, as mentioned earlier in this document. (See 3.1.1.2)

According to our survey, about 32% of the organizations that currently use SharePoint already have a hybrid environment. When we convert this to the percentage of licenses used in organizations with hybrid environments, we see how that portion is enlarged. Of the 510 unique companies we surveyed, 49% of the current SharePoint seats are located within a hybrid deployment (see Figure 19)[13]. From this point of view, it is not difficult to understand why hybrid is such a hot topic.

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[13] When conducting the survey, we made the assumption that one company responding as "hybrid" implied that each SharePoint user within their company had one SharePoint On-premises and one SharePoint Online seat. We understand that licensing agreements can be very complex. This assumption in order to gain an approximation of the market size.

2017 Market Composition by Users

32%
22%
46%

2017 Market Composition by Licenses

17%
49%
35%

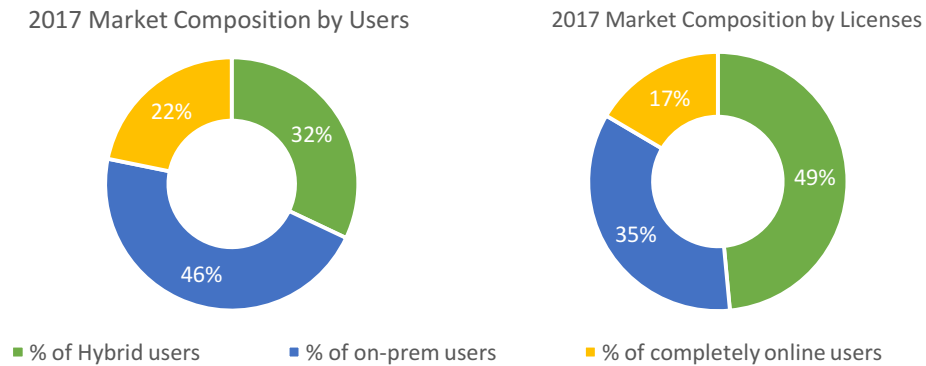■ % of Hybrid users   ■ % of on-prem users   ■ % of completely online users

Figure 19: 2017 Market Composition, Users vs. Licenses

Moving forward, how is the composition of SharePoint going to change? During our research, we asked companies who are currently on-premises or hybrid their future plans. The cloud has become a very important part of many companies' long term strategy. Over 50% are currently using either partially or fully the online solution offered by Microsoft. Nevertheless, when asked how many of them were planning to move fully online, it was very surprising that more than half of them did not have any plans to transition to a fully web based solution.

Plans to Move to SharePoint Online

30%
14%
6%
2%
49%

■ 1- 3 Yrs.

■ 3-5 Yrs.

■ 5+ Yrs.

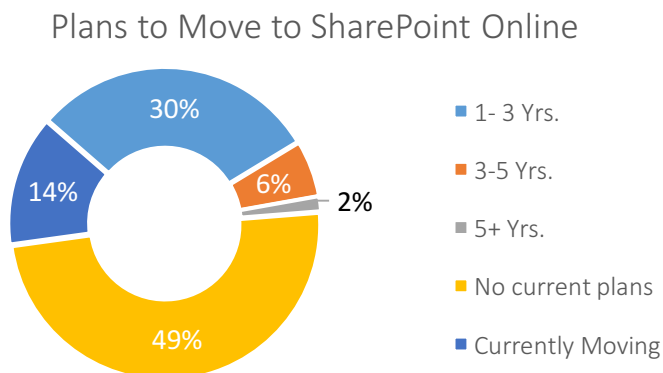■ No current plans

■ Currently Moving

Figure 20: Timelines to Move Fully to SharePoint Online

We must understand that this change will happen over time, and that even though the cloud is a goal for many companies, this shift will happen in stages. According to our research, customers' future environment strategy will depend greatly on their current environment. In the case of companies that currently use SharePoint Online, it is not surprising to see that 97% of them are planning to stay fully online. On the other hand, among those that are currently on-premises, 50% plan to move to hybrid, and only 17%

plan to eventually move to SharePoint Online. For those companies that are currently hybrid, 69% of them plan to continue using a hybrid solution, and 28% are contemplating the idea of moving fully online.
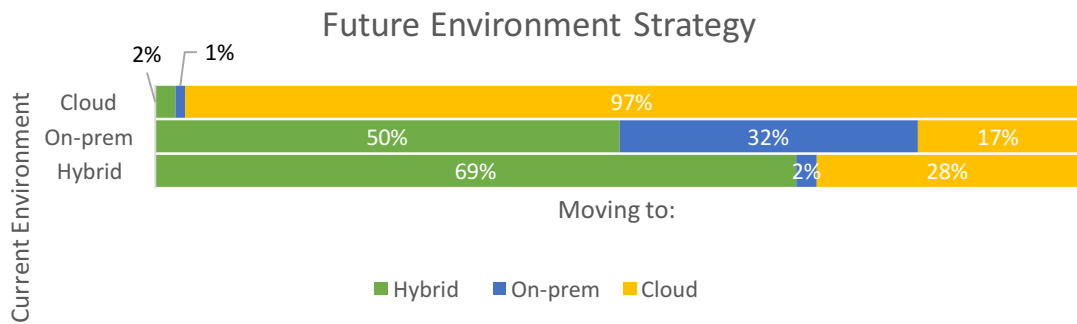
Future Environment Strategy

Figure 21: Future Environment Strategy

It is interesting to see how many companies are looking at hybrid not only as a transition to the cloud, but also as a long-term strategy that fits their corporate goals.

How will these movements impact the market? It is evident that the distribution percentages among these three solutions are going to have a great shift. According to our survey, by 2020, the hybrid market will be the most common SharePoint environment, growing from 32% in 2017 to 46% in 2020. Similarly, the percentage of companies using only SharePoint Online solution will increase from 22% in 2017 to 28% in 2020. Of course, the growth of these two segments will come at the expense of the on-premises solutions, which will witness a drastic reduction, from 46% in 2017 to just 16% in 2020.
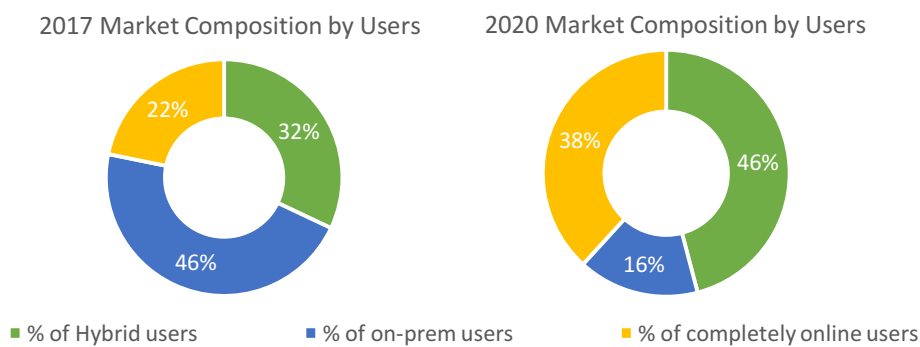

Figure 22: Growth estimate of Users 2017-2020

After looking at the distribution by users, we should look at the licenses that will come from each of these three environments. As shown in the graphs below, the percentage of licenses coming from companies using a hybrid environment will increase from 49% to 63%. The other increase is around SharePoint Online, growing from 17% to 26%. As expected, the number of licenses coming from companies that are using only an on-premises solution, will drastically reduce.

2017 Market Composition by Licenses

2020 Market Composition by Licenses

■ % of Hybrid   ■ % of on-prem   ■ % of completely online
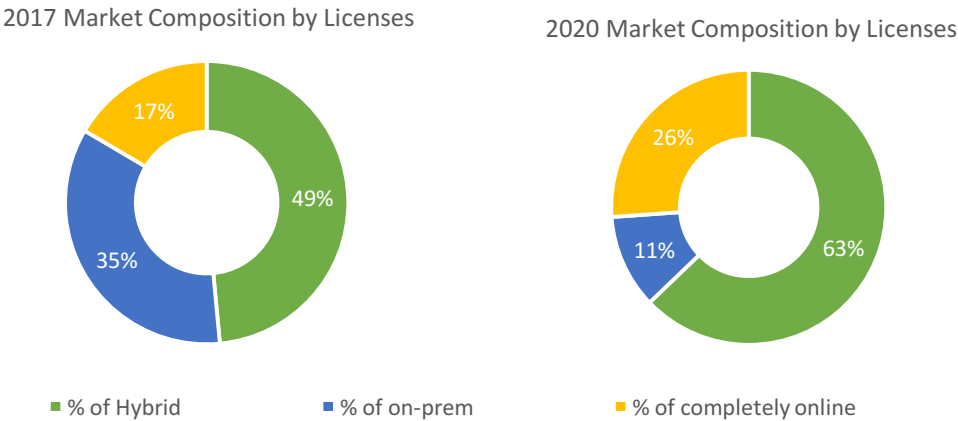
Figure 23: Growth estimate of Licenses 2017-2020

It is important to clarify that this does not indicate that on-premises licenses are going to disappear. In fact, we assume that for each user of the hybrid space, there are two licenses: one for on-premises and one for cloud. Using this information, and knowing the companies' future strategies, we can estimate the distribution percentage of cloud and on-premises licenses for 2020. This information shows the impact that cloud licenses will have in the future.

On-Prem Vs Cloud Licenses (2020)
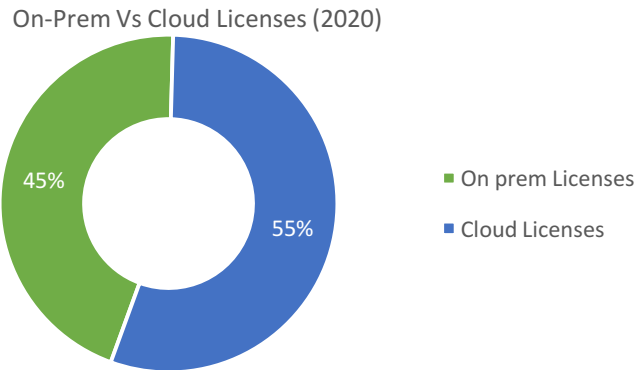
■ On prem Licenses
■ Cloud Licenses

Figure 24: On-Premises vs Cloud Licenses (2020)

As mentioned, it is clear that the market is moving toward the cloud. Nevertheless, even under this scenario, almost 50% of the licenses will be on-premises, where approximately 80% of licenses come from companies using hybrid environments. Likewise, 66% of the cloud licenses will be located in hybrid environments.
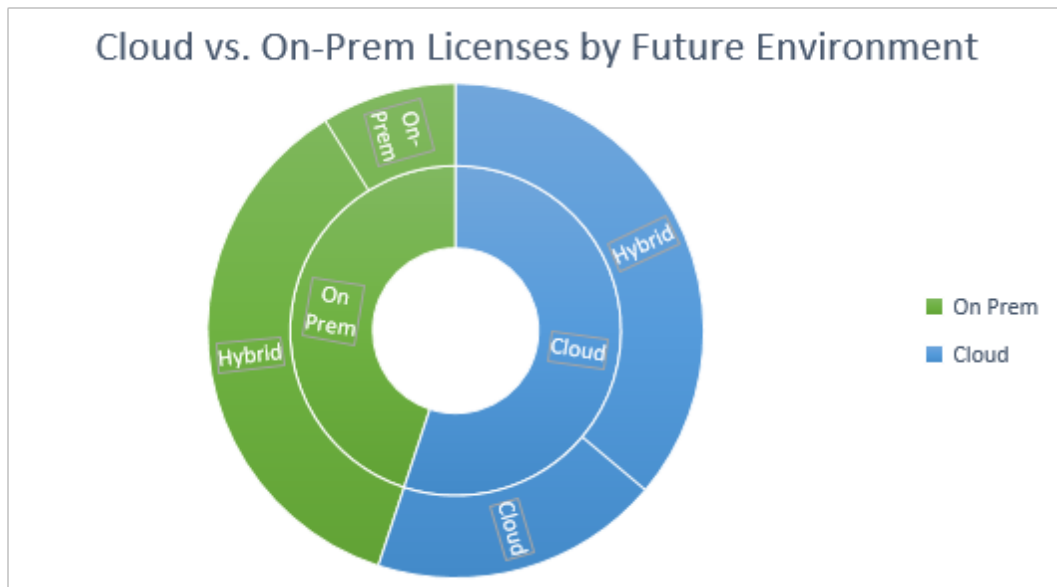

Figure 25: On-Premises vs Cloud Licenses broken out by
hybrid vs. cloud vs. on-premises (2020)

In this regard, we see that the combination of these two types of licenses will be around for a while, but it is evident that the hybrid solution will be the predominant SharePoint environment.

Community Insights

Vlad Catrinescu: This report really aligns much more closely to what I see at my clients, versus the standard Microsoft messaging about the cloud vs on-prem. From what I see in the field, a lot more companies that used SharePoint already plan to go hybrid / stay on-prem than go fully in the cloud. New Companies that are just starting with SharePoint usually go fully in the cloud, and buy third party products to fulfill their business needs instead of building them in house.

Ryan Schouten: Movement of licenses from on premise to cloud in hybrid scenarios allows companies to re-use knowledge with minimal impact.

John White: Hybrid is clearly a destination, not just a journey. As I mentioned above, there are many technical blockers to a complete cloud transition, but over time, I would

expect many if not all of those blockers to disappear. However, there are many solid business reasons to remain with hybrid. Currently data sensitivity and sovereignty are chief among them. Security is often cited, but I believe this to be more of a perception issue that a true concern. Except in very few cases, data kept in Microsoft's data centers is far more secure than anything that a customer could provide on premises.

Christopher Regan: Honestly, I'm not surprised. We work with plenty of organizations that years ago started saying 'cloud never' and continue to do so today. Whether this is posturing by managers that feel like they will lose their jobs if they go completely cloud, or those that have legitimate reasons – time will tell.

From a Systems Integrator perspective, seeing that just about 50% of respondents have no plans to move to the cloud is important. It reminds us that while we will continue to embrace the latest and greatest technologies and development platforms to support the cloud, we must also retain knowledge of on-premises solutions or risk losing that revenue stream.

4.2.4 Market Value in the Future

Based on the information from our research, there are two things we must factor in to forecast the value of the SharePoint market growth in 2020:

- Percentage of licenses
- Percentage of users per environment

Microsoft's official information shows that the number of licenses in the SharePoint environment has grown from 160 million in 2012 to 200 million in 2017[14]. This represents a 24% growth in the last 5 years, which is an average of 4.8% growth per year. Assuming this same growth trend continues in the years to come, the total number of licenses will reach 229 million in 2020. Once again, assuming overall SharePoint revenue will grow at the same rate as the licenses, the new value of the SharePoint space would be $11.4 billion. With this information, and using the distribution of the market by environment mentioned in the previous sections we can see how the values shift and grow.

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[14] Jeff Teper, "The Future of SharePoint is Now", https://aka.ms/jt4ntx (February 14, 2017)

Revenues per Market 2017

Hybrid $3,200,000,000	On-Prem $4,600,000,000	SPO $2,200,000,000

Revenues per Market 2020

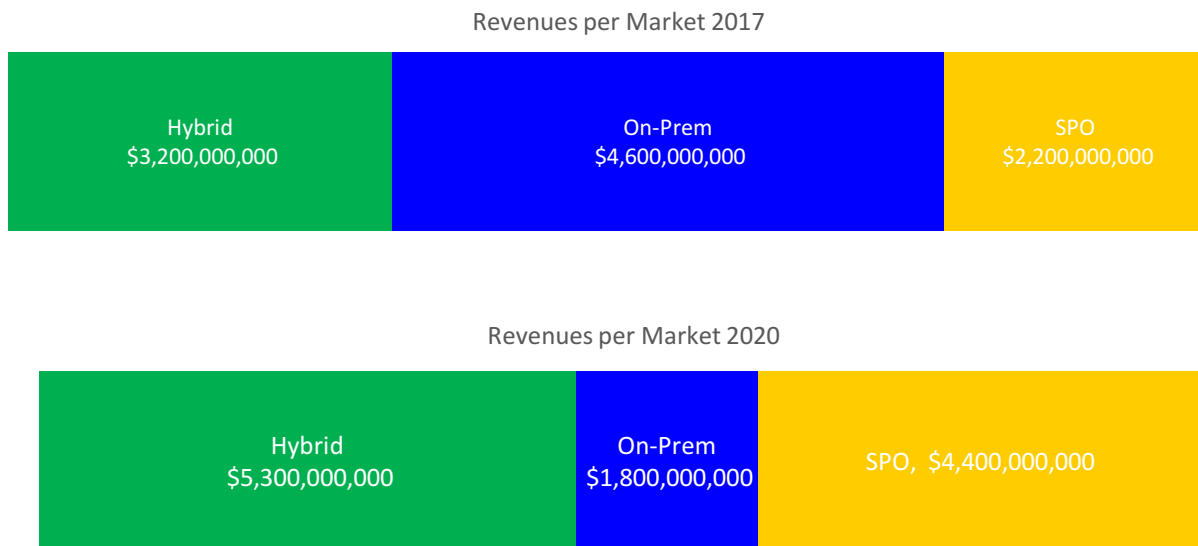| Hybrid $5,300,000,000	On-Prem $1,800,000,000	SPO, $4,400,000,000

Figure 26: Estimated Revenues per Market (2017 and 2020)

As the graphs above show, once again the big winner is the hybrid environment, followed by SharePoint Online, both at the expense of fully on-premises solutions.

4.2.5 How are Companies Planning to Transition to Hybrid

From our research, we learned that most companies start the migration to hybrid first through email and then document collaboration. Often, companies voice fears that having their important information transitioned to the cloud poses a serious security threat. Yet in most cases companies start the transition to cloud by migrating their email. They feel "safer" or "comfortable" starting with email. However, this may be some of the most sensitive company info of all. In a one-on-one interview with a long-standing SharePoint shop, the customer stated: "[Companies] are afraid of moving sensitive information to the cloud, but the first thing they move is their C-suite email. Is there anything more sensitive than that?" The "threat" of security on the cloud appears to be more perceived than actual, as companies are willing to start the transition with their most sensitive information.

Several respondents who we interviewed said they "are planning to move to hybrid as a strategy" and asked how they would make the transition.

"We plan to implement document collaboration first. Many users in our company need to sync documents because they have limited Wi-Fi access and in many cases, work offline and then need to sync later. We can use functions in SharePoint to do this."

Document collaboration was a repeated theme to implement hybrid as a strategy. Also worth noting, secure logins were another feature that multiple interviewees talked about. They liked that they could control who was able to login internally and access information from their servers. They could store information on the cloud and use SharePoint Online features to manage who had access to specific data.

Community Insights

Chris Regan: I don't know what it is, but there is a perceived security around email vs. SharePoint. It's almost because email involves mailboxes that are (or should be) isolated to a single user whereas SharePoint involves sites that many users have access to that this gives a false feeling of security.

John White: Email and document management are also very well understood features, with a consistent implementation both on-prem and the cloud. In essence, they're the easiest to move, as in many cases, business processes don't need to change.

4.3   Barriers to Transition to SharePoint Online

Although Microsoft continues to defend its stand on the security of SharePoint Online servers and the safety of customer's data, SharePoint Online servers are still perceived as remote, unknown, and unsecure. Secondary research (from a study by SMB Group[15]) shows that security and data protection are among the top concerns when it comes to technology investments. From our survey, the top concern of companies considering transitioning to SharePoint Online has been the privacy and security of their data. It seems that SharePoint online adoption is hindered by security concerns. Companies are still worried that they could lose proprietary control of their data once they move into the world of cloud. This is amplified with companies that have to comply with local regulations that mandate them not to host their data outside of their domain.

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[15] SMB Group, "2015 SMB Routes to Market Study", (October 26, 2015)

The second biggest challenge that companies seem to face during the migration to SharePoint Online is the amount of work involved. Internal expertise is often inadequate and current SharePoint tools are too limited to meet the demands of a large-scale migration, causing unexpected delays and costs. Gartner (IT industry research database) mentions the following about this topic:

"During the SharePoint 2007 era, many organizations were caught off guard because much of the custom code (web parts) was deprecated and had to be rewritten to migrate to SharePoint 2010. Since then, most organizations have instead bought third-party add-ons to supplement functional gaps or to better meet their business requirements. The task of ensuring platform compatibility has largely been left to these third-party vendors. Going forward, if custom web parts still exist, they'll have to be rewritten using the add-in model, and if third-party add-ons are being used, they'll have to be purchased from the Microsoft app store. Either way, cloud office leaders must re-evaluate the need for such customization or excessive use of third-party applications, as the cost of migrating them may not be worth their value on SharePoint Online[16]"

The survey shows that the companies are willing to migrate to SharePoint Online and the business leaders wants to move in this direction. The companies are satisfied with the performance of SharePoint Online cloud servers and are not majorly concerned with its performance or connectivity.

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[16] Gavin Tay, "Adopt the Four Best Practices to Make the 'Last SharePoint Migration'", Gartner Database (April 12, 2016)
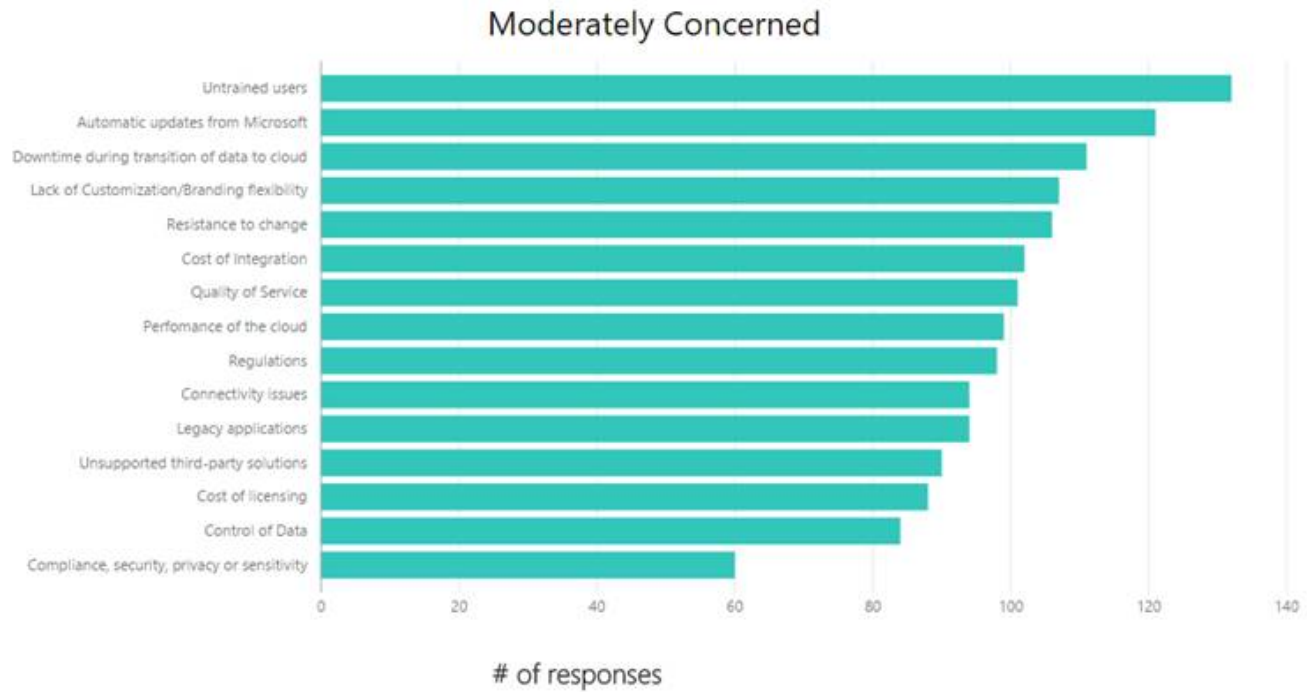
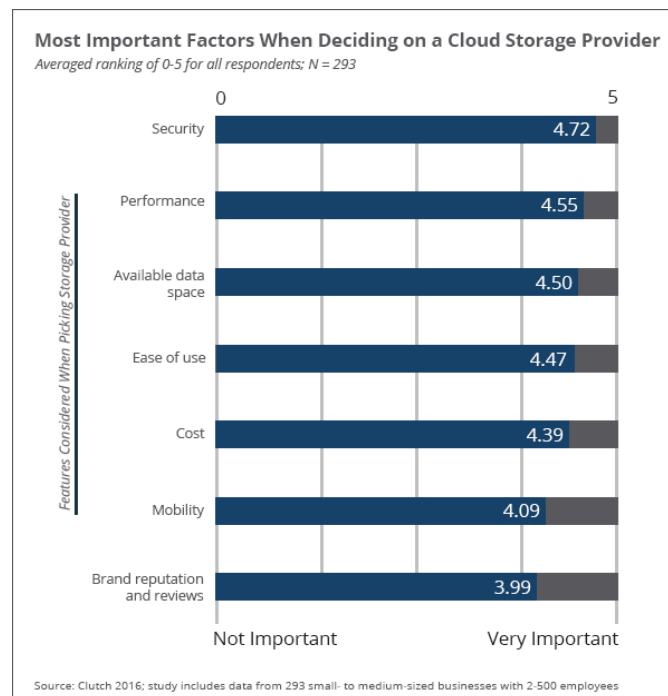Figure 27: Major concerns with SharePoint Online

Figure 28: Feature Considerations

A study from Clutch (November 2016) shows that security and performance are the most important factors (for SMBs) when deciding on a cloud storage provider. The same study shows that 46% of SMB respondents believe that data stored in the cloud is only "somewhat secure", and only 41% rate cloud storage as "very secure".[17] This suggests that businesses continue to perceive that their data is not very secure in the cloud storage.
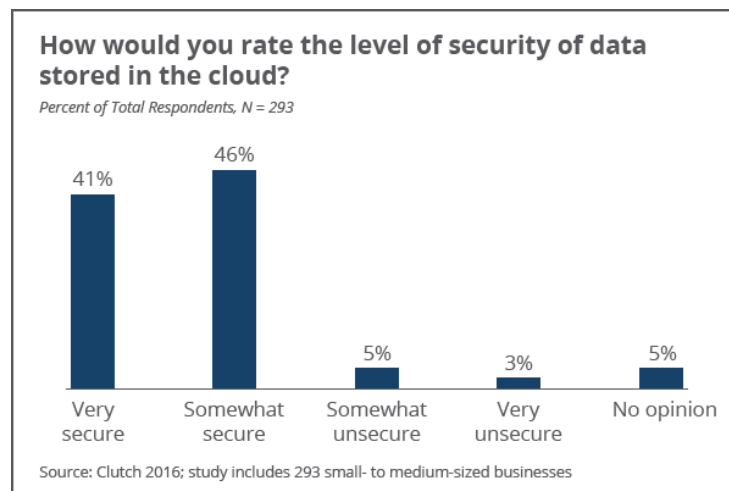

Figure 29: Security levels

The previously cited report from SolarWinds (covering North America[18], Germany[19], the UK[20], and Australia[21]) found that the biggest barriers to adopting cloud technology, according to IT professionals, are (by % of respondents):

- Security/Compliance concerns (North America: 75%, Germany: 84%, UK: 81%, Australia: 69%)
- Need to continue supporting old/legacy technology (North America: 63%, Germany: 64%, UK: 68%, Australia: 63%)

[17] Clutch, "2016 Small Business Cloud Storage Survey", https://clutch.co/cloud/storage#survey (November 10, 2016)

[18] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: North America", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/north-america.pdf (March 29, 2016

[19] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: Germany", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/germany.pdf (March 29, 2016)

[20] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: United Kingdom", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/uk.pdf (March 29, 2016)

[21] SolarWinds, "IT Trends Report 2016: The Hybrid IT Evolution: Australia", http://it-trends.solarwinds.com/reports/2016/the-hybrid-it-evolution/australia.pdf (March 29, 2016)

- Work required to move existing infrastructure (North America: 51%, Germany: 48%, UK: 59%, Australia: 48%)
- Budget limitations (North America: 45%, Germany: 35%, UK: 43%, Australia: 47%)
- Convincing business decision-makers of need/benefit (North America: 43%, Germany: 46%, UK: 49%, Australia: 44%)
- Concerns over IT managing hetero/multivendor environments (North America: 43%, Germany: 44%, UK: 36%, Australia: 36%)
- Disruption to business/end user performance during implementation (North America: 42%, Germany: 22%, UK: 36%, Australia: 38%)
- Others: Inability to prove an ROI, and a lack of skills needed to implement

Community Insights

Ryan Schouten: A common confusion when talking about security is the difference between security and data protection. I have given presentations on Office365 and I always asked how many people have someone that it is their responsibility to monitor the security of their environment and only 2 organizations responded that they did. Microsoft on the other hand has armies of people that monitor the security of the environment. Owning their data is a valid concern I see a lot on the other hand.

John White: Security concerns are in my opinion red herring. Any serious look into cloud based SharePoint data security will show that it is managed far better than the vast majority of on premises installations. I think the security perception is the fact that everyone wants to be first to be second in their industry. As more flagship customers like the UK Ministry of Defense and TD Bank move online, the security concerns will melt away.

Treb Gatte, Business Solutions MVP and Managing Partner of Tumble Road LLC: I see the organizational challenges being the most difficult to overcome in the journey to the cloud. Either IT doesn't have sufficient knowledge to do the work or they feel they may be left out once things are moved. We've made the tech part easier but we still have work to do to make it easier for the humans involved.

Is security really the real reason that people aren't going to the cloud? I hear that but the behavior suggests fear from IT losing influence or issues with allocation of IT Costs also being significant factors. There are organizational considerations that may not be stated. I think the challenge #2 is actually the hardest to address but may offer the most value to the marketplace as a problem to solve.

Ed Senez: Chart 27 shows that we're not completely over the hurdles and this chart supports what I have personally observed in market. Security and governance continue to plague cloud adoption. Microsoft is closing this gap by extending the footprint of their cloud environments into more border based geographies. They also continue to enhance the security of their infrastructure and collect every compliance requirement available. Threats to attacks are very real, just ask Sony and Target. Having been behind the firewall of hundreds of organizations in my carrier, I can safely say that I would trust Microsoft with my data over most IT departments any day of the week.

One other blocker that is very real is the feature set of the cloud environment versus the on-premises environment. Microsoft is also closing this gap, but the challenge of reducing functionality to end users is not trivial. A simple example is that SQL Server Reporting Services (SSRS) does not currently have a cloud solution. It would be a hard sell to tell employees that you can no longer get the reports that you need to do your job. Again, this gap is closing, but it remains an issue.

4.4   Gaps and Opportunities

4.4.1   Gaps

4.4.1.1 Problems when Migrating Customized Solutions and Lack of Customization

When companies decide to adopt SharePoint Online they expect a seamless transition, but based on our research, this smooth transition is something that doesn't always happen. In the article "Adopt Four Best Practices to Make the Last SharePoint Migration" by Gartner analyst Gavin Tay, he mentions that "switching to Microsoft SharePoint in the cloud from an on-premises deployment is a lot more complicated than you might expect"[22].

There are some reasons why this process can be more complex. One of the obstacles for transitioning to the cloud is the lack of customization. As our results show, "lack of customization/branding flexibility" is the third highest concern when considering a transition to the cloud. Having an environment in which companies can customize solutions to meet their specific needs is very important. Some companies decide to go to

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[22] Gavin Tay, "Adopt the Four Best Practices to Make the 'Last SharePoint Migration'", Gartner Database, (April 12, 2016)

cloud because they want to be more agile to adapt in a fast-paced environment, but if SharePoint Online doesn't offer them all the flexibility that they used to have on-premises, they may decide not to migrate.

In one of our one-on-one interviews, a professional with more than 10 years of experience working with SharePoint as a software vendor said that "customizations are hard to implement in SharePoint Online". Empowering companies so that they can have more flexibility with these customizations will be a critical issue to increase the number of companies migrating to SharePoint Online.

Community Insights

Jared Shockley, Senior Service Engineer at Microsoft: Migration of customizations used in on-premises installations is biggest blocker to cloud migrations of SharePoint. Many companies do not want to "re-think" or redevelop these solutions as that is an additional expense to the migration. There are tools and frameworks, like Cloud App Model, to accomplish this work but they are not the same as on-prem tools and frameworks. This training for the development teams can be one of the main blockers for migrations to SharePoint Online.

John White: Customizations are of one of two types – functional or branding. In the case of functional solutions, over time, either replacement products or different approaches will likely be available in the cloud. In fact, migration to the cloud is a good time to take inventory of customer solutions, and to re-examine their true usefulness compared to something more mainstream.

I don't expect the branding story to change significantly, but I also see branding as more of a "vanity" feature. Most tools used by enterprise cannot be branded at all, or only a small amount (Word, for example). I suspect the compelling value proposition of SharePoint Online to outweigh branding concerns.

4.4.1.2 Gaps in Perception of Data Security

As noted, there is a huge perceived gap between the customers and Microsoft on the security of the data in the cloud servers. This was repeatedly emphasized in our customer interviews with Microsoft Partners, SI's and ISV's. Likely, as time passes, customers will feel more secure with their data backed up in the cloud. However, with

continued marketing and communication emphasizing security, Microsoft could reduce those concerns.

4.4.1.3 Automatic Updates

Another issue that came up in our survey was the impact that automatic updates have in customer performance using SharePoint Online. Currently, the customer doesn't have the option to stop these automatic updates, and such updates, sometimes, can affect the customizations implemented by the company. We know that this is not a new issue and that Microsoft is aware of that, but our data shows that the current options available for customers to deal with this have not been effective.

4.4.2   Opportunities

4.4.2.1 Moving Legacy Solutions to the Cloud

According to our survey, the sixth major concern among companies when deciding to transition to SharePoint Online is how to handle moving legacy solutions to the cloud. In one of our one-on-one interviews we talked with a CTO of a company that went hybrid in 2014. During the conversation, the interviewee mentioned, "We moved everything to the cloud, but our legacy solutions".

As we discussed in previous sections, based on our survey responses, we predict that by 2020 the hybrid and the cloud space will continue to grow, which means that more companies will need to consider moving their legacy solutions to the cloud. This creates a fantastic opportunity for ISV's and SI's as they help companies considering transitioning to the cloud. This way they can harness the power of cloud in its entirety.

4.4.2.2 Overall Increase in Hybrid Market Size

As we had noted, 50% of current on-premises solutions have plans to move to hybrid solution and 17% plan to entirely move to SharePoint Online by 2020. This significant increase in the SharePoint hybrid market would open up enormous opportunities for Microsoft, its partners, SI's, and ISV's to address the major concerns of their clients and make the transition seamless for the companies.

4.4.2.3 Increase Customer Migration Success

With the increase of the hybrid and cloud space migration in the next few years, many companies will need to rely on SI's to help them make this transition in an efficient way. An efficient transition not only considers the technical support, but also includes

changes in culture and management needs. This may include employee training, documentation on processes and workflows, and overall system architecture.

4.5 Stakeholders Perspective

4.5.1 Microsoft

Microsoft's SharePoint platform began as a completely on-premises solution. Eventually, with the advent of the cloud, it appeared that Microsoft was focusing primarily on transitioning customers to the cloud as a strategy. As hybrid grew, Microsoft realized its importance and responded by providing solutions for SharePoint 2013 and 2016.

After conducting our survey, interviews, and reviewing secondary research, we recommend that Microsoft continue to cater to the hybrid SharePoint environment. This market was created out of necessity by the users and clearly fits their specific needs to maintain some of their business on-premises while also embracing the benefits of the cloud.

As newer SharePoint versions go live, companies have a hard time keeping up with the updates. These updates make customizations unstable and create an additional burden for the company's IT support. Microsoft should strive towards a solution that provides companies with a fully integrated on-premises and cloud-based SharePoint environment.

4.5.2 ISV's & SI's

The general opinion of the respondents illustrated the challenges that SharePoint clients face during the transition of the on-premises SharePoint solutions to cloud environment. This opens up a wide range of opportunities for Microsoft partners, ISV's and SI's to tap into the $5.3B market by 2020. These partners can help their clients resolve the problems around transitioning of customized on-premises and legacy applications. They should also develop scalable solutions that can serve the need of all companies regardless of their size.

4.5.3 Customers

Customers that may be apprehensive to adopt or keep a hybrid environment need not fear. It appears that the strong position of hybrid in the market implies that it will likely be around in the future. If strength in numbers means anything, in 2020 we predict that hybrid will be the most used environment type, even among large enterprises. Hybrid is a great solution for companies that have reason to stay at least partially on-premises but look forward to some of the new features and capabilities of SharePoint Online.

5   Conclusion

Hybrid is an established and preferred model for deploying and running SharePoint, which was born out of the customers' needs and preferences to house some of their SharePoint infrastructure on-premises, and some of it on-cloud. This gives hybrid a unique advantage in that it allows many customers to recognize a return on investment in existing infrastructure while also taking advantage of key cloud-based capabilities.

Many are looking at the hybrid environment as an interim transition between fully on-premises and cloud solutions, and we agree with that, but we don't see that happening soon. As much as companies look at the cloud as the future of computing and information management, there are still some issues that must be solved before many customers can fully adopt the cloud.

According to Matthias Einig, SharePoint MVP, Co-founder and CEO at Rencore:

> The cloud has had a significant impact on SharePoint and most IT in general. Most notably because it offers some obvious benefits for users, admins and platform owners.
>
> But knowing the benefits of the cloud and actually migrating all systems platforms there are two very different things altogether. With years and often decades of development time and money spent for on-premises environments, making the move is hardly ever easy.
>
> The current state of hybrid is perfectly mirroring this trend. Most organizations opt for a gradual move to the cloud: moving standard services with low effort and keeping more customized and business-critical services on-premises for now.

It is not surprising that the biggest concern is security. It does not matter if this is a perceived or an actual risk. As long as the customers consider it a risk, it should be carefully addressed. It is also well known that these security concerns are both the result of regulations and internal policies that eventually will have to adjust to technology and information management trends. We trust that eventually both corporations and governments will adjust their norms to enable the full use of this technology.

In addition to the security concerns, the lack of customization between the on-premises version and the cloud version has kept a lot of companies from moving some of their information and processes to the cloud. Interestingly enough, the highly customizable interface that SharePoint on-premises has offered, has been a major difficulty for many companies as they consider their transition to the cloud. Hence, it is not surprising to see some companies that are still using the early version of SharePoint just because their level of customization has not allowed them to move to more recent versions.

According to Ed Senez, President of UnlimitedViz:

> The evidence shows that most companies are moving in the direction of the cloud and there is no evidence that this trend is reversing. Have you heard of any company saying: "we're bring everything back on premises?" This is an important consideration for CIO's who concern themselves with having a competitive advantage for their company.

> Working with customers, we have learned that the larger they are, the more arcane their technology base is. The reason is simple, the cost of upgrade and the effort involve often outweighs near term budgetary constraints. If the friction to upgrade was this sticky in the cell phone market, half of enterprise customers would still be carrying flip phones and palm pilots. Microsoft has succeeded in democratizing many workloads in the same way that the cellular carriers have. Once an enterprise has experienced this friction free upgrade process, it will never turn back. Did I mention it was also less expensive? This is good news for workers in these large environments. They can finally have state of the art tools instead of a hammer and chisel.

Moving forward, and as shown in this report, the hybrid environment is going to be the dominant SharePoint environment. This will generate not only needs but opportunities for all those servicing the SharePoint space. ISV's and SI's should look not only to provide services that will help companies transition from one environment to another, but also to support hybrid environment as a long-term solution.

6 Researcher Profiles

6.1 About CollabTalk

CollabTalk LLC is an independent research and technical marketing services company, founded by 6-time Office Servers and Services MVP Christian Buckley. CollabTalk focuses on tools and trends in the enterprise collaboration, social, and business intelligence ecosystems, and provides community-driven events, original research, and thought-leadership content for customers.

You can find out more about CollabTalk at www.CollabTalk.com.

6.2 About BYU Market Field Studies Research Team

BYU's Marriott School of Management hosts numerous companies each semester through the Field Studies program. External companies can partner with the program and hire teams of student consultants to solve real world business problems. Student consultants dedicate an entire semester to partner with companies to understand, research, and answer the tough questions they are facing.

The research team included:

Marcos Fonseca

Samuel Gomez

Greg Otterstrom

Kishore Penumuru

Preston Wheiler

7   Appendix

We have added the full text of the customer survey that was used during the primary research portion of our study.

7.1   Survey Questions

The following questions were asked during the survey. For full access to the results please contact CollabTalk:

Q1 Do you have experience using SharePoint?

Q2 Please enter the name of the company where you work.

Q3 In which country is your company located?

Q4 In which state is your company located?

Q5 How many employees does your company have?

Q6 Approximately in which year did your company start using Microsoft SharePoint?

Q7 What were your initial reasons for adopting Microsoft SharePoint?

Q8 As far as you know, what is your company's current SharePoint environment?

Q9 Which reason(s) best describe why you are utilizing SharePoint Online?

Q10 Where is your infrastructure (servers) hosted?

Q11 Approximately what percentage of your SharePoint environment is on-premises?

Q12 Which version(s) of SharePoint on-premises are you currently using?

Q13 When considering a transition from SharePoint on-premises to SharePoint Online, how concerned are (were) you with each of the following items?

Q14 Are there any concerns you have that are not listed in the previous question?

Q15 Moving forward, what is your strategy for SharePoint?

Q16 Why did your company select this strategy?

Q17 What hybrid capabilities are you currently using, or plan to use in the future?

Q18 When do you plan to move entirely to SharePoint Online?

7.2 Methodology

Two methods were used to gather data on this research, namely primary and secondary research. More detail about how each method was applied is provided below. It is important to note that, secondary research was conducted first in order to optimize our approach of the primary research. The secondary research helped raise the right questions and techniques for our primary research. Based on this information, this report explains first the secondary research methodology in the section below.
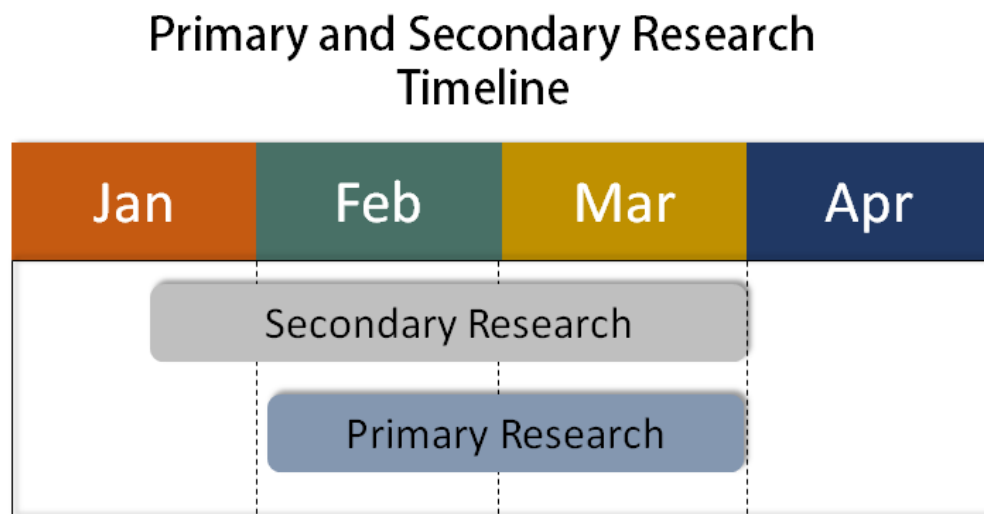

Figure 30: Methodology Timeline

7.2.1   Secondary Research

As mentioned above, the first method employed in this research to gather data was secondary research. This process was important because it brought valuable insights about the industry, market size, market trends, current data on main challenges faced by companies when transitioning to hybrid and an overall vision of the SharePoint ecosystem. In addition to initial findings, this step laid the foundation for a more assertive primary research. The sources for this stage of the research were some of the main databases in the market, such as Gartner, IBIS World, Frost & Sullivan, Statista, eMarketer and Factiva.

7.2.2   Primary Research

Regarding the primary research, two techniques were employed, interviews and an online survey. As for interviews, a mix of in-person, phone and video interviews were undertaken. To gather data from different perspectives, interviews were conducted with end users, SharePoint consultants, SharePoint managers, MVPs, ISV specialists, and SI employees. We attended the SharePoint Saturday event that took place at the University of Utah to meet members of SharePoint community and invite them to participate in this research. Interviews were based on a standard questionnaire for all interviewees. Occasionally more follow up questions were asked as needed.

7.2.2.1 Confidence Interval

All percentages are based on inferential statistics with 95% confidence with a $\pm$5% confidence interval.

Sample size for each figure presented in this report was based on the number of responses received. Most survey questions averaged between 500-600 responses.

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