CLOUD INDUSTRY FORUM

SME

Cloud – the next generation: future scenarios - SMEs

INGRAM MICRO®

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The digital transformation of small and medium-sized enterprises

We are entering a period of fundamental change where every business, and every person, is using technology to change how they get things done, lowering the barriers to entry to new markets and enabling the development of new business models and services. The net result is unprecedented levels of disruption and it is small and medium-sized businesses – the backbone of the economy – that are leading the charge.

The ability to access core IT capabilities as-a-service, without having to own or maintain them (the properties embodied by cloud-based services) has levelled the business playing field significantly, enabling SMEs to take advantage of technology that was once the reserve of only the largest enterprises. Furthermore, with less tech debt to contend with than their larger counterparts, SMEs are well-placed to steal a lead on innovation with new and emerging technologies and disrupt their markets.

With this in mind, the Cloud Industry Forum commissioned this research, in association with Ingram Micro Cloud, to understand how far along UK-based SMEs are in their journeys towards digital transformation and the challenges they face along the way.

The results confirm that digital transformation has firmly taken hold within the SME community and that cloud is playing a central role in these businesses' transformation efforts. Almost nine in ten (88%) SMEs report that they have formally adopted at least one cloud-based service and the vast majority agree that cloud is the key enabler for the digital transformation of their organisation.
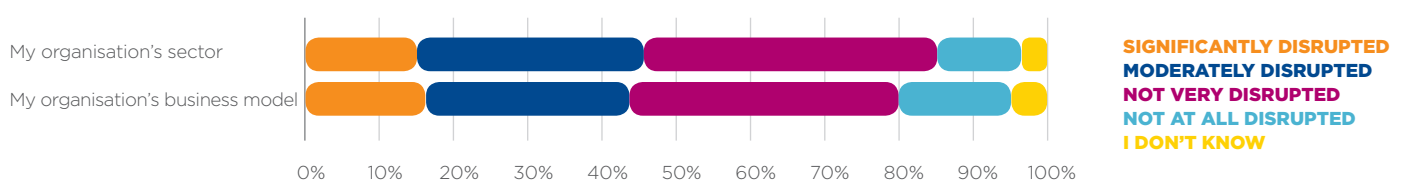
The reasons for SMEs' enthusiasm for cloud are many, though the most commonly-cited drivers for the adoption of the delivery model are the greater flexibility in IT spend that it offers, followed closely by its scalability, and the promise of greater business agility. And, encouragingly, cloud is in large part delivering on these counts, enabling SMEs to work smarter and faster, and to rapidly react to changing market conditions.

Cloud is, however, very much the starting point of digital transformation for SMEs and an increasing number are already leveraging cloud infrastructure to explore a range of next generation technologies. Indeed, thanks in no small part to their size and agility, the data reveals that SMEs are significantly further ahead in the adoption of Artificial Intelligence (AI), blockchain and the Internet of Things (IoT) than large enterprises.

That being said, while there is clear enthusiasm for emerging technologies amongst SMEs, the results indicate that change for many doesn't come easy for many. Skills shortages, cybersecurity challenges and budget restrictions are just some of the issues that need to be addressed before the SME community can fully embrace digital transformation and seize competitive advantage.

With limited internal IT resources, these challenges are to be expected, though the results clearly highlight the critical role of the vendor and channel in helping SMEs on their digital transformation journeys and enabling them to embrace a smarter future.

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To what extent do you think that your organisation's sector and business model will be disrupted by digital transformation in the next two years?

My organisation's sector

My organisation's business model

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

SIGNIFICANTLY DISRUPTED
MODERATELY DISRUPTED
NOT VERY DISRUPTED
NOT AT ALL DISRUPTED
I DON'T KNOW

1 SMEs leading the charge on digital transformation

Digital transformation is rapidly gaining ground amongst small and medium-sized businesses. Almost six in ten (57%) report that they either have a digital transformation strategy in place or are in the process of implementing one. In addition, some 87% expect to have a strategy in place by the end of 2019, as they seek to counter rising levels of disruption.

However, there are doubts about how effective these strategies will be, with seven in ten reporting that their strategy could be clearer, and almost half (45%) stating that they lack the skills they need for successful transformation.

Does your organisation have a digital transformation strategy?
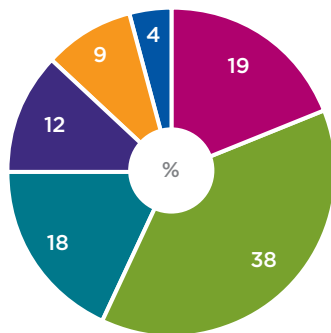
YES — 19
YES, WE ARE CURRENTLY IMPLEMENTING ONE — 38
NO, BUT WE INTEND TO HAVE ONE IN THE NEXT 12 MONTHS — 18
NO, BUT WE INTEND TO HAVE ONE IN THE NEXT 24 MONTHS — 12
NO, WE DO NOT INTEND TO HAVE ONE IN THE NEAR FUTURE — 9
I DON'T KNOW — 4

Almost half (45%) stated that they lack the skills they need for successful transformation

2 Cloud adoption accelerating

Nine in ten (88%) currently use cloud-based services and the vast majority (80%) expect to increase their usage over the next 12 months. Significantly, while adoption remains relatively shallow today, within three years, the amount spent on cloud infrastructure (22%) is set to far surpass that spent on on-premise (11%) as SMEs decommission legacy technologies and embrace new, more innovative ways of working.

The OpEx, on-demand, and scalable nature of cloud-based services sit at the heart of their appeal for SMEs, though a significant proportion are turning to cloud to remove the burden of server management from internal IT teams. This, in turn, is enabling IT departments to focus on other value-added activities and accelerate digital innovation.

A significant proportion are turning to cloud to remove the burden of server management from internal IT teams

Why is your organisation utilising cloud-based services?

| 36%	36%	33%	32%	29%	28%
FLEXIBLE IT	CLOUD SCALABILITY	REPURPOSE IT SKILLS	BUSINESS AGILITY	TRUSTED IT PARTNER	COST SAVINGS

3   Embracing the next generation

Respondents were clear in their belief that cloud is essential for next generation technologies to function, thanks not only to the flexibility of the delivery model, but also because it helps to reduce the financial and business risk historically associated with new IT projects. This in turn is enabling the SME community to start exploring new technologies such as AI, blockchain and IoT, and while it is still relatively early days, respondents clearly recognise the potential that these technologies hold.

Around four in ten SMEs believe that IoT (45%) and blockchain (42%) will be critical or very important for their organisations in the next five years, and 39% think the same of AI, and spend on these technologies is set to increase accordingly.

Four in ten SMEs believe that IoT, AI and blockchain will be critical or very important for their organisations in the next five years

Are you already utilising any of these next generation technologies?

YES
YES, IN A PILOT PROJECT
NO
I DON'T KNOW
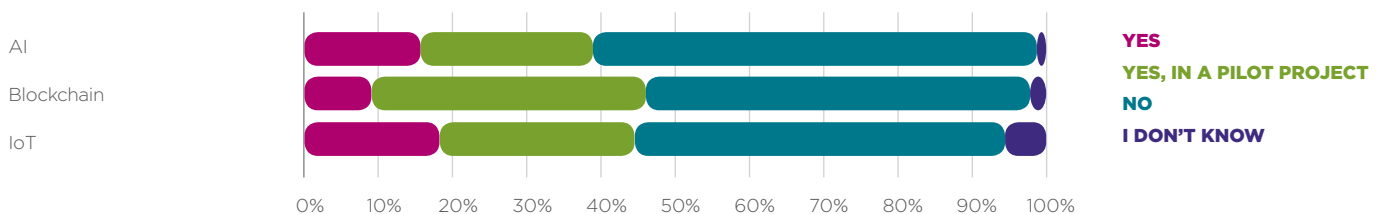
4   Barriers to transformation

Despite clear enthusiasm for digital transformation and next generation technologies, four in five SME respondents identified barriers to their adoption of some sort. A number of respondents cited concerns about security and skills, though the most commonly-cited barriers drew back to the newness on the technologies and a lack of clarity around ROI.

It is clear that SMEs will require greater assistance from the vendor and channel community to safely and effectively embrace these technologies.

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What is preventing your organisation from utilising the following next generation technologies?

	AI	Blockchain	IoT
The technology is too new	25%	28%	24%
Security concerns	19%	28%	25%
We don't have the skills	28%	22%	20%
The use cases aren't clear enough for us	26%	22%	18%
The ROI is unknown	18%	15%	22%
We haven't found the right partner	14%	17%	23%

Conclusion

With the digitisation era upon us, technologies such as AI, blockchain, Cybersecurity and IoT are already providing a variety of incredible benefits for consumers, employees and business owners across the world.

This research confirms that SMEs in particular are alive to the possibilities that these technologies present for helping them work faster, support their employees and transform the way that they serve their customers, and, as such, are starting to build them in to their roadmaps.

SMEs are increasingly aware of the disruption that is on the way, so it should come as little surprise that digital transformation is a top priority for many SME business - including for the channel partners who serve them. Cloud is the key enabler of all of this and respondents clearly recognise that the flexibility, scalability and agility offered by the delivery model can free them up to take more risks, embrace innovation and develop new routes to market.

However, despite this growing enthusiasm for next generation technologies, our research indicates that the SME community has a range of barriers to navigate before it can fully embrace digital transformation. Just under three in ten (29%) have a fully formed digital transformation strategy in place, and skills shortages, security challenges and budget restrictions are rife amongst the UK's small and medium businesses.

Channel partners therefore have a crucial role to play in the ongoing digital transformation of SMEs. They stand between the end user and the wider technology ecosystem, where they're perfectly placed to advise businesses and show them how to get the best out of the cloud. To do this, they need to equip themselves with right offering, learn the challenging decisions their customers face and align these to industries, which in turn will enable their customers to seize competitive advantage.

Many end users have a long-held belief that buying directly from the vendor provides the best value, but the level of expertise, support and flexibility that channel partners offer demonstrates that they may present a more compelling option. Ultimately, this creates a fantastic opportunity for the channel to situate itself in the driving seat and advise businesses on the correct tools, systems and training programs to capitalise on the benefits of digitalisation transformation.

AI, blockchain, Cybersecurity and IoT are already providing a variety of incredible benefits for consumers, employees and business owners worldwide

The level of expertise, support and flexibility that channel partners provide offers a better option for end users than buying direct from vendors

Scott Murphy
Cloud and Advanced Solutions Director
Ingram Micro

CLOUD INDUSTRY FORUM SME

About

Ingram Micro Cloud is a Master Cloud Service Provider (MCSP), offering channel partners and professionals access to a global marketplace, expertise, solutions and enablement programs that empower organisations to configure, provision and manage cloud technologies with confidence and ease.

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The Cloud Industry Forum (CIF) was established in direct response to the evolving supply models for the delivery of software and IT services. Our aim is to provide clarity and advice for end users when assessing and selecting Cloud Service Providers based upon the clear, consistent and relevant provision of key information about the organisation/s, their capabilities and operational commitments.

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