The transformational impact of cloud
Executive summary

The last couple of years have seen some extraordinary demands placed on IT systems and departments in the face of Covid-19. It is undeniable that cloud, often public or hyperscale cloud, played a key role in businesses’ abilities to respond quickly to these unprecedented challenges.

As we exit the pandemic, we are seeing organisations adopt a more strategic approach, with leaders looking much more closely at how they deliver services flexibly and economically in the future. The term “cloud” is and has been used in broad terms for several years, but what does it mean to businesses going forward? Public and hyperscale cloud absolutely have their place and will continue to grow, but are far from the only choice available to companies on their cloud journey.

What is now evident is that public cloud adoption is stagnating, with more and more businesses showing a preference for a hybrid approach. At Fujitsu, we completely share the view that the choice of cloud approach is very much a workload-dependent decision. There are applications and workloads perfectly suited to a cloud or SaaS approach, however, the time, risk and cost associated with refactoring and migrating legacy workloads are increasingly seen as key barriers to successful cloud adoption.

This paper aims to delve deeper into these challenges and examine hybrid cloud’s role in helping organisations overcome them.

Methodology and sampling

Between late 2021 and early 2022, Vanson Bourne conducted a major research project on behalf of the Cloud Industry Forum, designed to assess the state of play regarding cloud adoption, how organisations have coped with the challenges of the last couple of years, and what needs to be done to address any lingering issues. The survey polled 250 senior IT and business decision-makers in large enterprises and SMEs across a range of sectors. All of those represented have UK operations.

How many employees does your organisation have globally?

- 50 - 99 EMPLOYEES: 32
- 100 - 249 EMPLOYEES: 12
- 250 - 499 EMPLOYEES: 8
- 500 - 999 EMPLOYEES: 8
- 1,000 - 2,999 EMPLOYEES: 18
- 3,000 OR MORE: 8

Within which sector does your organisation operate?

- PUBLIC SECTOR: 14%
- IT & TECHNOLOGY: 23%
- MANUFACTURING: 21%
- BUSINESS & PROFESSIONAL SERVICES: 21%
- RETAIL: 21%
- FINANCE SERVICES: 0%
A bright future for cloud?

Digital transformation: the state of play

A good place to start is to examine where organisations are in their digital transformation journeys, particularly how their plans have been impacted in the last two years.

Does your organisation have a digital transformation strategy?

The above charts demonstrate how digital transformation strategies are now firmly established in the minds of business leaders. Almost half (45%) already have a strategy in place, while 36% adapted to the demands of the pandemic and brought their implementation plans forward accordingly. SMEs were less likely to have strategies in place compared to enterprises (40% vs 47%), while they were also more likely to have accelerated their plans (42% vs 34% for enterprise).

Which of the following is closer to your organisation’s position with its digital transformation strategy plan?

Looking to the future, a large majority (83%) have a clear idea of how their strategy will develop, which underlines the greater sense of stability permeating businesses as we emerge from the pandemic.
Cloud continues to make the difference

To what extent do you agree or disagree with the following statements?

Moving to the cloud has simplified the challenges the IT department in my organisation faces
My organisation struggles to keep up with new cloud technology
A multi-cloud environment is now crucial for my organisation to operate efficiently
Cloud technology has introduced more complexity to my organisation
We have a greater number of IT projects in flight than we did three years ago
Cloud is the key enabler for my organisation in the future
The mass shift to remote working means that the cloud is more important than ever
The cloud has been critical to helping us manage during the pandemic
My organisation believes that cloud is the key for digital transformation

When asked about the impact cloud has had on businesses, 80% agreed that cloud migration has simplified the challenges faced by the IT department, which is a powerful endorsement of its ability to make a real difference. In a similar vein, 81% agreed that cloud has been critical in helping their company manage during the pandemic, while 83% consider it a key enabler for the future.

On the flip side, the above chart also reveals some of the cloud-related challenges that respondents still face. For example, 58% agreed that their business struggles to keep up with new cloud technology. Meanwhile, 57% said cloud has introduced more complexity to the organisation, with this figure rising to 72% for SMEs.

Clearly there remains room for improvement in terms of fully maximising cloud’s potential, especially considering the importance of hybrid cloud arrangements and effective long-term remote working. The good news is that businesses should now have greater opportunity to focus on these goals, namely ensuring that businesses have access to the right cloud for the right workload.

1 See, for example, McKinsey & Company, COVID-19 digital transformation & technology, October 5, 2020.
Progress made, but plenty more to be done

Signs of stagnation?

What proportion of your organisation’s IT infrastructure is hosted in the cloud?

While cloud take-up has generally been on an upward trajectory for many years, there are clear signs that hybrid IT is the direction of travel for most organisations. The average proportion of IT infrastructure located in cloud is now 48%, which is actually a decline from 50% in 2020. While only a small reduction, it suggests that barriers to further adoption remain, possibly exacerbated by the pandemic.

What is your organisation’s current cloud technology approach?

The above highlights the prevalence of hybrid arrangements, with 60% of organisations reporting a preference for a blend of cloud and on-premises infrastructure. This is lower for SMEs, however (51%). Cloud-first has a strong foothold on 36%, with this figure rising to 44% for SMEs and dropping slightly to 34% for enterprises. In any case, it remains some distance behind hybrid.
Reasons for challenges

What is preventing your organisation from fully advancing the use of technology across the business?

The biggest problem on the minds of leaders relates to worries around legacy integration, cited by 44%. This is even more of a concern for SMEs (50%). The perennial challenge of budget constraints is second on 34%, closely followed by security concerns on 32%.

One eye on the future

What are your department’s top three challenges over the coming 12 months? Combination of responses ranked first, second and third

Interestingly, when looking at the immediate future, security rises to the top of the agenda as a key challenge, mentioned by 58% and rising to 66% for SMEs. While it is crucial for cybersecurity to remain a key area of focus, it is encouraging to see that it is no longer the biggest inhibitor of cloud adoption.
3 A clearer future is forecast

Tech priorities

Which of the below are your organisation’s most important IT projects?

With the general population now largely adapted to an increasingly online working life, it seems logical that businesses are prioritising cybersecurity projects, with 58% ranking it high on their list.

Cloud migration ranks second at 42%, a figure that has increased from just 24% in 2020. This is an encouraging sign that cloud remains front of mind for decision-makers as we enter a period of greater stability. However, this figure decreases to 34% in SMEs, suggesting that smaller companies are not as far along in their cloud journeys as larger enterprises.

While remote working has shown a decline from 47% in 2020 to 41% in 2022, it remains in the top three priorities for businesses. This reduction may be due in part to an increased desire to get employees back to the office to help rebuild camaraderie and team spirit, while maintaining remote working as part of a hybrid strategy.
In line with the previous chart, the above shows that 89% of respondents consider network security either very important or critical to their organisation in the next five years. This is followed by cloud infrastructure (80%) and cloud SaaS (68%).

Do you expect your organisation’s adoption of cloud services to increase over the next 12 months?

The future for cloud continues to look promising. This is exemplified by the fact that 88% of respondents expect their adoption of cloud services to increase in the next 12 months. The results are reflective of an industry-wide embrace of cloud's capabilities, with the vast majority of businesses committed to continuing their cloud projects in some way.
Which of following priorities are most important for your organisation when thinking about working with a cloud managed service supplier? Combination of responses ranked first, second and third

According to the above, price is king when choosing a cloud managed service provider, cited by 53% of respondents. This is followed by a wide range of available services (51%), trust (50%), ability to scale (34%) and a strong relationship between MSP and end user (30%). SMEs tend to value trust more highly than enterprises (60% vs 48%). Sustainability credentials rank low on the list at 25%, suggesting that a passion for ESG doesn’t always translate into practice.
Conclusion

Businesses have much to think about when it comes to the future direction of their IT estate. The working landscape has changed substantially, with remote and hybrid working patterns becoming firmly established, requiring the organisation to quickly adapt to this new normal.

Cloud continues to offer huge potential to help companies deal with the challenges ahead, providing they receive support to make these transformation projects a long-term success. It is clear from this research that many businesses still need a great deal of assistance in this respect, particularly when it comes to integrating legacy applications as cloud-based approaches become increasingly common.

The research highlights that the appetite for hybrid cloud is particularly strong, so we expect the most successful providers to be those who can deliver this effectively for their customers. Our focus at Fujitsu is firmly on helping companies in this endeavour, so we look forward to playing our part in building efficient, future-proofed businesses in the post-pandemic era.

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About

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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.