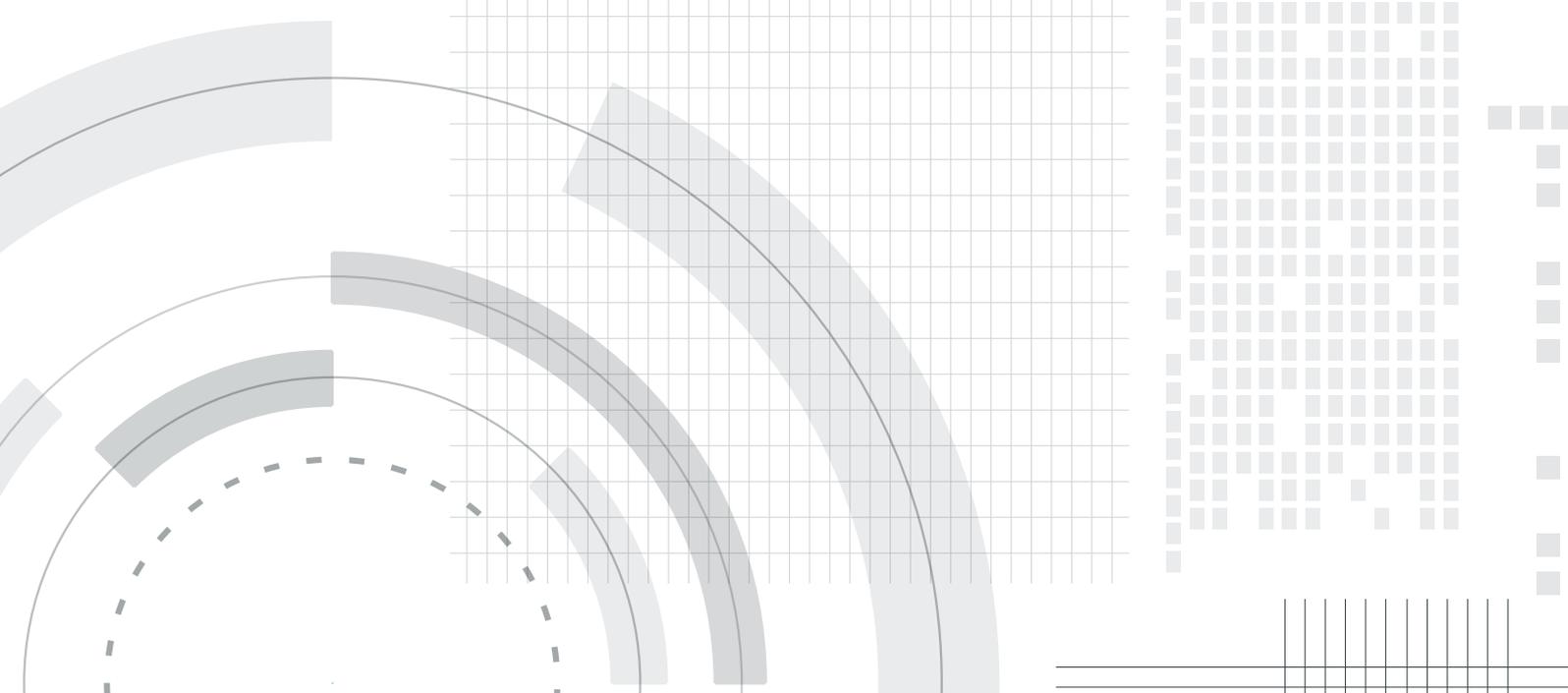


# MID-MARKET IT PRIORITIES IN 2018

How mid-market companies have changed their priorities over the last year to simultaneously drive growth and mitigate risks

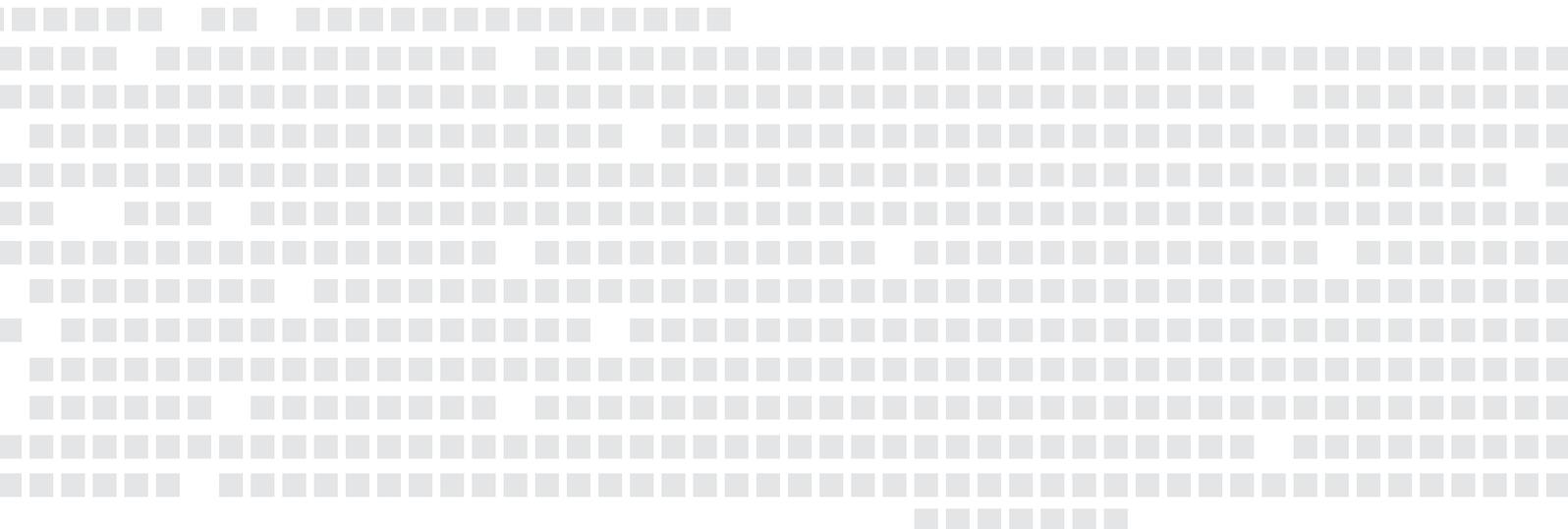


# INTRODUCTION

The National Center for the Middle Market's recent Indicator survey<sup>1</sup>, reported that companies were averaging revenue growth of 6.7% and were confident about 2018. They are feeling more resilient than small businesses and more flexible for growth than large companies. However, mid-market decision makers surveyed by YouGov<sup>2</sup> believe that Brexit will have a negative impact on their business over the next two years and IDC reports that 59% of mid-size businesses haven't taken steps to fully comply with the General Data Protection Regulation (GDPR)<sup>3</sup>.

There is no doubt that all UK organisations will be facing big challenges this year. Therefore, following our mid-market IT priorities in 2017 report we wanted to see if mid-market IT leaders had succeeded in increasing budgets or if they have been impacted by an unsettled 2017.

We surveyed mid-market IT decision makers a year on to discover their priorities in 2018, how they compare, the pressures they are facing and industry trends. Are they making the right IT infrastructure investments for the future? Do they feel confident about digital transformation and have they deployed robust cyber security practices to mitigate threats? All the while addressing the technologies available to future-proof growth, costs, and resourcing effectively.



Last year we discovered that mid-market leaders were confident in their ability to deliver next-generation IT systems and would have the budget to spend on getting it right to meet the priorities for growth, security and reducing operational costs. However they were not so positive about their business's financial outlook as they felt overlooked by investors, partners and the government. So, while growth was a priority, it was not a given for mid-market companies.

This year the same outlook for growth remains, but budgets, recruitment and security have become more challenging for mid-market companies, which is resulting in them having to re-order their priorities on the road to digital transformation.

To address this and find out how IT decision makers are changing their priorities, Node4 commissioned a fresh survey of 200 IT decision makers from mid-sized UK firms (defined as companies with a turnover of between £15m and £800m). The IT leaders we spoke to have an average annual IT budget of up to £10m. This report examines the findings of our survey.

<sup>1</sup> 4Q 2017 MIDDLE MARKET INDICATOR, National center for the middle market

<sup>2</sup> Mid-sized business fear Brexit fallout, *economia*

<sup>3</sup> Majority Of SMBs Are Not Compliant With GDPR Shows IDC Research, *Data Economy*

# 2018 OUTLOOK OVERVIEW

*Re-prioritising on the road to digital transformation*

The mid-market EU-4 (UK, Germany, France and Italy) is set to generate a third of private sector revenue and employ a third of each country's workforce – contributing €1.11 trillion<sup>4</sup>. It is therefore no wonder that business growth remains high on the agenda of the firms we surveyed.

However mid-market priorities have changed this year to include workforce productivity and digital transformation – both of which are integral to enable organisations to reach revenue expectations. Security is also a big consideration, yet there is acknowledgment that steps being taken to mitigate threats require improvement.

## **Priorities not reflected by perceptions**

While digital transformation is a priority for IT managers the statistics show that the benefits are being overlooked, with only 17% agreeing that digital transformation will enable them to better support customers and 16% believing that it will help them to remain competitive. Furthermore, the outlook of organisations' workforces isn't helping, with nearly a third (29%) believing middle management is standing in the way of innovation. Just 23% believe that their business can support younger workers; 26% believe that their organisation is being held back by the skills shortage and less than one in ten (8%) think that their workforce is ready to embrace digital transformation. One issue is that responsibilities are unclear, with 13% feeling the board is standing in the way and 27% thinking digital transformation is the c-suite's responsibility to drive. These findings all highlight the importance of businesses adopting company-wide strategies and the need to be more agile in their approach to addressing these perceptions.



<sup>4</sup> Middle-market company, Wikipedia



### **Budgets don't reflect demand**

This year's research findings show that 64% of mid-sized businesses expect to grow their IT budgets, compared to 77% last year. Furthermore, one in four (down from one in three last year) now find it harder to recruit staff with the appropriate skills and qualifications. Yet they are under pressure to deliver new collaboration tools, improve productivity and enhance security defences with legacy technology and turbulent workforce cultures.

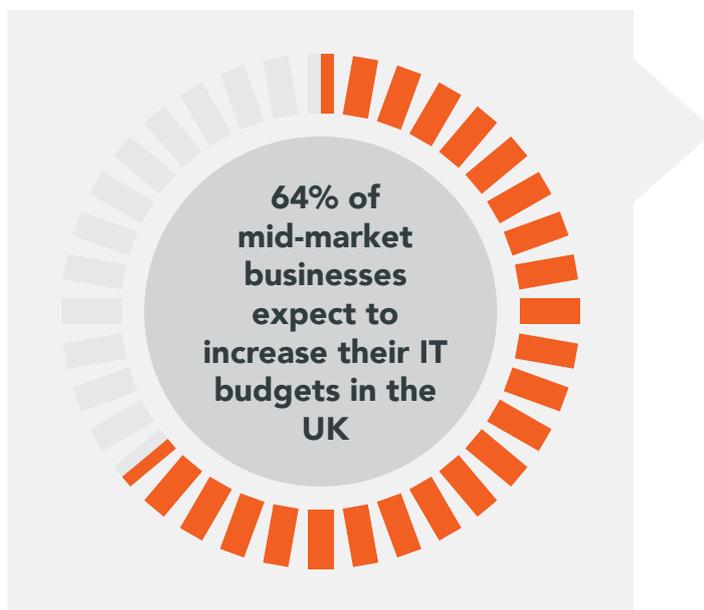
In order to avoid the repercussions these changes could bring, mid-market IT managers must ensure they don't feel held back by existing infrastructure or uncomfortable experimenting with new technologies. Risk and costs can be reduced by working with trusted technology providers to help personalise digital transformation strategies and increase the workplace productivity that is required to support it.

# MID-MARKET IT BUDGETS

Industry analyst Gartner has predicted that IT spending will increase by 4.3%<sup>5</sup> from 2017 to 2018, yet our research highlights that the mid-market IT sector is suffering, with budgets expected to drop by almost 15% from 2017. Last year, 77% of mid-sized businesses expected to increase their IT budgets and in 2018 this has decreased to 64%. It is concerning that purse strings are being tightened and IT deprioritised in the year that GDPR is coming into effect.

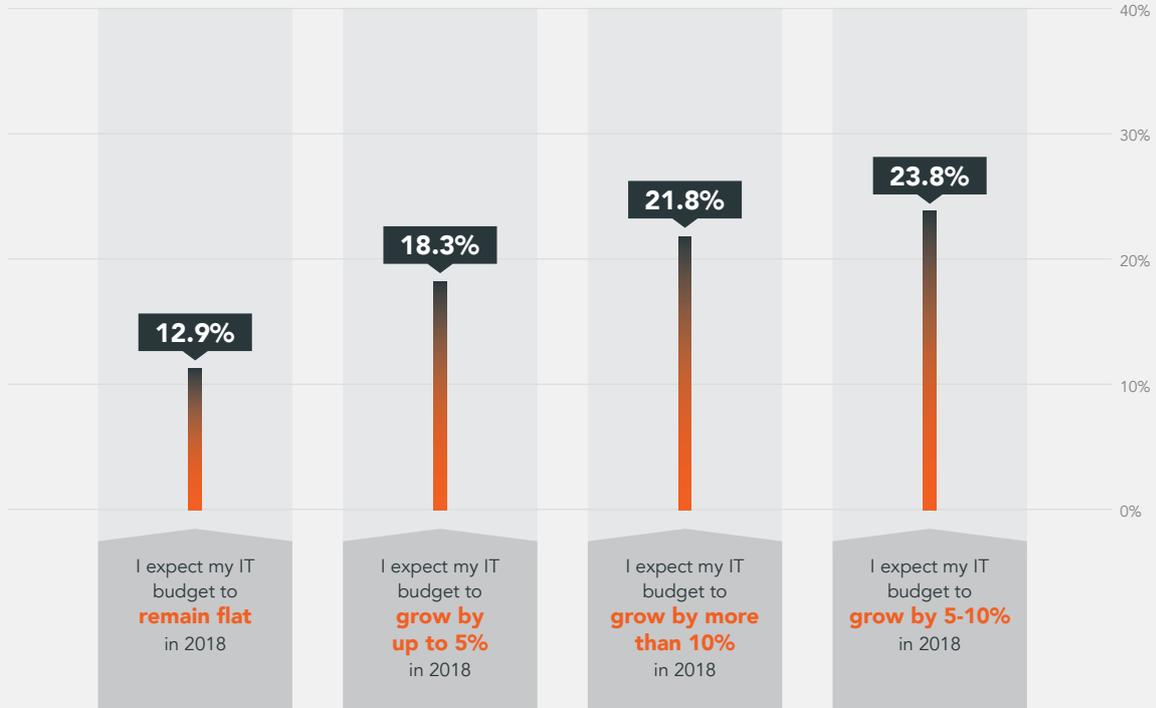
While they may have concerns about Brexit, the general economic outlook and the attachment to legacy systems means that mid-market companies need to make investments if they want to stay competitive. Mid-market businesses are also struggling to tackle the widening disparity between IT staffing needs and qualified applicants; with almost 40% claiming that it's getting harder to recruit IT staff with the appropriate skills and qualifications this year, compared to 28% in 2017.

The skills gap is really and truly growing, but in the age of digital transformation businesses can do more with less through the adoption of the cloud, collaboration tools, and automation, which enable them to be more agile and flexible to future-proof growth.

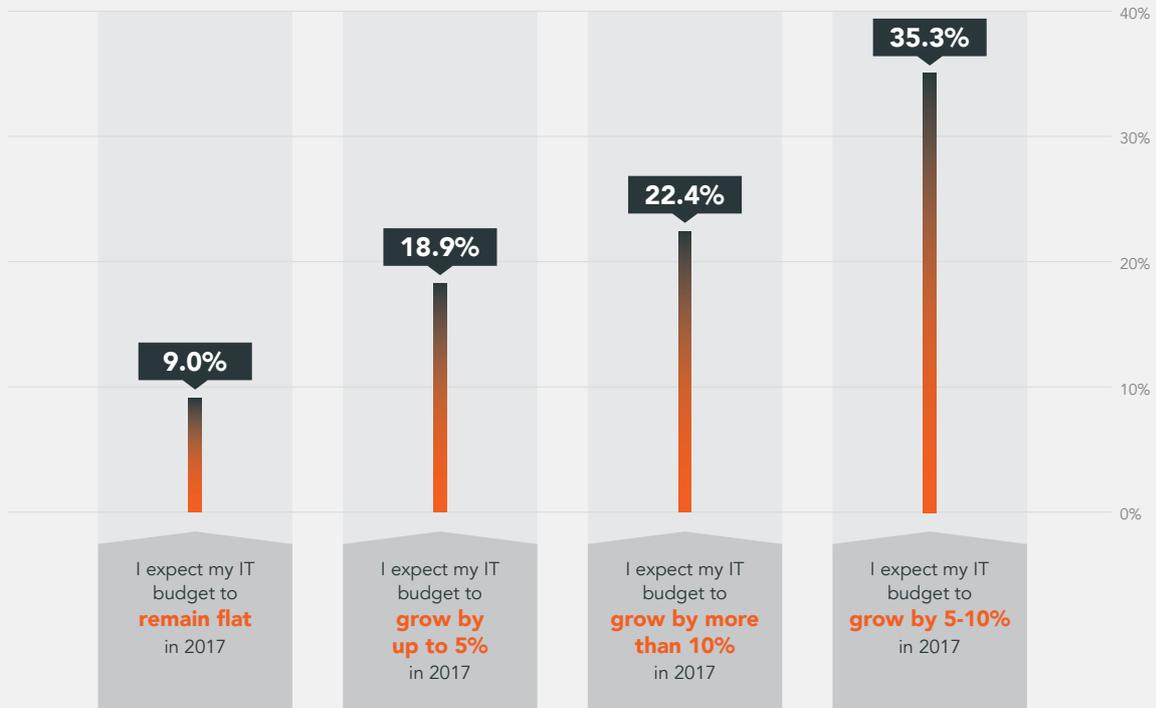


<sup>5</sup> Gartner Says Global IT Spending to Reach \$3.7 Trillion in 2018, Gartner

## Mid-market IT budgets in 2018



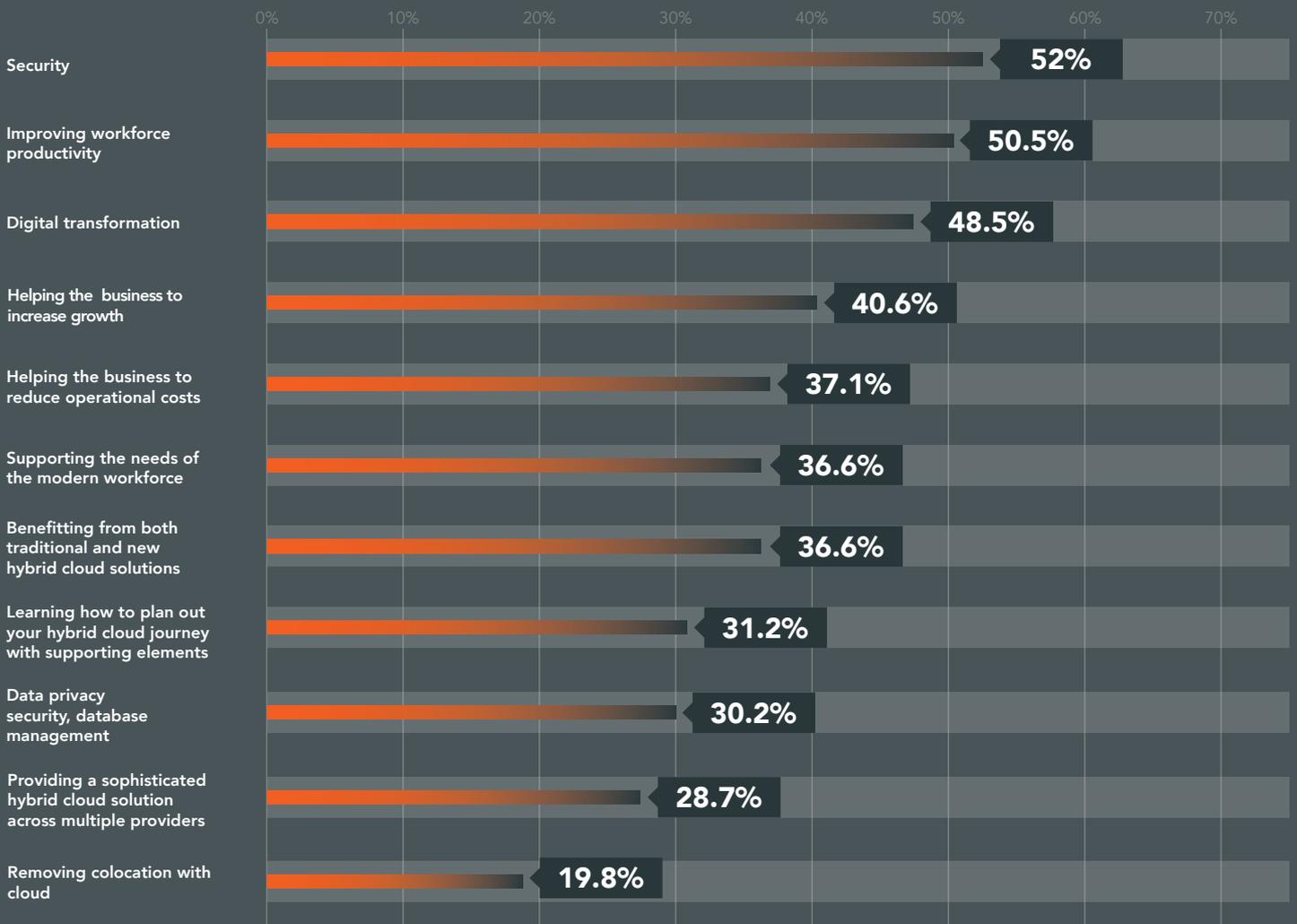
## Mid-market IT budgets in 2017



# THE MID-MARKET'S TOP FIVE IT PRIORITIES IN 2018 VS 2017

While business growth is still important for mid-market companies (40%), there has been a slight shift in the top three priorities for the sector in 2018, with improving workforce productivity and digital transformation coming to the forefront, closely behind security, which ranked second in 2017.

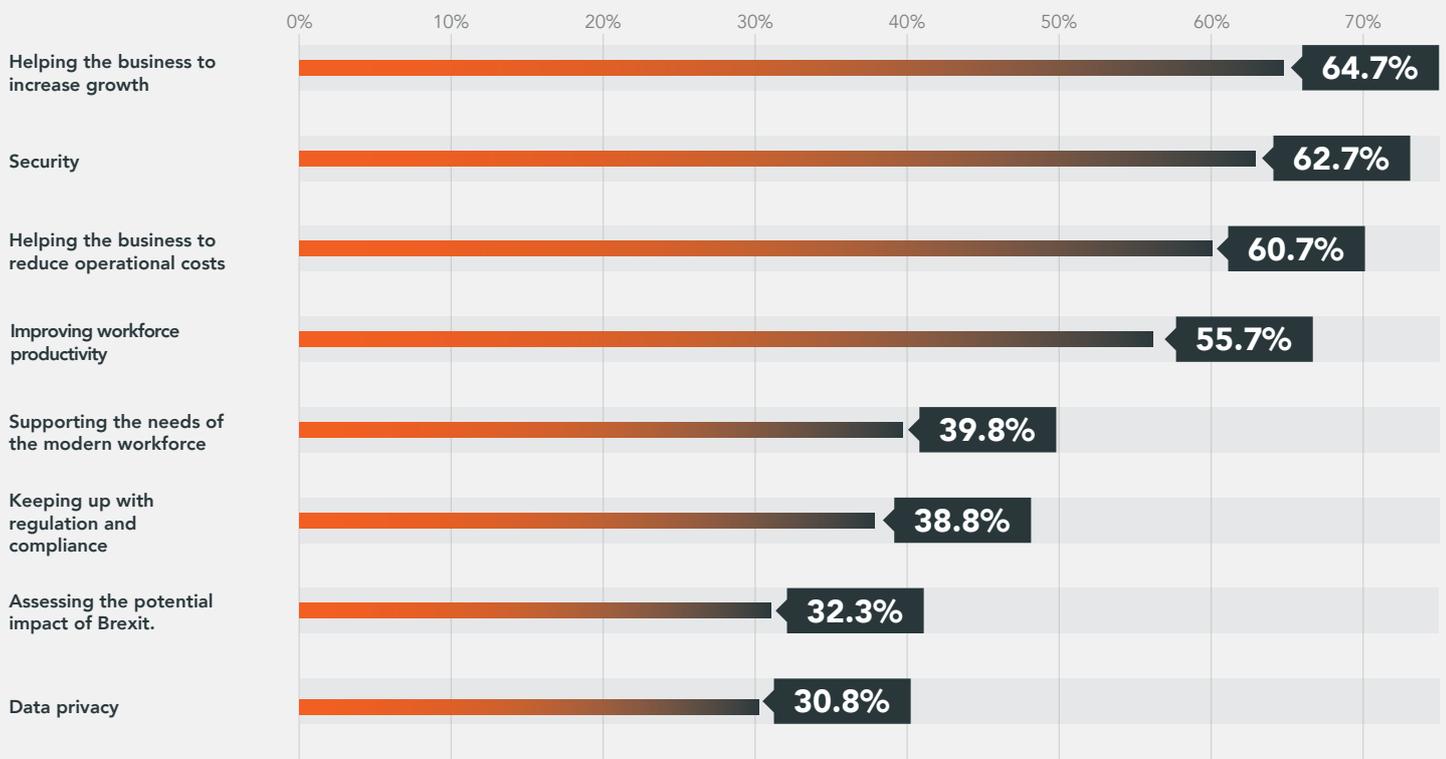
## What are your organisation's top five IT priorities in 2018?



It is encouraging to see that security is still a top priority for mid-market companies considering vast security threats await. 2018 will see the rise of AI-powered attacks, sandbox-evading malware and state-sponsored attacks<sup>6</sup>; In effect organisations must focus on mitigating these sophisticated threat vectors, ensuring that they have up to date technology and experts to monitor them.

In the same vein, achieving digital transformation and workforce productivity will require the adoption and maintenance of new technologies. Employees are increasingly demanding access to on-the-go, easy to use technology in the workplace. Single collaboration applications for meetings, IoT integration and personal video communications ranked in our survey as the three most-valued advanced collaboration technologies by mid-market companies for the future.

### These were the top five IT priorities from the 2017 survey



Enabling real-time, location-agnostic collaboration is an absolute must if businesses want to boost their employees' job satisfaction and productivity. 55% of mid-market companies have so far invested in a unified communications (UC) system.

<sup>67</sup> cybersecurity trends to watch out for in 2018, CSO Online

# MID-MARKET SECURITY CONCERNS

According to the Breach Level Index<sup>7</sup> nearly five million data records are lost or stolen worldwide every single day, which is a staggering 58 records every second. It's therefore no surprise that mid-market businesses' top IT priority is now security, with almost one in three (28%) anticipating that their business will be targeted in 2018.

IT decision makers are most concerned about data loss and cost to the business (42%) and nearly a quarter (23%) are concerned about not knowing if their business has been breached — something that many security technologies can help to mitigate.

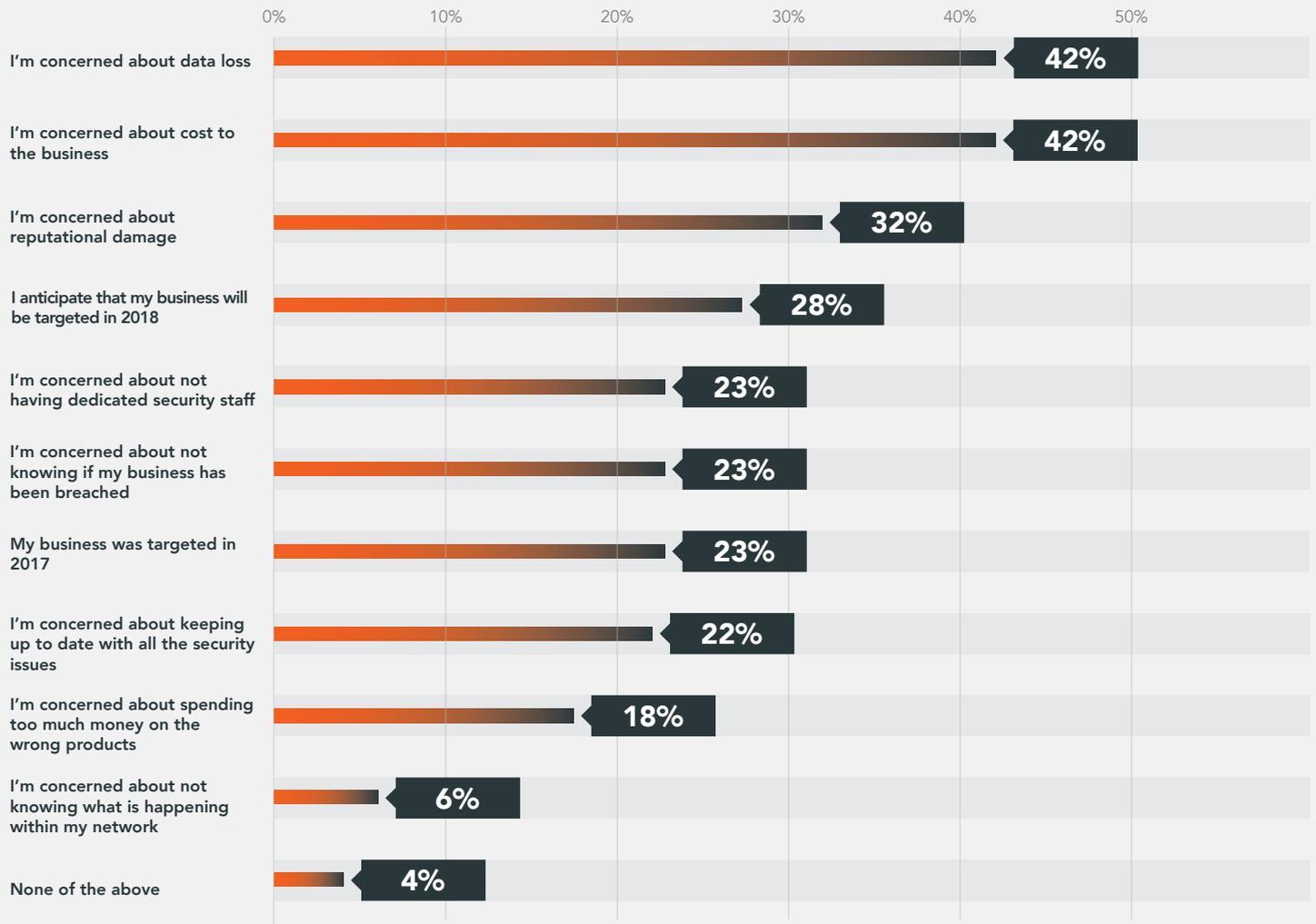
However, despite seeing security as a top priority, many mid-market enterprises do not have basic defence measures in place, with just 56% having email threat protection, 48% having data encryption and 39% using intrusion detection/prevention. Almost a quarter (23%) of survey respondents also voiced concern about not having dedicated security staff.

In fact, the Gartner Midsize Enterprise Summit found that security is the biggest skill gap that exists in the mid-market, as threats are evolving on a daily basis, which often results in the draining of manpower and financial resources.

The remedy? Gartner recommends blending on-premise security as a service with managed security as a service (MSSP). This is because an MSSP can take this strain on resources away and provide continuous expert monitoring every month, which is much more cost-effective. Encouragingly, once again this year 15% of respondents do expect to spend more money on MSSP in 2018 despite IT budgets decreasing.

**“nearly five million data records are lost or stolen worldwide every single day<sup>7</sup>”**

## Thinking about security breaches, which of the following statements do you agree with?



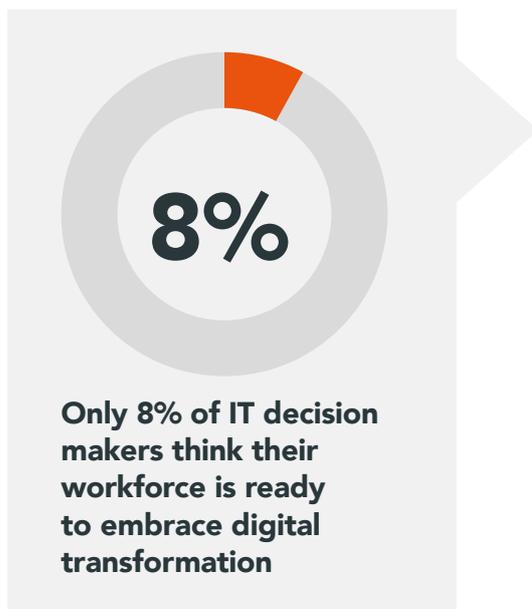
<sup>7</sup>The Breach Level Index, Gemalto

# DIGITAL TRANSFORMATION CHALLENGES

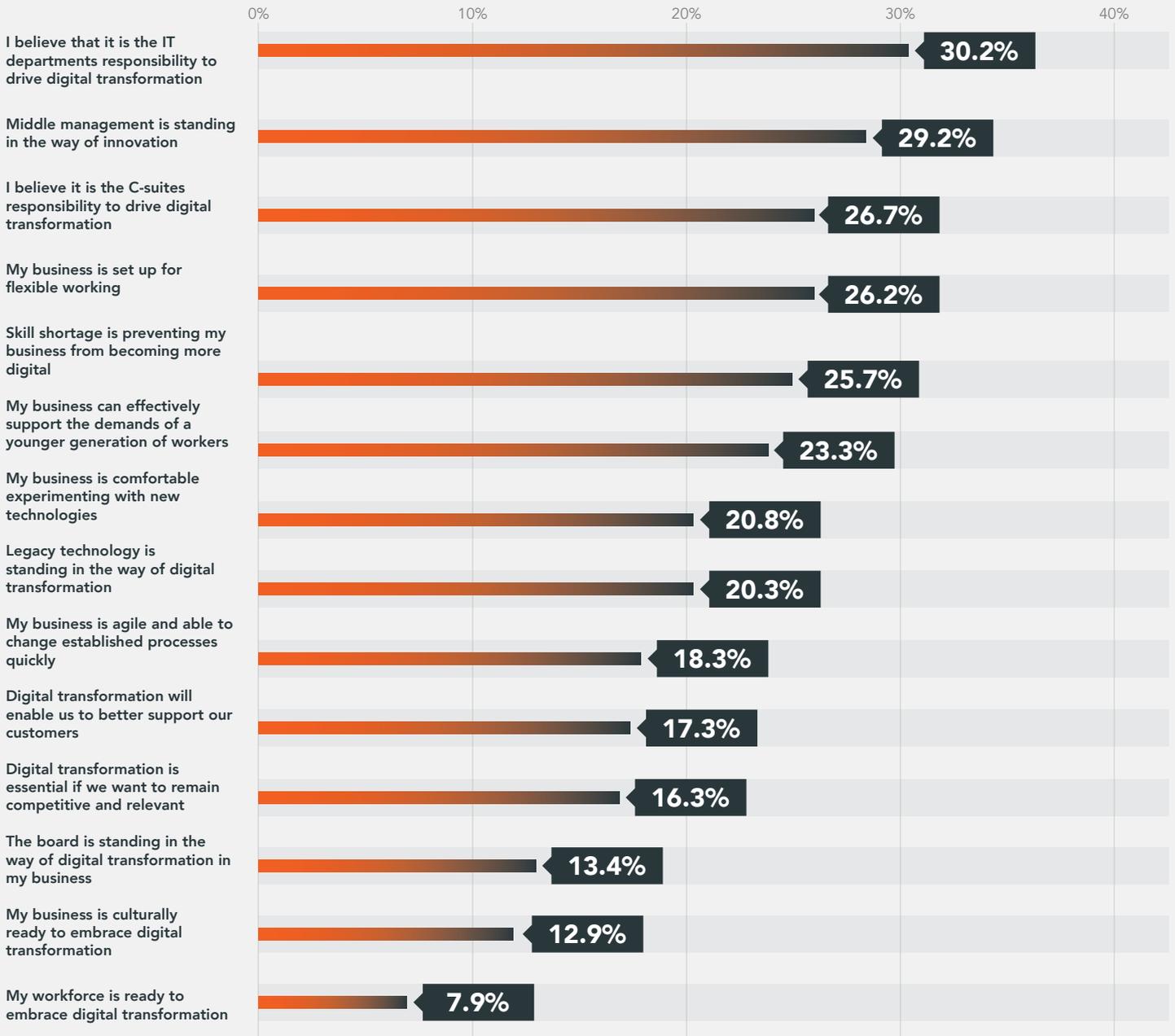
Digital transformation closely follows security and improving workforce productivity as top priorities for IT decision makers this year, with industry disruptors such as Airbnb, Amazon and Uber increasingly upping the stakes for businesses to become more open and agile. However, when asked to think about digital transformation and what statements applied to them, worryingly just 8% of IT decision makers think that their workforce is ready to embrace digital transformation and only 16% see it as essential to help them to remain competitive and relevant.

Sometimes this mentality stems from the top and is dependent on workforce culture, as 13% of respondents also said that their board is standing in the way of digital transformation and one in three agree that it is the IT department's responsibility to drive it. Digital transformation has to be bought into, driven by, and integrated into the whole organisation.

It's also essential that companies don't feel held back by legacy technology or uncomfortable experimenting with new technologies. Risk and costs can be reduced with the use of managed service providers, giving mid-market companies access to a host of applications and software to support their respective digital transformation journeys without needing to make existing structures immediately redundant.



## Thinking about digital transformation, which of the following applies to your company?



# CONCLUSION

Brexit and GDPR have heavily affected businesses this year. Therefore there is a lot of change afoot in 2018 and this is reflected in the downturn in the positivity of mid-market businesses. While last year's respondents were predicting more IT budget and felt confident when up against larger and smaller competitors, this year they are fighting more fires with less. Barriers they are coming up against include data loss, recruitment gaps, productivity concerns and a lack of buy-in to digital transformation.

However, it is good to see that IT managers are responding to these challenges and updating priorities accordingly in order to bolster their business. Rather than an overarching focus on growth, leaders are seeing they need to focus on integral business outputs such as productivity to achieve this and see the opportunity in new technologies to assist them.

The apparent willingness to achieve growth through investing in the workforce is encouraging, with mid-market businesses supporting their teams with the tools they need, as well as managing the businesses' needs. In turn, this should fuel a more positive culture and increase productivity and revenues.

As one of the biggest sectors fuelling the UK economy, mid-market organisations can't afford to be let down by technology. They must look to the cloud, collaboration tools and automation to help alleviate and empower employees and enhance current processes, rather than partake in complete overhauls.

This mentality involves taking a business-wide approach to what is required. In this instance it can be beneficial to work with an independent specialist who can help personalise digital transformation strategies and the workplace tools that are required to support it.

What the mid-market needs is more IT suppliers that will focus on their needs, with systems and processes custom-designed to deliver the best value to the innovative mid-market sector.

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# NODE4 AND THE MID-MARKET

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Node4 is a UK-based Cloud, Data Centre and Communications solutions provider. Since 2004 Node4 has achieved great success and growth based on its focused customer service, market-leading customer retention and comprehensive service offering.

Node4 views the mid-market as an under-served sector, and one that deserves better treatment from its IT and cloud suppliers. Node4 has a mission to bring top-tier, enterprise-grade functionality to mid-tier companies at affordable prices, which is driving the innovation of tomorrow.

Node4 is a leading UK-based Cloud, Data Centre and Communications solutions provider that is dedicated to serving its customers to ensure that they benefit from the most effective and flexible application of technology. Since 2004 Node4 has achieved great success and growth based on its focused customer service, market leading customer retention and comprehensive service offering. Node4's cloud, back-up, security and UC services, as well as infrastructure services are tailored to meet the needs of mid-market companies.

**For further information visit [www.node4.co.uk](http://www.node4.co.uk)**

**About this series:**

Node4 believes that, as the powerhouse of our economy, the needs of mid-sized businesses demand closer examination.

This is part of a series of whitepapers from Node4 examining mid-sized businesses, their attitudes, and the technologies they use.

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