

2011 Global IT Leadership Report



Strategies for change

Cloud computing: The enabler for IT transformation

Cloud Computing: The Enabler for Transformation

A message from Savvis

The global business challenge 18 months ago — at the time of Savvis' previous market survey — was to survive economic turbulence. Then IT leaders were focusing on doing more with less.

Going into 2012, our latest survey indicates that this picture has changed. It's vital that CIO's remain responsive to economic developments and market fluctuations, but their focus has switched from survival to carefully planning for business stability and preparing for potential growth.

This report focuses on sharing key learnings and strategies from IT leaders around the globe, comparing attitudes, issues and potential solutions, to help you keep IT at the forefront of enabling your business.

Heads of IT are telling us that budgets are less restrictive than eighteen months ago, but this is still a critical time for managing IT costs and efficiency. Important lessons have been learned in recent years about how to maximise budgets and IT performance, resulting in careful IT planning for the future.

These lessons have impacted on attitudes towards IT outsourcing as organisations across the globe continue to embrace technology as a means of delivering first-class IT support to the organisation. Europe tends to take a more cautious view of outsourcing right now. However, despite this, our research indicates this positive attitude towards outsourcing IT is set to spread globally. In five years organisations in the UK expect to outsource their IT infrastructure more than their counterparts in Europe as well as in the USA. The vast majority of IT decision-makers forecast that within ten years their IT infrastructure will not be managed in-house.

“The vast majority of IT decision-makers forecast that within ten years their IT infrastructure will not be managed in-house.”

IT leaders realise that cloud computing technology has a significant role to play within enterprise organisations either now or in the future. Eight out of ten of the enterprises surveyed currently use cloud computing in their organisation and two-thirds of those users have adopted it during the last twelve months. IT leaders are rapidly adopting cloud services because it offers them access to scalable computing on demand, improved reliability, reduced total cost of ownership and economies of scale. Despite fewer CIOs than 18 months ago telling us that security is a reason not to use cloud, security concerns are still the biggest barrier to adoption.

At Savvis, we believe this concern can be overcome by providing high quality cloud solutions appropriate to the enterprise which includes private, public and hybrid clouds. More than 80% of cloud-users in our survey are currently using private cloud services or a hybrid of private and public cloud services, which is consistent with the trend in the Savvis client base. 36% of global organisations use enterprise-grade cloud services to help overcome security concerns. Europe leads the way in this global uptake, with 40%, a figure which is set to increase to 74% in the next 12 months.

In summary, the main strategic priority of IT executives across the globe is to find more cost-effective IT solutions and continue to drive out IT costs across organisations. One of the key ways to do this, as evidenced in the survey, is to adopt a strategy based on reducing infrastructure costs by adopting virtualisation or a cloud computing strategy.

At Savvis, cloud is at the heart of what we do for enterprises. With Savvis' best-of-breed, enterprise-class cloud and colocation solutions we work closely with our global clients to understand their business challenges and design solutions to help them achieve meaningful results.



Neil Cresswell
Managing Director
EMEA Savvis



Enterprise strategies and challenges

Savvis' past research surveys, conducted in 2009 and 2010, highlighted that the greatest issue facing organisations globally was to do more with less budget. However our most recent research indicates that the key issue globally is gaining efficiencies throughout the company, though in the UK, the issue of IT budgets is still very important.

As well as being under pressure to do more with less budget, organisations in the United Kingdom are putting more focus on gaining efficiencies throughout their company compared to organisations globally, as demonstrated in Figure 1. UK organisations are also more likely to be increasing collaboration across their organisation and looking for low cost solutions of the right quality than their European or global counterparts. Although organisations in the UK, Europe and USA are working under different budgetary pressures, the fact that gaining efficiencies is one of their top three key issues demonstrates the importance of IT in driving business performance.

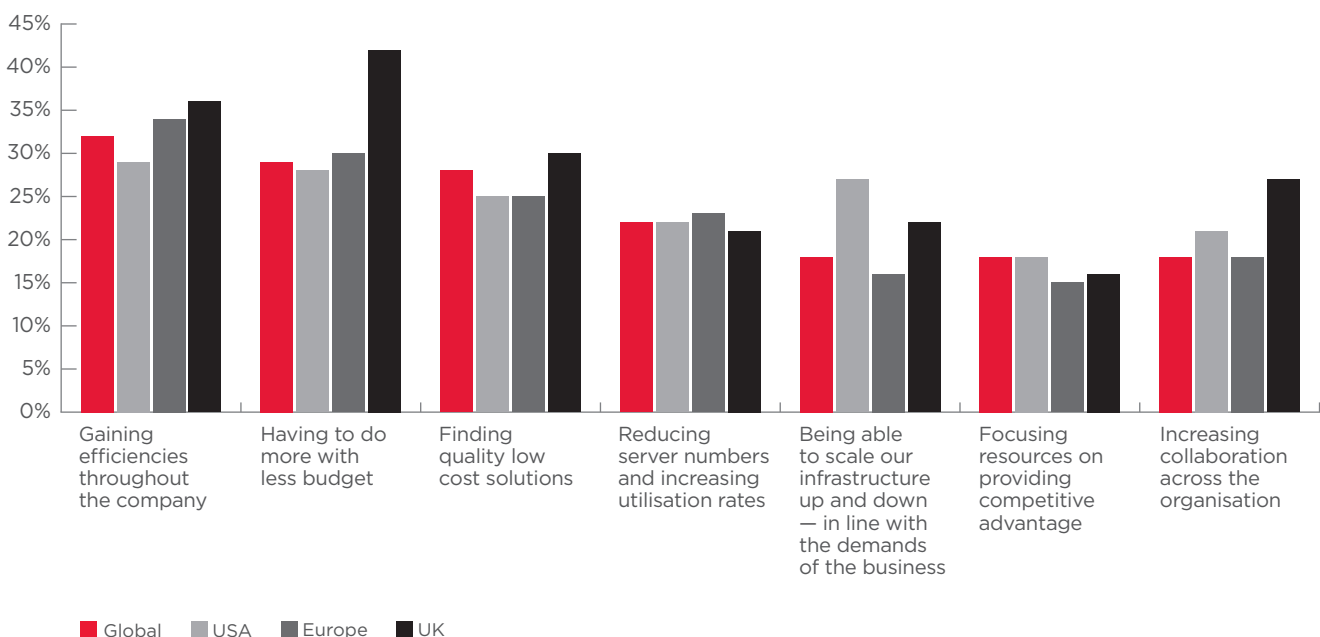
Key priorities for IT leaders

In order to help their businesses gain efficiencies, IT departments globally are looking to find more cost effective IT infrastructure solutions

(34%), followed closely by continuing to drive out IT cost (33%). Across Europe, these are also the top two IT priorities. However, the priorities of organisations in the UK and USA vary, as illustrated in Figure 2 (next page). After prioritising driving out IT cost (44%), organisations in the United Kingdom are more likely to be prioritising an agile IT service delivery model without increasing costs (38%) and effectively managing and prioritising IT demand (34%) over finding more cost effective IT infrastructure solutions (32%). In contrast, organisations in the USA prioritise faster data access across their organisation and an agile IT service delivery model without increasing costs over driving out IT cost. Considering the top IT priority in the United Kingdom and the budgetary pressures UK organisations are facing, their second and third greatest priorities highlight that constructive, forward-thinking IT planning can be of greater value and economic sense than simple cost-cutting. Regardless of geography, it is clear that IT departments are looking to improve the flexibility or efficiency of their infrastructure, but need a cost effective way of achieving this.

“Forward-thinking IT planning can be of greater value and economic sense than simple cost-cutting.”

Figure 1: What are the key issues that your organisation's IT department is facing, in the next twelve months?



Cost savings and efficiencies

Over the next 12 months, IT departments across the globe and in Europe see their top three cost savings or efficiencies coming from reducing infrastructure costs, a virtualisation strategy and standardising IT infrastructure solutions. However, IT departments in the United Kingdom are more likely to be looking at infrastructure consolidation and data centre consolidation than they are a virtualisation strategy or standardising IT infrastructure solutions.

Outsourcing IT

IT Heads in the USA are leading Europe in the IT infrastructure outsourcing race to drive efficiencies within their enterprises;

57% of USA organisations have the majority of their IT infrastructure in-house. With 64% of organisations in Europe and 73% in the UK having the majority of their IT infrastructure in-house, these organisations are yet to accelerate the outsourcing of IT infrastructure as much as other parts of the world.

However, there are signs of progress globally and in Europe. Last year, more than eight in ten organisations globally told us the majority of their IT infrastructure was in-house, in contrast to less than six in ten right now. More organisations in the USA, UK and Europe are outsourcing the majority of their IT infrastructure than in 2010. In 2010, only one in ten UK organisations and nearly two in ten USA organisations were outsourcing their IT.

Figure 2: What will your top three strategic IT priorities be in the next twelve months?

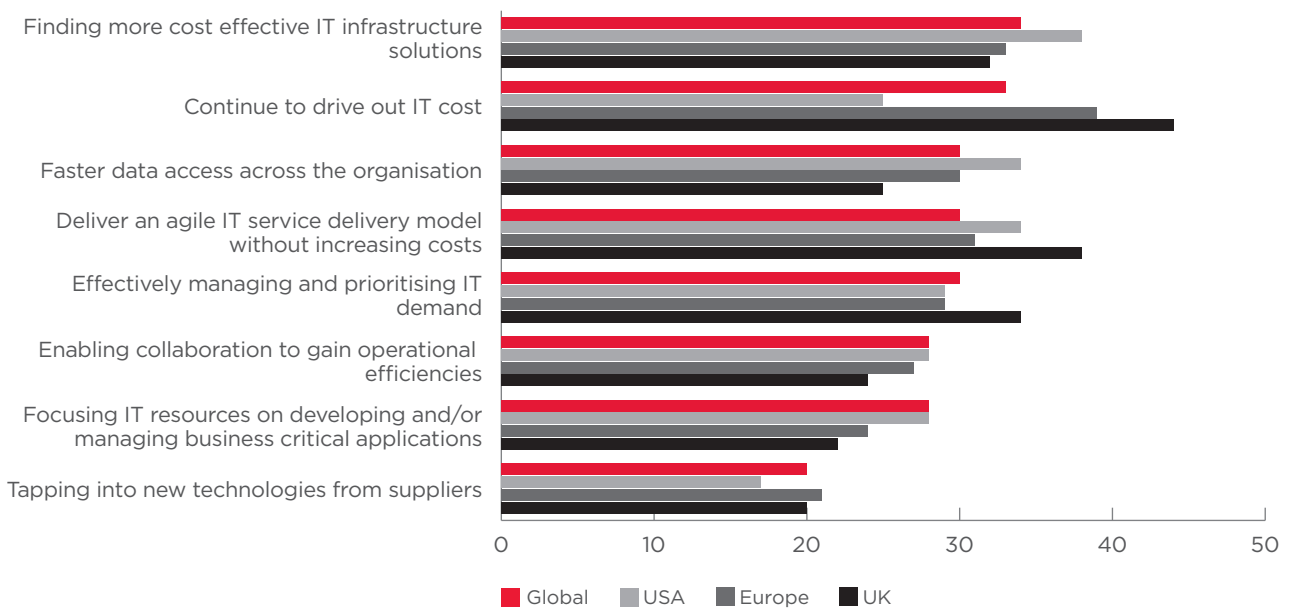
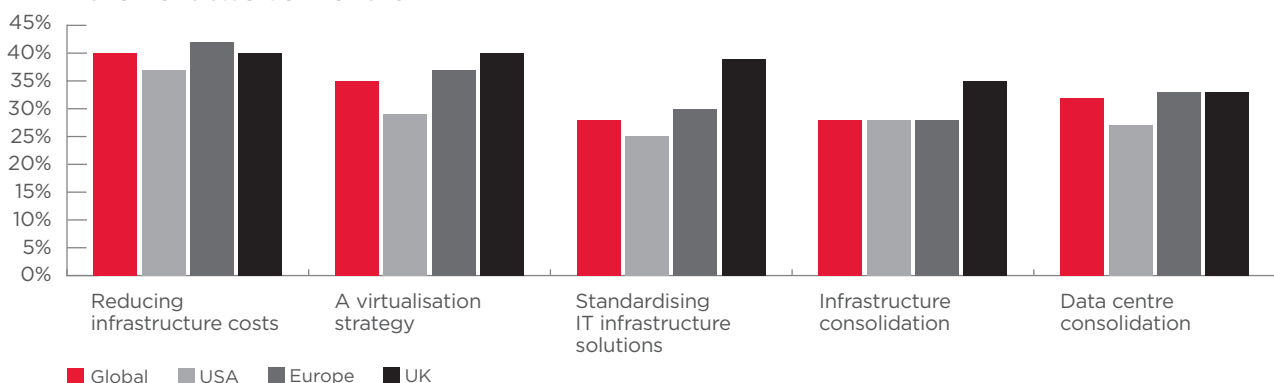


Figure 3: Where do you see your top three IT cost savings or efficiencies coming from in the next twelve months?



The survey results also show that organisations globally, including those across Europe, are highly optimistic about their progress towards an outsourced IT infrastructure. Within ten years, only 24% of organisations globally forecast that the majority of their IT infrastructure will be in-house. UK organisations show the greatest optimism where just over one in ten expect the majority of their IT infrastructure to still be in-house, in contrast to two in ten in Europe and three in ten in the USA. Figure 4 illustrates the forecasted movement away from in-house IT infrastructure to outsourced cloud.

Two different viewpoints appear to drive this optimistic view of the future role of outsourced IT. Firstly, more than half of organisations globally think managing IT infrastructure that provides no competitive advantage must be discontinued. Six in ten IT decision-makers in the UK and America agree with this; however in Europe less than half believe this. Secondly, nearly half (46%) of organisations globally think owning and operating their own IT infrastructure creates higher costs and wasted resources. Half of American IT decision-makers share this view, closely followed by 42% of IT leaders in Europe and the UK. These executives recognise that decisions about managing and hosting IT should be made logically

with business performance and results in mind, offering their organisations further opportunities to improve their efficiency and profitability.

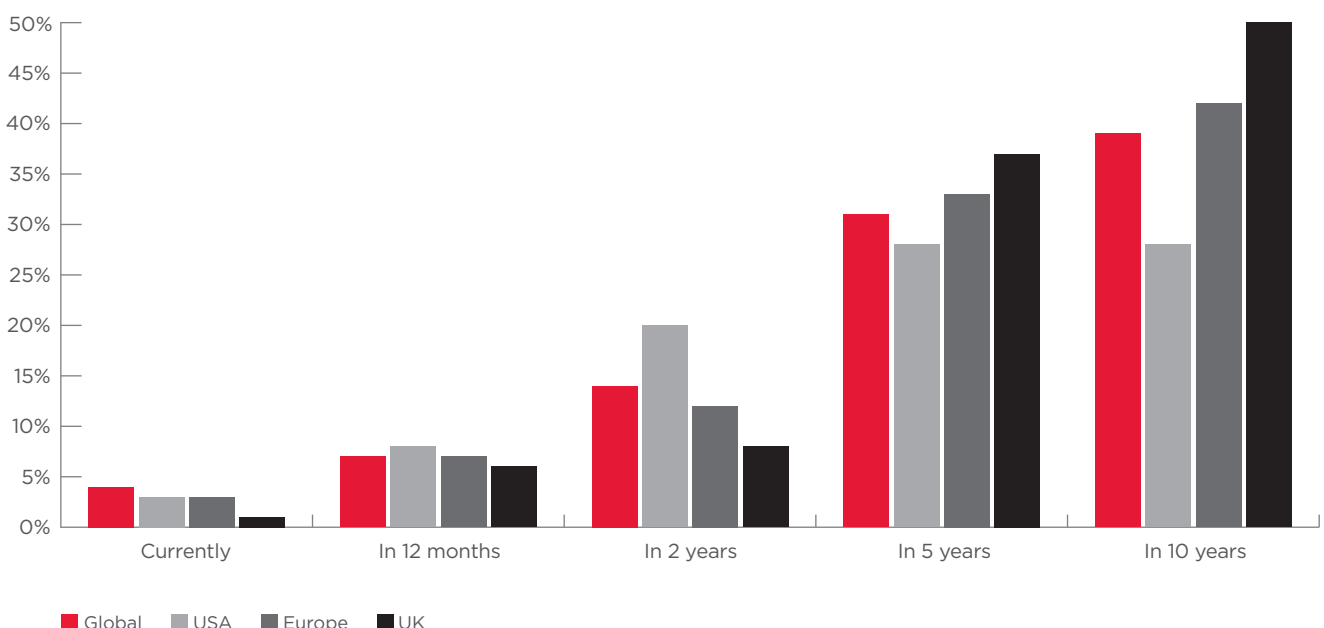
Under-utilisation of IT infrastructure

Under-utilisation of current IT infrastructure is a key motivation for those organisations who outsource their IT infrastructure and are looking to do so more in the future, as well as organisations looking to make efficiencies. More than four in ten IT departments around the globe acknowledge they are paying for excess capacity because of the need to peak to meet occasional business demands. UK organisations are the most inefficient, with almost half acknowledging this potential waste of money and resource, compared to four in ten across Europe and USA.

“IT departments acknowledge they are paying for excess capacity... UK organisations are the most inefficient.”

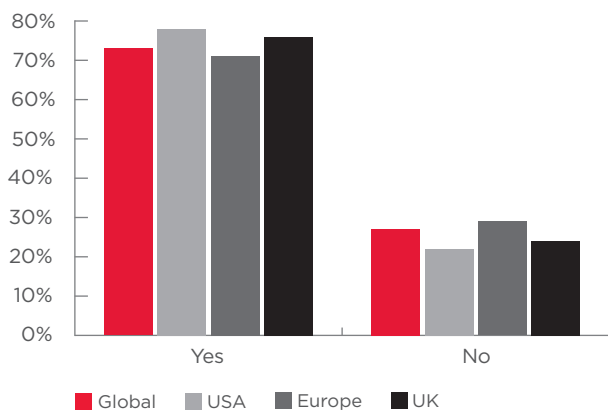
46% of IT decision-makers globally estimate that even at maximum levels, their organisations’ server utilisation is at 55% or less. This is a clear area where consolidation and efficiency can be found.

Figure 4: Where is the majority of your IT infrastructure currently sitting and where do you expect this majority to sit in the future? Answered outsourced cloud



The wastage of IT infrastructure is greatest in Europe, with around half reporting usage of 55% or less of their capacity. In contrast, around four in ten organisations in the United Kingdom and USA reported similar usage levels, making them more efficient. Awareness of resource efficiency is greatest in the USA and UK where three-quarters of organisations recognise their business would benefit from being able to increase or reduce compute, storage and bandwidth capacity on demand.

Figure 5: Would your business benefit from having the option to increase or reduce computer, storage and bandwidth capacity on demand?



Europe lags behind America when it comes to resource efficiency, particularly when measuring how often IT infrastructure reaches maximum workload utilisation. On average, organisations in the USA reach their maximum utilisation rate 220

times a year. In contrast, the European average is 211 times a year. Users of cloud computing show greater efficiency in this area, reaching maximum capacity levels 235 times a year in comparison to non cloud-users only hitting 136 times a year. Among the most efficient organisations are customers of Savvis, who on average reach their maximum workload utilisation 388 times a year.

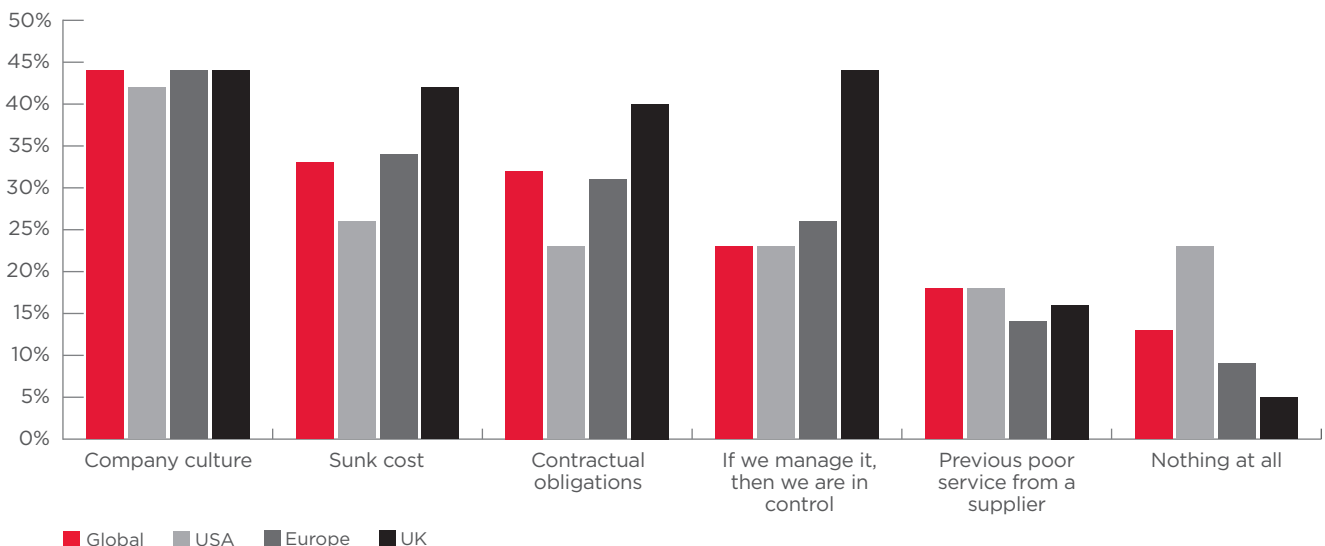
Barriers to outsourcing

When asked why organisations are not outsourcing their entire IT infrastructure, the three most reported reasons globally remain similar to surveys we've conducted in previous years. Almost half (44%) cited company culture as an impediment to this level of change, as well as a third of organisations being held back by issues of sunk cost and contractual obligations.

IT leaders in the financial services sector tell us company culture is the biggest barrier to outsourcing. In contrast, organisations in the public sector are most likely to want to manage IT themselves so that they feel they are in control of it (29%). However, IT leaders have a positive attitude towards increasing IT infrastructure, as shown in Figure 5, which leads us to believe that these issues will subside over time.

Generally, IT decision makers in the UK are held back by three key issues in almost equal measure. They tend to believe that if they manage IT they are in control but there are also challenges around company culture and sunk cost. Figure 6 illustrates the differing views in the USA, UK and Europe.

Figure 6: What prevents these elements of your IT infrastructure being outsourced?



The rise of cloud

Cloud has most definitely moved beyond hype and the adoption results from our survey show that it is playing a transformational role in enterprises across the globe today.

In just two years, cloud computing has changed from being a solution that less than 31% of IT decision-makers globally understood, to being one which 80% of enterprises around the world are using today. Globally 97% of organisations are 'as or more' confident in the cloud than they were 18 months ago.

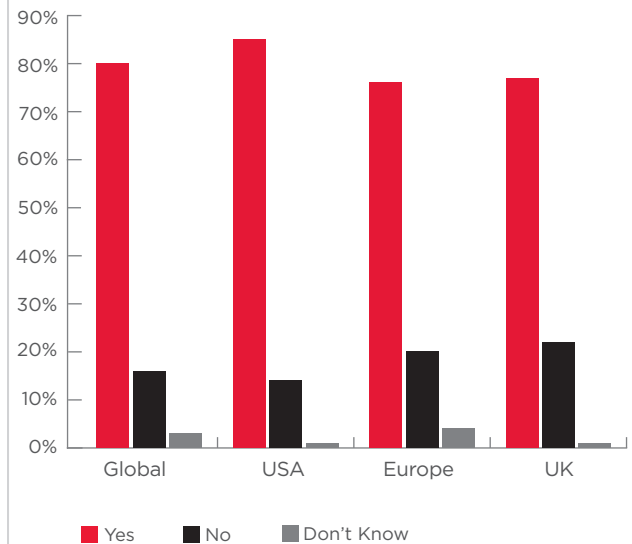
“Two years ago only 30% of IT decision makers understood the benefits of cloud. Today 80% of enterprises are using cloud.”

Cloud infrastructure adoption

Today, 80% of enterprises globally are using cloud infrastructure services in comparison to 63% in 2010. This means that cloud adoption amongst organisations has increased by a staggering 28.6% within the last eighteen months.

Adoption of cloud computing is somewhat greater in the United States than it is in Europe and the UK. Almost 85% of organisations in the USA are using cloud computing this year in comparison to two-thirds in 2010, and only three in ten knowing what it was and its benefits in 2009. However, the progress of cloud in the United Kingdom is also impressive. 77% of UK enterprises are now using

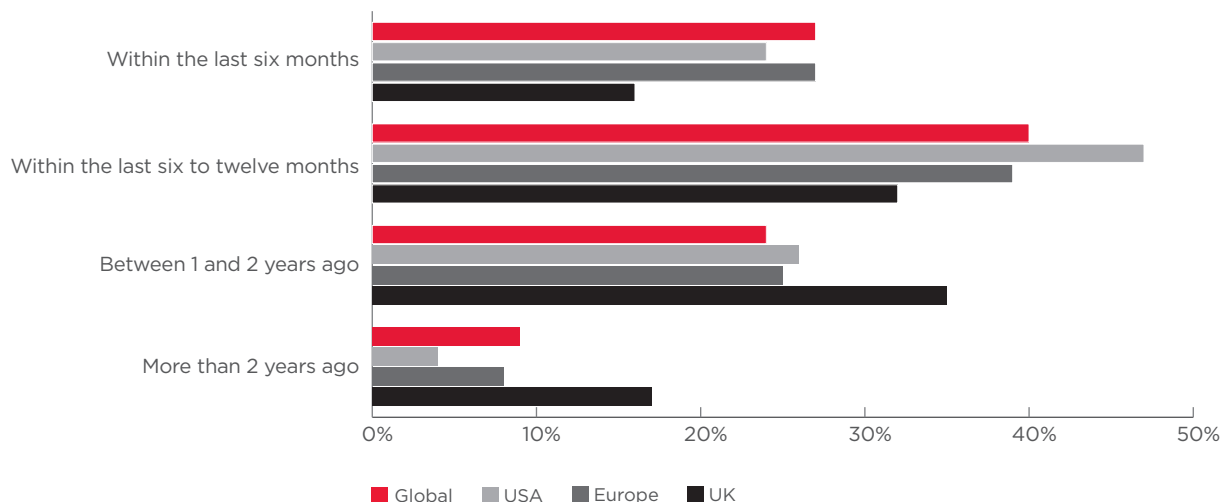
Figure 7: Does your organisation use cloud computing?



cloud computing, compared to just 36% two years ago. Figure 7 illustrates the adoption of cloud computing across the globe.

67% of the cloud-users surveyed started using cloud within the last 12 months. Organisations in the United States are more likely to have started using cloud within the last year than those in Europe. Less than half of the UK cloud-users surveyed have begun adopting cloud computing in their organisations within the last 12 months. However, UK cloud users tend to have been early adopters and over half of them adopted the solution more than a year ago.

Figure 8: When did you start using cloud computing in your organisation?



Organisations embrace Enterprise grade cloud

Due to some limitations of consumer-orientated clouds for enterprise applications, more than a third of global IT leaders surveyed are currently using enterprise-grade cloud solutions and more than 92% will be using them within the next two years.

Currently, more cloud-users in Europe and the USA are using enterprise-grade cloud infrastructure services than those in the UK. UK organisations, however, are likely to catch up with the rest and within two years lead the adoption of enterprise grade cloud.

In the race to adopt enterprise-grade cloud infrastructure, the media, entertainment and publishing industry are the clear leaders, closely followed by the public sector, retail/consumer brands and financial services.

Top enterprise-grade cloud adopters	
Media, entertainment and publishing	48%
Public sector	39%
Consumer brands	39%
Financial services	35%

The top four elements considered vital by IT leaders to make cloud computing enterprise-grade are: security, high availability, enterprise-level performance and appropriate SLAs, which are highlighted in Table 1 (next page). These were the same top elements considered most vital in our previous survey in 2010. UK organisations are clearly ahead of the pack when it comes to their expectations of an enterprise grade cloud solution on most of these parameters.

“UK organisations are clearly ahead of the pack in their expectations of an enterprise grade cloud solution.”

Figure 9: Is your company planning to use or using enterprise-grade cloud?

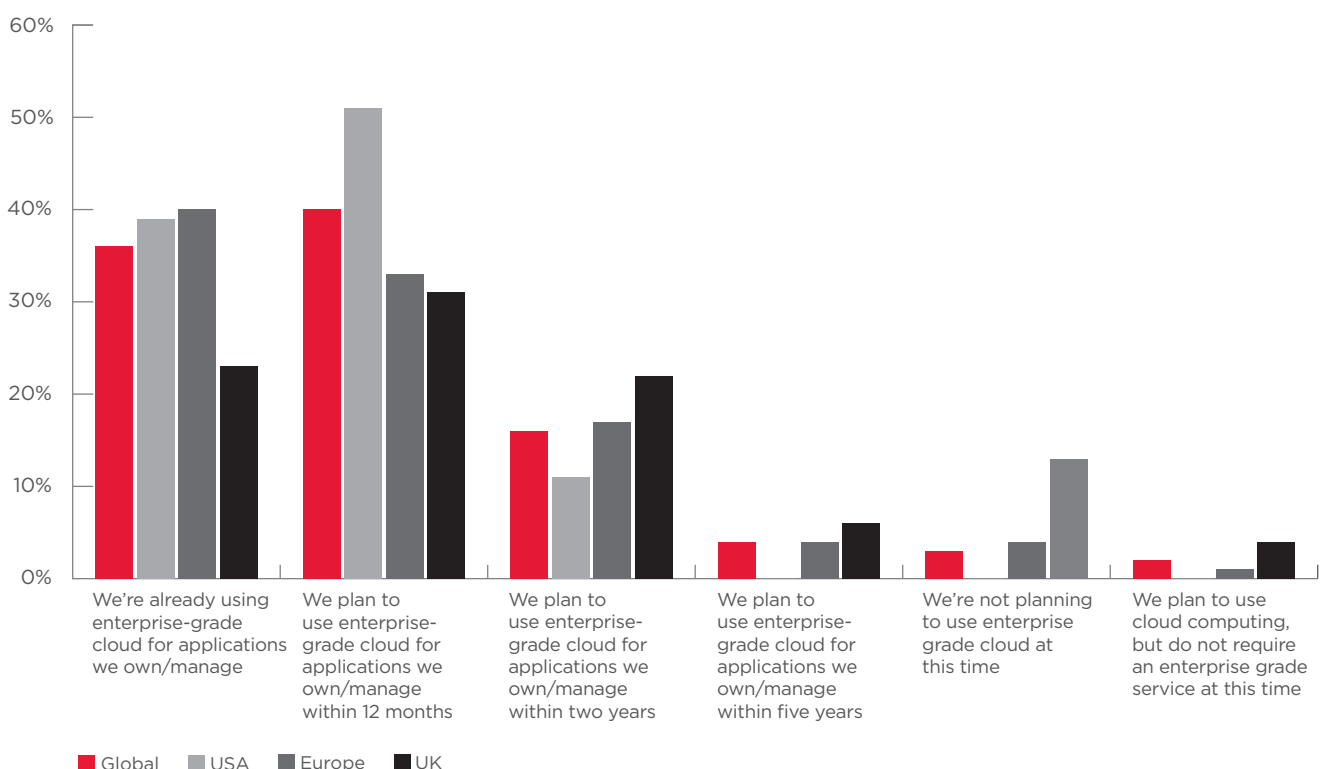


Table 1:

What elements of cloud services do you consider to be vital to make them enterprise grade?	Global	USA	Europe	UK
Full security	64%	70%	62%	68%
High availability	54%	52%	58%	71%
Enterprise level performance	47%	54%	45%	59%
Choice of SLA levels	35%	35%	34%	50%
Availability of committed / non contended resources	34%	34%	34%	29%
Portal features and functionality	34%	42%	28%	29%

Enterprise preferences – private, public or hybrid clouds

Of the three available cloud models, IT leaders globally have a strong preference for private cloud services, followed by a hybrid model.

“More IT leaders across the globe are using cloud services throughout their organisation to support a range of applications.”

Table 2:

What elements of cloud services do you consider to be vital to make them enterprise grade?	Global	USA	Europe	UK
Private clouds	38%	43%	39%	41%
Public clouds	15%	14%	12%	10%
Hybrid cloud model	28%	28%	25%	26%
No	16%	14%	20%	22%
Don't know	3%	1%	4%	1%

Enterprise usage of cloud

As the use of cloud computing has increased, so too has confidence in its capabilities, as shown in Figure 10. More IT leaders across the globe are using cloud services throughout their organisation to support a range of applications. Globally, batch processing is the application least used in the cloud and storage and non-mission critical applications are most commonly used. Confidence in the ability of cloud-technology is greatest in the United States where the six different types of applications are used in the cloud more than in Europe, or specifically in the United Kingdom. UK IT leaders are more likely to use non-mission critical applications in the cloud.

Figure 10: To what extent does your organisation use/plan to use cloud computing for applications it owns/manages? Answered: ‘Partly using’ or ‘Using throughout’

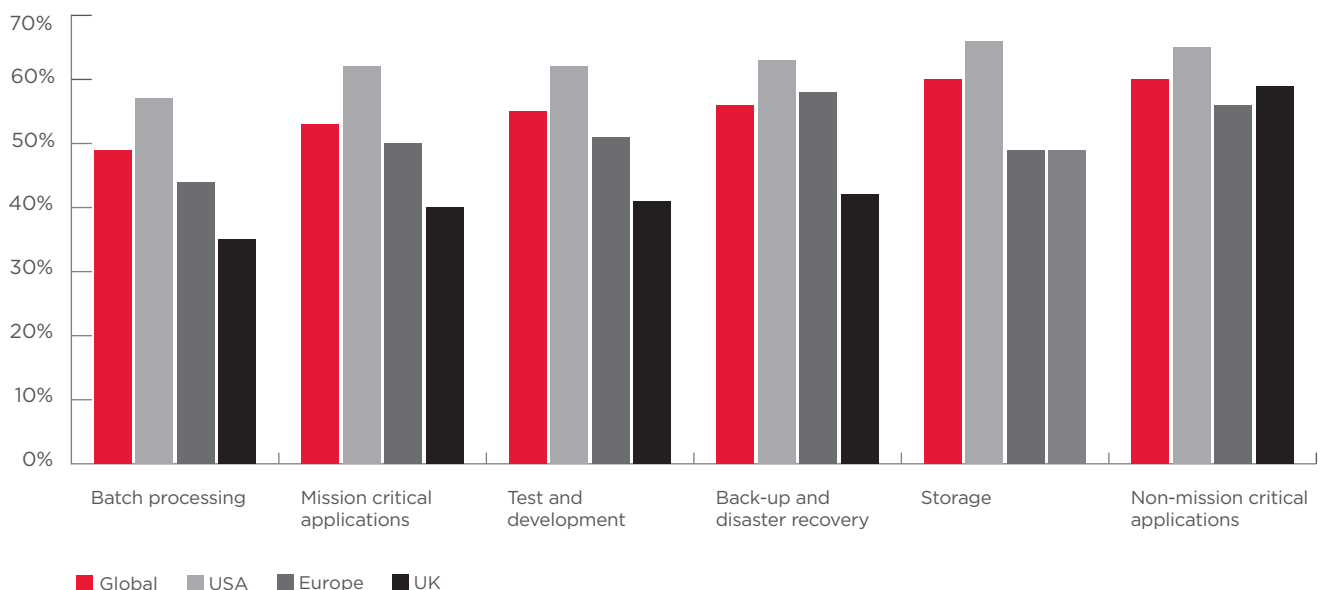
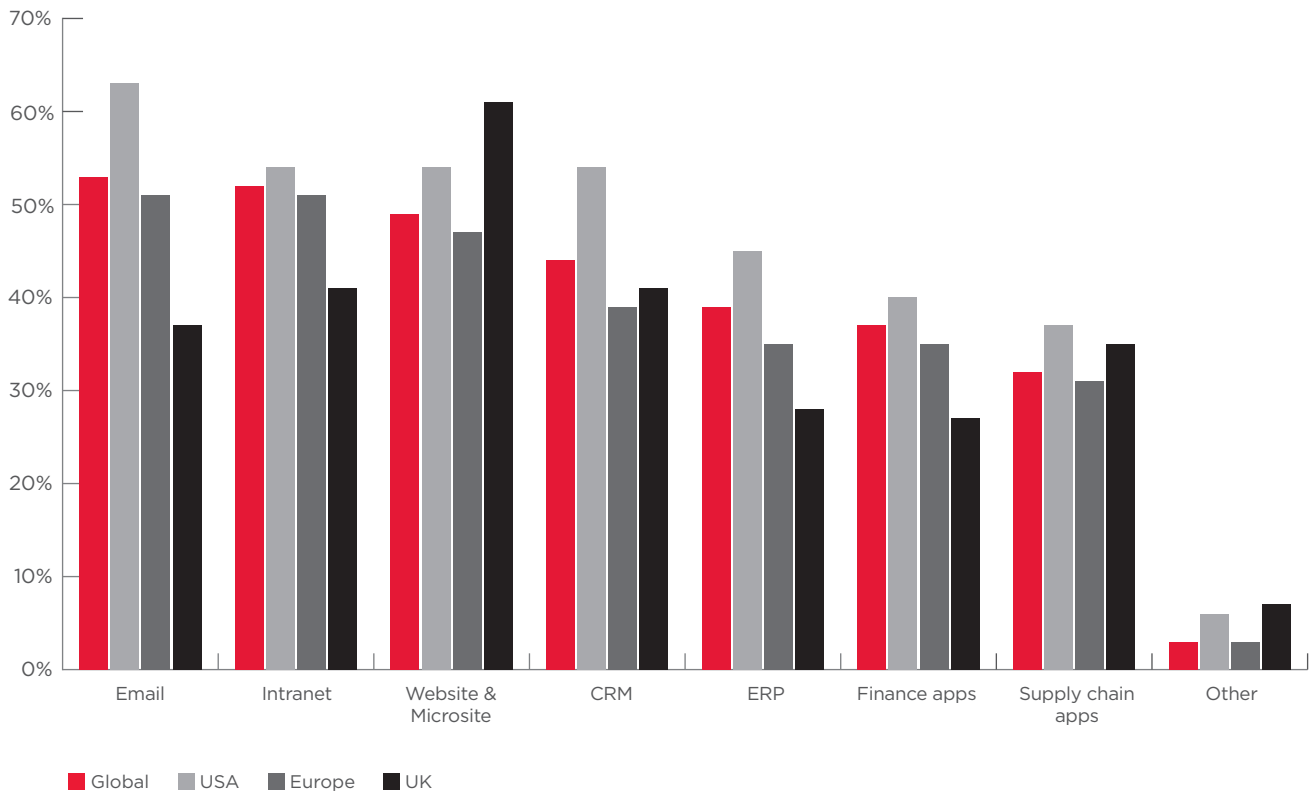


Figure 11: Which of the following applications are you currently putting in the cloud?



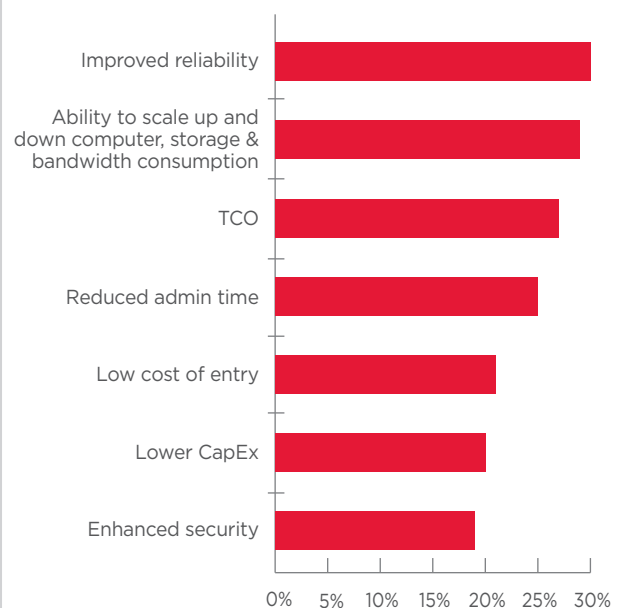
Applications in the cloud

The most popular applications for enterprises to put in the cloud are email and Web-based applications, including websites, intranets and microsites. In the UK, enterprises are using the cloud for their websites and microsites more than any other application. The differences in applications used across the globe are highlighted in Figure 11.

The benefits of cloud for the enterprise

For users of cloud computing, the benefits experienced are multiple and wide-ranging. 90% of users globally are experiencing the benefits of cloud computing solutions, even if they are relatively early into their uptake. The most important benefit is improved reliability, followed by scalability and lower total cost of ownership (TCO) for their whole infrastructure, as highlighted in Figure 12. UK organisations list TCO reduction followed by scalability and improved reliability as top three benefits of cloud computing.

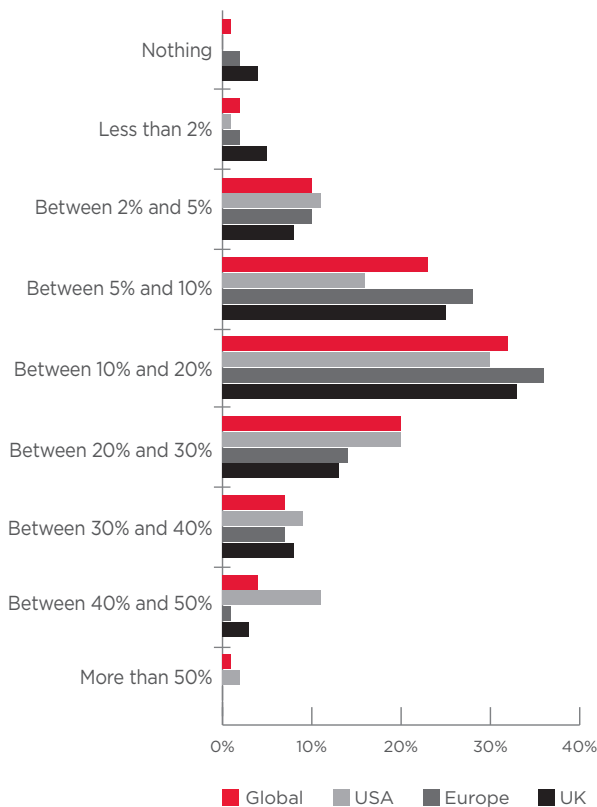
Figure 12: What are the most important benefits of cloud computing?
Cloud users 2011



Cost savings through cloud

IT leaders on average are expecting cloud computing to save 17% of their IT budget and 68% are looking to save at least 10%, as shown in Figure 13 specifically by using cloud computing. More IT executives in the UK have cost saving expectations, with 76% of them planning to use cloud computing to save at least 10% of their IT budgets.

Figure 13: As a percentage of IT budget how much are you planning to save via the use of cloud computing?



In addition, a quarter of global cloud users believe that cloud computing can contribute significantly to a business growth strategy and 70% believe cloud computing can have this effect to at least some extent.

Barriers to cloud adoption

If eight in ten organisations globally are now using cloud computing, what is stopping non-adopters from starting the journey to the cloud?

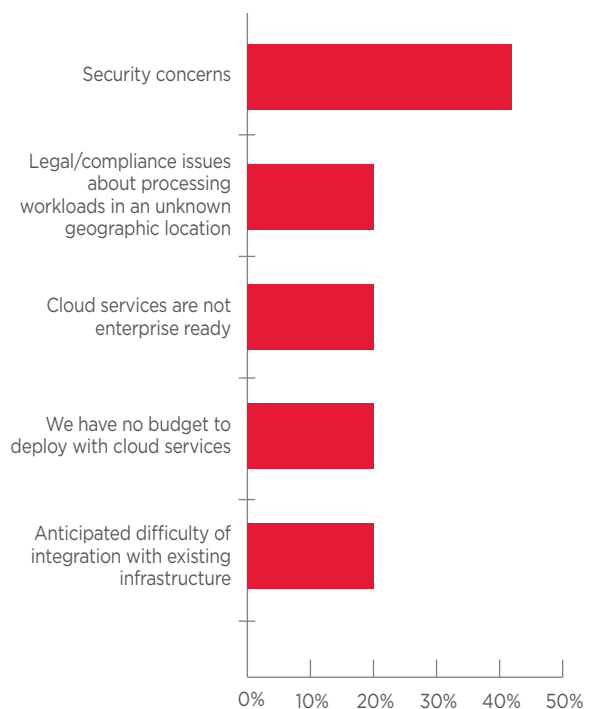
Security

As we saw in our previous research last year, the biggest barrier to cloud adoption amongst non cloud users is the concern about security (Figure 14). Although this has decreased from 52% in 2010 to 42% today, security and the perceived risk is no doubt a big obstacle for IT leaders to navigate around this year and is the reason why private cloud solutions have become so popular in the industry today.

Interestingly, security is the biggest barrier to cloud adoption yet only 64% of global enterprise cloud users have a formal process in place for assessing the security practices of their cloud provider.

In addition, more than 40% of enterprises are using cloud infrastructure services without an enterprise-grade SLA in place. For organisations in the UK this is a legitimate concern and, with only 32% operating without this safety net, UK IT leaders are more aware of enterprise grade SLAs than their counterparts elsewhere. The public sector is leading the field with 71% of IT leaders ensuring that they have high levels of SLAs in place.

Figure 14: What are the reasons for not using cloud computing within your organisation?



Business barriers

Four in ten organisations report that a major barrier to adopting cloud computing is a lack of understanding of the technology by business decision-makers. This was confirmed in the results of our 2010 research when 84% of business decision makers admitted to not understanding cloud and the benefits it could provide their organisation.

The other two main barriers were budget and resource support to research or implement cloud services and a skills-set shortage in-house. Figure 15 shows that UK organisations are most likely to report a lack of understanding by business decision makers and budget constraints as barriers to cloud adoption.

Cloud challenges

With cloud infrastructure solutions reducing time-to-market and reducing costs, it is anticipated that more department managers will look to the cloud to implement new solutions for their function. Our survey revealed that half of IT leaders think it will be a challenge for IT departments to control the purchasing of cloud-based solutions by internal

department heads (Figure 16). This concern is most prevalent in the USA and less of a concern in the UK.

Based on this concern, it is no wonder that 63% of global IT leaders think more needs to be done in the industry to advise enterprises on cloud computing governance.

Figure 16: Do you think it will be a challenge for IT to control the purchasing of cloud-based solutions by internal departments?

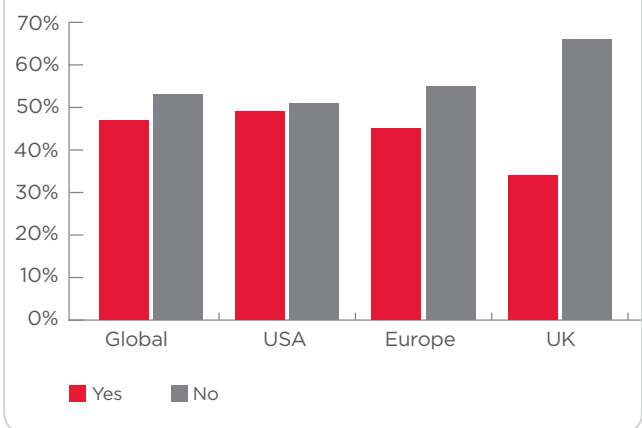
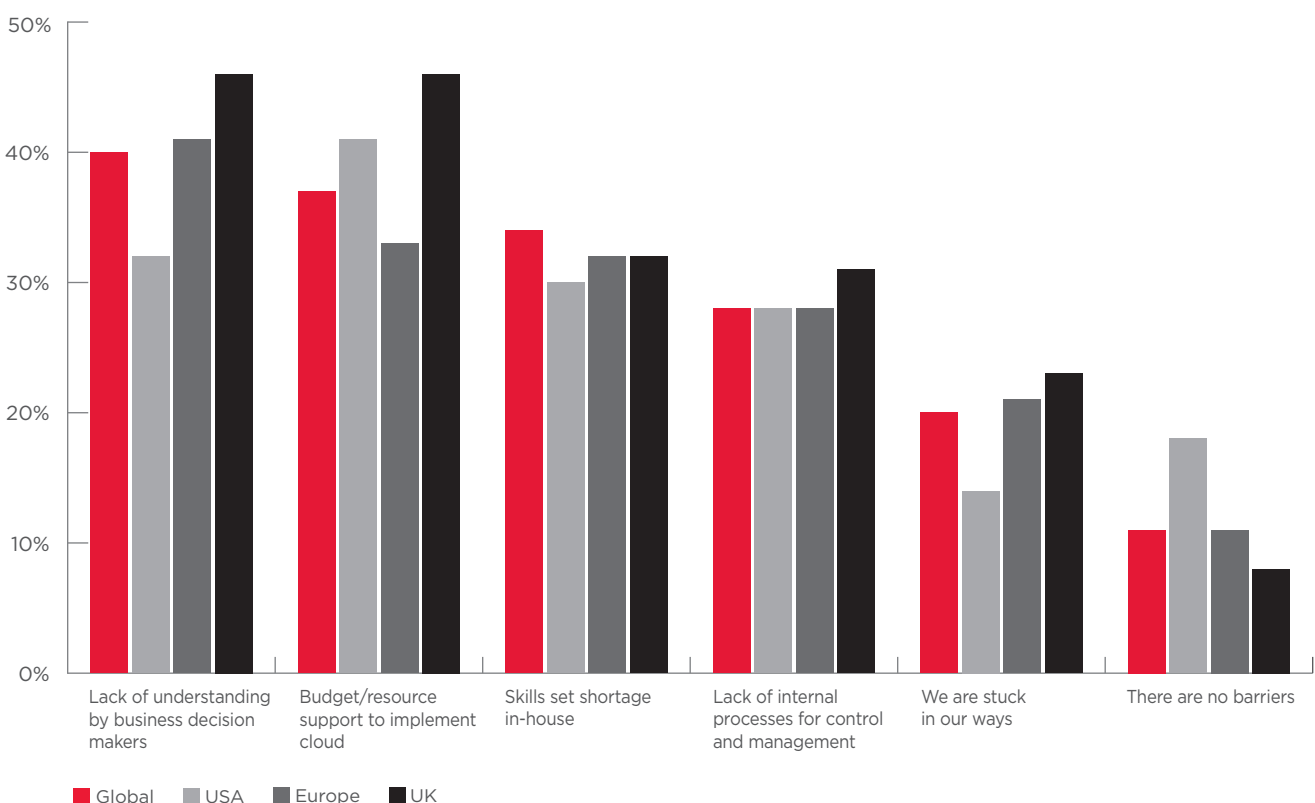


Figure 15: What are the major barriers in your organisation that affect the uptake of cloud services?



Conclusion

Our recent research strongly indicates that cloud computing is now — and will continue to be — an integral part of an enterprise's strategy.

Continued confidence in the cloud and access to enterprise-grade cloud infrastructure solutions, such as those offered by Savvis, is driving organisations to place a wider range of applications in the cloud. Research shows that organisations in the UK are more aware of the benefits of enterprise grade cloud, and are ahead of other countries in Europe in their adoption of private and secure cloud solutions.

For these organisations, the benefits of cloud computing are wide-ranging, delivering more efficient and cost-effective IT without restricting business performance. There are still challenges to cloud adoption, however, with security the most notable concern. Thanks to the arrival of enterprise-grade cloud solutions, a trusted provider like Savvis can reduce the risk or concerns of migrating to the cloud through secure, scalable and high performing cloud services to meet an organisation's needs now and in the future. Not all clouds are created equal so be sure to carefully evaluate your chosen cloud provider. By offering leading end-to-end, enterprise grade SLAs, Savvis is best positioned to capture this changing IT delivery paradigm that is shaping the industry.

The Savvis Symphony Suite Of Cloud Solutions

Savvis has been delivering hosted IT solutions (colocation, managed hosting and now cloud) for more than 15 years. Transform your enterprise with the Savvis suite of enterprise cloud solutions:

Savvis Symphony VPDC is a multi-tenant public cloud infrastructure, which provides complete virtual private data centres with multi-tiered security and service profiles, and hourly billing with no long-term commitments.

Savvis Symphony Dedicated is a secure, dedicated private cloud infrastructure, which provides virtualised hosting, full capacity management and customisable monitoring.

Savvis Symphony Open is a multi-tenant public cloud infrastructure, which provides virtualised hosting in a flexible, global, hybrid-enabled environment, and is suitable for a wide range of web hosting and enterprise applications.

Savvis Symphony Database is a complete Oracle or Microsoft SQL Server solution. With no long-term licensing or server provisioning, Savvis Symphony Database gives you instant availability and instant scalability.

For more info visit cloud.savvis.com

About the Research

This independent survey was commissioned by Savvis and conducted with 480 CIOs, IT Directors, Heads of IT and Senior IT Managers of global large enterprises based in the USA, UK, France and Germany and was completed in March 2011. The research was conducted by Vanson Bourne, a research based technology marketing consultancy offering clients analysis and advice based on incisive, rigorous research into their market environment. The research used an online fieldwork methodology and all research carried out by Vanson Bourne adheres to the latest MRS Code of Conduct. Demographic detailing both respondent communities includes industry sector, country in which the respondents were based and size of business.

About Savvis

Savvis, a CenturyLink company, is a global leader in cloud infrastructure and hosted IT solutions for enterprises. Nearly 2,500 unique clients, including more than 30 of the top 100 companies in the Fortune 500, use Savvis to reduce capital expense, improve service levels and harness the latest advances in cloud computing. For more information, please visit www.savvis.co.uk or www.centurylink.com



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