

Enterprise applications and managed cloud services

269 CIOs share their views

Research Report



IBM **Services for Managed Applications**



Introduction

If you're like most IT leaders, you might find yourself in the middle of a digital transformation as you seek to use cloud for workloads like development, testing or application deployments.

But cloud initiatives can sometimes be hindered by the complexities of business-critical applications like SAP and Oracle. Concerns about data migration, security, data sovereignty or simply gaining support from other lines of business can make it difficult to transform your business with cloud.

If these challenges sound familiar, you're not alone.

In response, leaders are increasingly relying on managed cloud services (MCS) to help accelerate return on investment by delivering the skills to optimize cloud. In addition, MCS removes day-to-day operations from IT staff, allowing them to focus on activities that deliver higher value and business differentiation.

To better understand the challenges and benefits of MCS, Frost & Sullivan, on behalf of IBM, interviewed more than 260 C-suite and senior IT decision makers from companies with at least 500 employees. All respondents either used managed services or were considering managed services for their SAP or Oracle workloads.

Leaders are increasingly relying on managed cloud services (MCS) to help accelerate return on investment in SAP and Oracle for business-critical applications by delivering the skills to optimize cloud.

The goal of the study was to better understand:

- Decision-making processes, challenges and perceived benefits of cloud migration
- Current and future patterns of MCS adoption and SAP or Oracle workload deployment
- Migration to HANA
- Companies' expectations from MCS vendors
- Any significant differences between MCS users and non-users

Top benefits of MCS

Operational and security

As you would probably expect, the privacy challenges of the digital age, the fines for compliance failures and the damage that data breaches can have on a company's brand led **IT leaders to rank improvements to security and compliance reporting for SAP or Oracle workloads as the top benefit of MCS**. The next two highest-ranked benefits were also related to the operations of the business itself. The ability to accelerate delivery of services and applications to users was the second highest-ranked benefit, with improvement to disaster recovery and business continuity coming in third.

Financial and strategic

When asked to nominate the top benefits of MCS, it wasn't surprising to see cost near the top of the list. **But leaders ranked the ability of these services to help them predict and manage costs for SAP or Oracle workloads as more valuable than actual cost reduction**. This ability to predict costs is vital to building the business case for digital transformation.

But cost reduction is still a common benefit. MCS help reduce the costs of acquiring and maintaining hardware and software infrastructures while transforming large up-front capital expenditures to more manageable operating expenditures.

Adoption and deployment patterns

Despite common misconceptions that MCS are more suited for big business, survey results showed commonalities between large and small enterprises in terms of modern technological and business challenges. Regardless of a company's size, the requirements associated with serving customers and suppliers are becoming the same across the board.

With this new status quo in mind, it's important that a MCS provider can scale services to fit the unique needs of a business and its workloads. In fact, many small businesses may argue that they have the same—or even greater—availability needs. Either way, today's managed services should be tailored to the size of the workload, not of the company.

The results of the survey support this widespread adoption of these services. Of all the leaders surveyed from businesses of various sizes, only three percent believed that they will never move to MCS. **Eighty-four percent of respondents have already adopted MCS for their SAP or Oracle workloads or were planning to do so within the next 18 months.**

A critical piece of the IT strategy

Sixty percent of the IT leaders surveyed have adopted MCS to help them get the most value out of enterprise applications in a security-rich environment. Another **24 percent planned to adopt MCS over the next 18 months.** Only three percent of these leaders said they do not think they will ever use MCS (see Figure 1). **Of businesses already using MCS, 76 percent considered these solutions an essential part of their IT strategy** (see Figure 2).



Figure 3. Businesses of all sizes are looking for transformation.

Not just for large enterprises anymore

A company's size did not appear to significantly impact the decision to implement MCS or affect the perceived value of MCS. Instead, these solutions have become common in businesses of all sizes that seek business transformation. Forty percent of MCS users who participated in the study came from organizations with less than 1,000 employees.

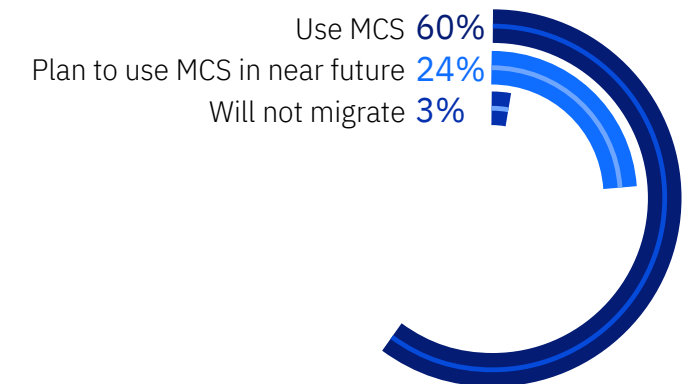


Figure 1. Out of all companies surveyed, 60% have adopted MCS.

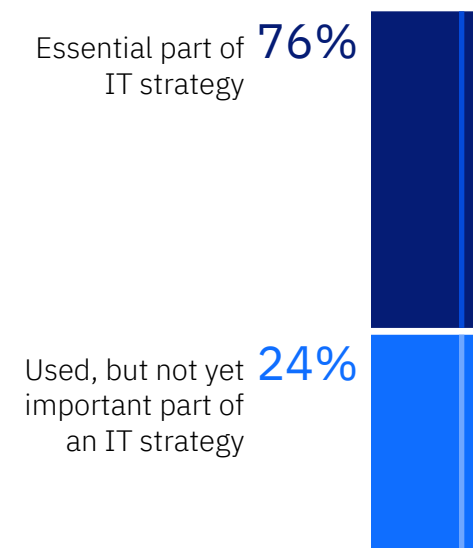


Figure 2. Seventy-six percent of companies using managed cloud services consider it an essential part of IT strategy.

“SAP developed a wonderful, cloud-based HANA platform and businesses want to use it, but leaders recognize that they might not have the in-house skills to optimize these HANA workloads.”

—Lynda Stadtmueller, Analyst,
Frost & Sullivan

Eighty percent migration to SAP HANA

Eight out of ten respondents currently use SAP in their IT environments. Among those SAP users, 26 percent have already migrated to SAP HANA, and another 44 percent planned to do so in the future.

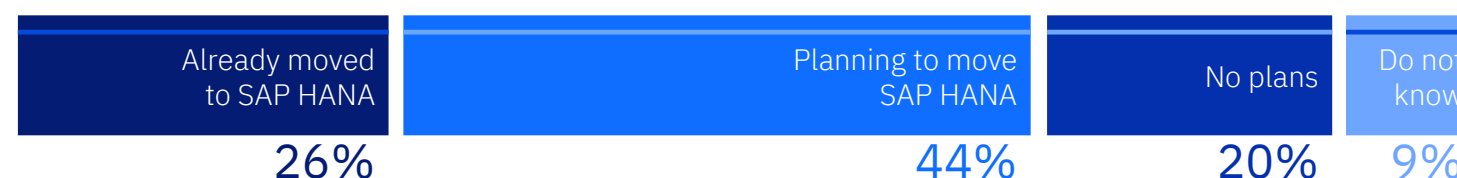


Figure 4. The majority of SAP users have moved or plan to move to SAP HANA.

Only 20 percent of the leaders surveyed had no plans to migrate to HANA (see Figure 4).

Frost & Sullivan analyst Lynda Stadtmueller was asked why she thought a large percentage of clients moving to HANA were using managed services. She responded, “SAP developed a wonderful, cloud-based HANA platform and businesses want to use it, but leaders recognize that they might not have the in-house skills to optimize these HANA workloads. To gain more value on their investment, they’re turning to skilled managed specialists help them manage their SAP HANA environments.”

Challenges to MCS adoption

Concerns with performance and reliability 79%

Benefits of MCS adoption

Improves disaster recovery and business continuity 68%

Figure 5. Leaders report that using MCS can improve disaster recovery and business continuity.

Challenges to MCS adoption

Information security concerns 75%

Compliance or governance concerns 67%

Issues with data sovereignty 67%

Benefits of MCS adoption

Improves security and compliance reporting for SAP/Oracle workloads 76%

Figure 6. Improving security and compliance reporting for SAP or Oracle workloads was cited as the leading benefit of MCS adoption.

Challenges to MCS adoption

Performance and reliability

Among both MCS users and non-MCS users, issues such as application availability and business continuity—as it relates to both planned and unplanned outages—are top of mind. **Seventy-nine percent of leaders reported that concerns around performance and reliability can be the most impactful challenge** to adopting MCS (see Figure 5).

However, businesses using MCS reported significant benefits in these areas. **Sixty-eight percent of MCS users responded that improvements to disaster recovery and business continuity were the most valuable benefits** they had experienced from migrating to MCS (see Figure 5). Further, the optimization of SAP or Oracle workloads and acceleration of application upgrades were among the top-rated benefits related to performance.

Information security

Security is a major concern for IT leaders across all industries and business sizes. Data breaches and leaks may damage a company's reputation and can carry hefty regulatory fines. **Seventy-five percent of respondents reported that information security concerns were a top challenge to adopting MCS.** Along the same lines, **67 percent reported compliance or governance concerns** as a major challenge. Sixty-seven percent said the same for issues with data sovereignty (see Figure 6).

But leaders who use MCS reported significant benefits in these areas. **Seventy-six percent of MCS users said that improved security and compliance reporting** for SAP or Oracle workloads were among the most valuable benefits that resulted from these solutions (see Figure 6).

When asked about vendor requirements, more than 70 percent of respondents noted the importance of finding a vendor partner that:

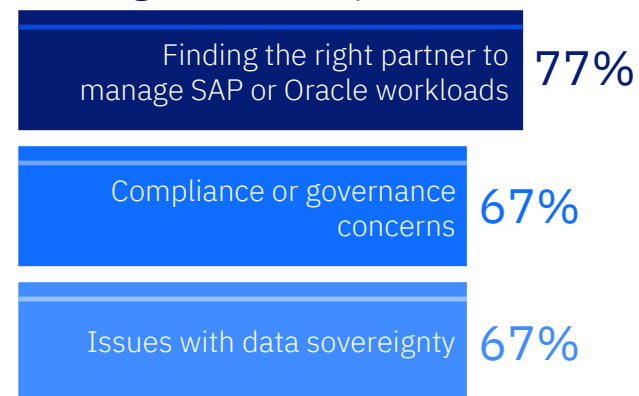
- Works closely with SAP and Oracle
- Provides service parameters that fit their needs
- Offers tiered security options
- Delivers end-to-end service level agreements (SLAs)
- Possesses global data centers where they did business
- Facilitates access to intelligence and analytics

Partnership matters

Because most companies' mission-critical data and applications reside in their SAP or Oracle environments, selecting the right MCS provider is vital. In fact, **77 percent of leaders said that finding the right partner to manage these workloads was a major challenge** of MCS adoption (see Figure 7).

The benefits reported by MCS users reinforce the importance of making the right decision. The right provider helps develop an effective strategy that can benefit multiple areas of your business. **Sixty-eight percent considered the improved ability to provide better customer service as a top benefit.** Fifty-seven percent called out the increased speed to market for new SAP or Oracle functionalities, while 55 percent reported that MCS had enabled them to refocus on higher-value work (see Figure 7).

Challenges to MCS adoption



Benefits of MCS adoption

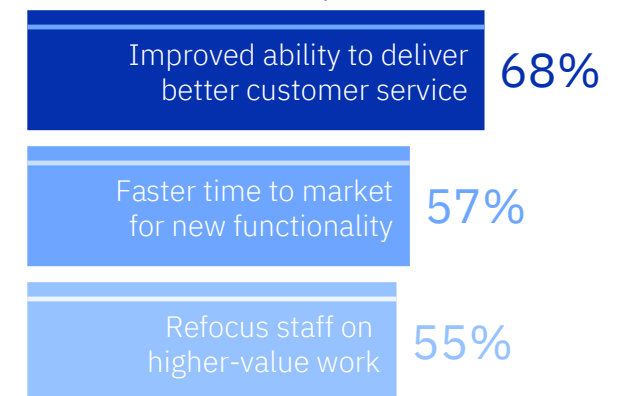


Figure 7. The benefits reported by MCS users reinforce the importance of finding the right partner for MCS.

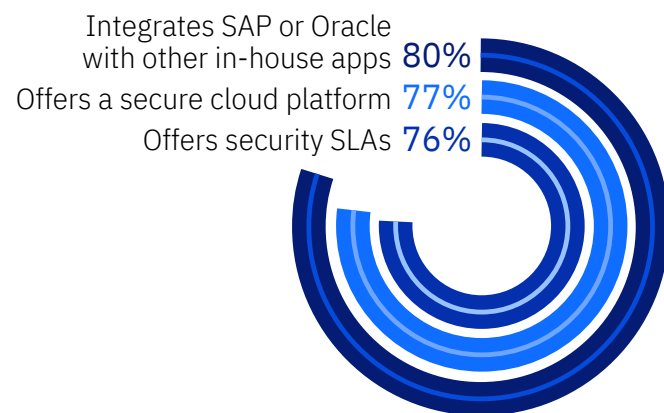


Figure 8. *Integration with in-house apps and a security-rich environment backed by SLAs are the leading vendor attributes that IT leaders are looking for.*

Challenges to MCS adoption

Concerns that cost may be higher than expected 62%

Benefits of MCS adoption

Can predictably manage IT costs and resources 68%

Figure 9. *Although leaders cite cost concerns, they also acknowledge cost advantages realized from MCS.*

These decision makers also shared their desire for a more seamless, connected IT environment to create additional business value. When it came to finding the right partner, the top-ranked vendor attribute was the ability to integrate SAP or Oracle with other in-house applications. **Eighty percent wanted a vendor that can integrate their SAP and Oracle cloud apps with their in-house apps.** Creating a security-rich cloud deployment backed by SLAs was also a high priority when choosing a MCS provider (see Figure 8). Companies are also seeking vendors that understand the platforms and environments that run their core business and can work with them to decide how to best migrate SAP applications and environments in the cloud.

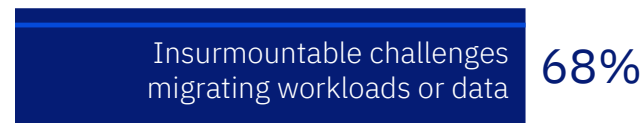
The expected value of MCS extends beyond the daily management of cloud infrastructure and environments. These **IT decision makers also look to their MCS provider for consultative services** to help build a business case for cloud, migrate their environments and optimize legacy workloads to run in a cloud deployment.

Cost

Most IT budgets are remaining flat or even declining. At the same time, businesses are increasingly relying on IT to drive the innovation and transformation that will carry them into the future. **Sixty-two percent of leaders said that concerns about MCS adoption costs being higher than expected could be a significant inhibitor** to adoption (see Figure 9).

But the potential cost benefits of MCS are evident in the responses of MCS users. **Sixty-eight percent of MCS users said the ability of these services to help predictably manage IT costs and resources for SAP or Oracle workloads was highly valuable.** Companies using these services also reported benefits from reduced hardware and software maintenance costs, reduced capital expenditures, shifting costs from capital budgets to operating budgets and anticipated reduced staffing costs (see Figure 9).

Challenges to MCS adoption



Benefits of MCS adoption

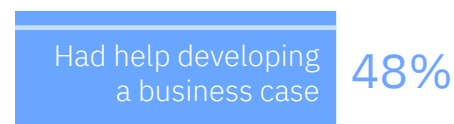
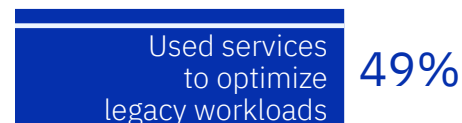
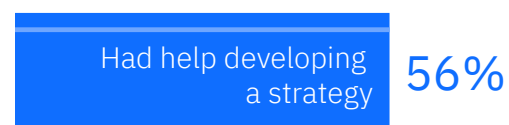
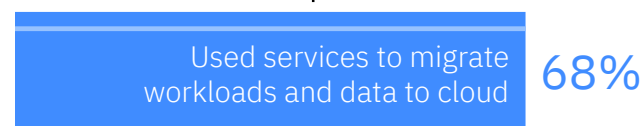


Figure 10. Help migrating legacy workloads to cloud is a requirement.

Digital transformation

As advanced analytics and cognitive technologies unlock a wealth of opportunity for businesses, IT leaders want to ensure that they are positioned to reap the benefits these technologies can deliver. Seventy-one percent of respondents said that the ability to integrate intelligence and analytics functions was an important factor in choosing a partner. **Of those already using MCS, 57 percent considered it an important step in their digital transformation journey.**

Insurmountable challenges to migrating workloads or data

Data migration is a decision that should not be taken lightly, and for many line-of-business leaders, the option of maintaining an acceptable status quo may dissuade them from making a transformation decision. **Sixty-eight percent of IT leaders surveyed acknowledged that the challenges of migrating data or workloads could have significant impact** on their businesses (see Figure 10).

These leaders count on the knowledge of MCS providers to address these challenges (see Figure 10). **Sixty-eight percent of MCS users reported implementing their vendor's services for migrating workloads and data to the cloud.** Fifty-six percent sought consultation for developing a strategy to move applications to cloud, with 49 percent using vendor services for optimizing legacy workloads for cloud deployment. Also, 48 percent of users worked with their MCS vendors to develop a business case for moving to cloud that could be presented to other decision makers in their company.

Help moving to cloud

IT leaders reported that services played an important part in the transition to cloud, from pre-migration to optimization of the environment. Sixty-nine percent of executives looked to their vendor to ease the migration to cloud. **Sixty-one percent wanted a vendor who could help determine which workloads would work best for cloud and build a business case to help justify the move.** Nearly 60 percent used consultancy services to help develop a strategy. A third of users also sought ongoing services to help optimize their environment.

While acknowledging the perceived challenges that might have inhibited implementation, businesses that have adopted MCS claimed significant benefits in critical areas, including:

- Improved security and compliance reporting for SAP and Oracle workloads
- Faster service delivery to lines of business
- More predictable management of SAP and Oracle, both in terms of costs and workloads
- Increased performance of SAP and Oracle workloads
- Enhanced ability to serve customers

Summary

To help achieve optimum results, businesses are choosing MCS providers with strong technical and consulting expertise as well as broad capabilities in security, application and data migration. They are also looking for providers that can offer next-generation technologies—like artificial intelligence (AI), advanced analytics, Internet of Things (IoT) or mobile applications to help increase the value of their data.

Research methodology

IBM in collaboration with Frost & Sullivan surveyed nearly 270 CIOs and senior IT executives who were directly involved with decisions around the purchase of cloud managed services.

The average number of employees in participating organizations was 13,000, with 46 percent of respondents from organizations of less than 1,000 employees. Industries represented are: manufacturing or distribution, insurance services, retail or wholesale, financial services and consumer products.

Of the total sample, 164 organizations were current MCS users and 105 were non-users. All were users of either SAP and/or Oracle platforms for business applications, including ERP and financial applications, CRM, customer billing and invoicing, and HR management.

For more information

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[Download our Comparison Guide](#) for insights into the key capabilities to look for in a managed cloud services provider, and help simplify your vendor selection process.



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