

# RESEARCH PAPER

## SMB IT: The hybrid future available today

Cloud and SMBs seem made for each other,  
but local IT is still critical

February 2014

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## Executive summary

Small and medium-sized businesses (SMBs) often hear that they are the ideal core market for cloud services, and most SMBs instinctively feel that they ought to be more agile than they are – and certainly more fleet of foot than a large, complex organisation. However, an exclusive *Computing* survey of SMBs reveals a widespread belief that this commonly held view – that cloud services are ideally suited to smaller organisations – is a myth.

The survey reveals that while most SMBs can clearly ‘see the light’ with respect to cloud, as the technology landscape shifts towards on-demand utility services, many feel that there is no obvious way of crossing the canyon that lies between them and the benefits. The reason is that many SMBs rely on applications that they believe cannot run in the cloud without risk, wasted time and expense, while others fear losing control of the data and systems that underpin small but successful operations.

What many of these organisations need is a hybrid solution that puts the benefits of properly managed and seamlessly updated cloud services within reach of SMBs, while at the same time offering them the security and performance of on-premise operations and retained centralised control.

## A good fit?

It is now widely accepted that the business technology world is moving inexorably away from ‘big-ticket’ on-premise implementations – with all the hardware and software licensing and upgrade issues that entails – and towards a service and subscription model. For most established organisations, this change is rarely wholesale, but more often a hybrid solution that offers the best mix of existing assets, business continuity and efficient services at the most acceptable cost. Few organisations are moving everything to the cloud.

It is also clear that this trend has been spurred on by a range of disparate factors, including: commodity technologies; the uptake of social platforms, mobile computing and communications; greater mobility and flexibility among the workforce; and the increased integration of technology with people’s everyday lives.

And while these broad trends have been happening in the consumer marketplace, IT strategists within small businesses are increasingly faced with a range of on-premise technologies – including operating systems – that are reaching the end of their useful, vendor-supported lives. On top of this, many familiar packaged application suites, such as Office, are now available in cloud iterations, which can be seamlessly updated.

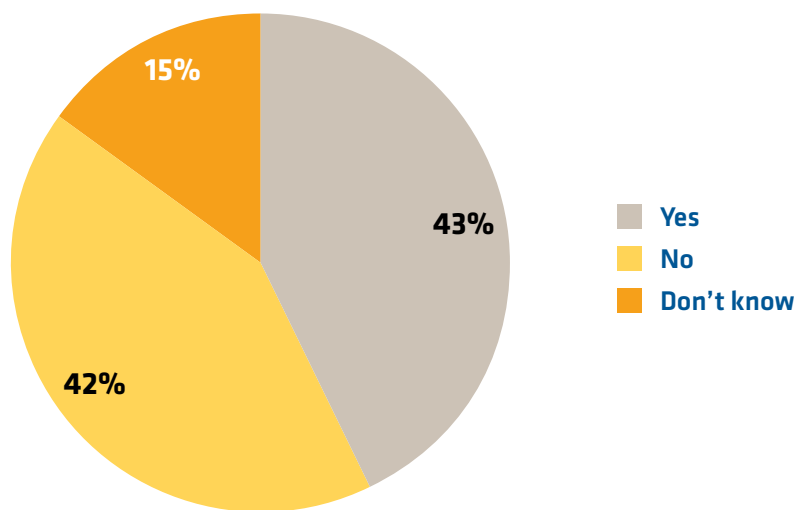
All of this has created a general awareness of ICT as utility services that are available to all, rather than to a select few in the higher echelons of the business world – as they once were before the mobile computing revolution put app stores and cloud platforms at everyone’s fingertips. But it has also created an impetus towards the cloud that organisations may be excited by, while also feeling that they are being pushed towards it without the right information with which to make informed decisions.

In the midst of all this change, it has often been said in recent years – mainly by large enterprises with legacy on-premise technology implementations – that cloud computing services, infrastructures and platforms are best suited to smaller and medium-sized enterprises. However, this is news to many smaller organisations, which have traditionally lacked access to the quality of advice, partnership and consultancy options that are available to their larger counterparts when implementing technology change.

## SMB IT: The hybrid future available today

An exclusive *Computing* survey of 110 SMB organisations ranging from five employees up to 250 found that only 43 percent of them support the commonly held view that cloud services are best suited to their size of business. Indeed, almost as many (42%) disagreed with the view, and 15 percent admitted that they were unsure if it was true (Fig. 1).

**Fig. 1 : It is often said that cloud technologies are ideally suited to small to medium-sized businesses. But does your own experience support this view?**



Explaining the reason for this many of the naysayers cited security and related issues, while others said that retaining in-house management of their data and systems was essential. Some mentioned bandwidth and reliability challenges, and others that they were unconvinced by the hype and background noise about cloud technologies. Indeed, some said that it was a technology set aimed at larger enterprises – the opposite of the traditional view.

The pro-cloud camp largely backed the industry perspective that cloud services ramp up seamlessly and provide enterprise-class IT and support on demand. However, from both pro- and anti-cloud respondents a clear picture emerged that the technology world for SMBs is complex and hybridised, and that cloud solutions, even when adopted, are ideal for some applications and usage models, but not for others.

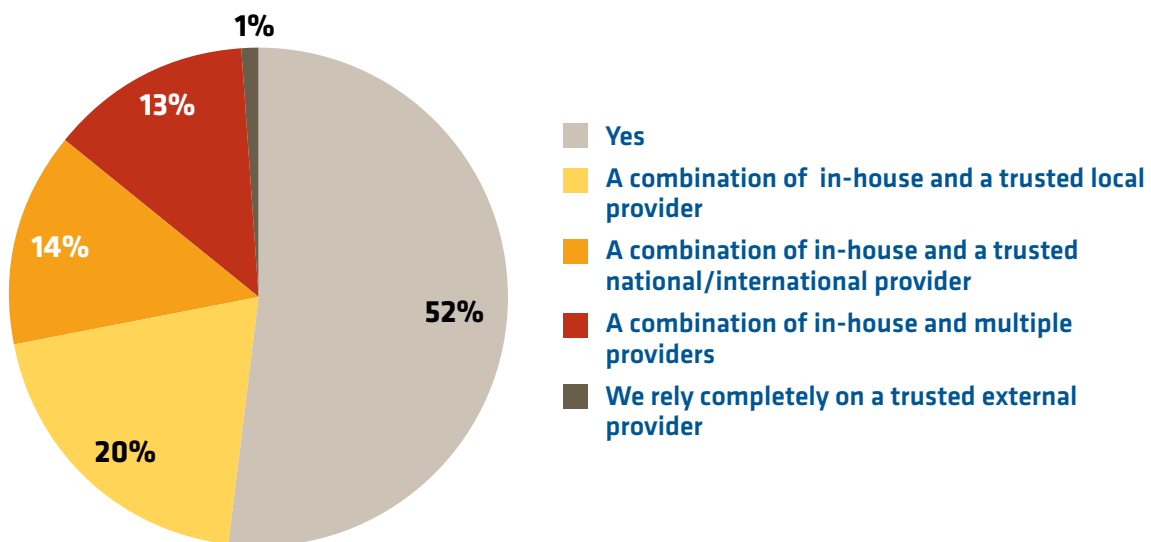
Some businesses appear to feel that any larger-scale move to the cloud beyond a handful of standard applications might force users to relinquish too much control, said several respondents, despite the fact that some cloud solutions offer arguably greater degrees of control. Other SMBs added that they felt that the necessary skills for the new environment were absent within their organisations, and that they felt the general risk from change was too high.

## Home comforts

### SO WHAT'S GOING ON WITHIN SMBS?

The survey found that 99 percent of the UK's SMBs manage their IT in house, either alone or with the support of third parties. Over half (52%) manage their IT entirely in house, with a further 20 percent managing it mainly in house, but with the support of a small local provider. Fourteen percent of all respondents said they had the support of an international provider, and 13 percent said they ran it in house with a mix of local and global suppliers. One percent of SMBs rely entirely on external providers, according to the survey (Fig. 2).

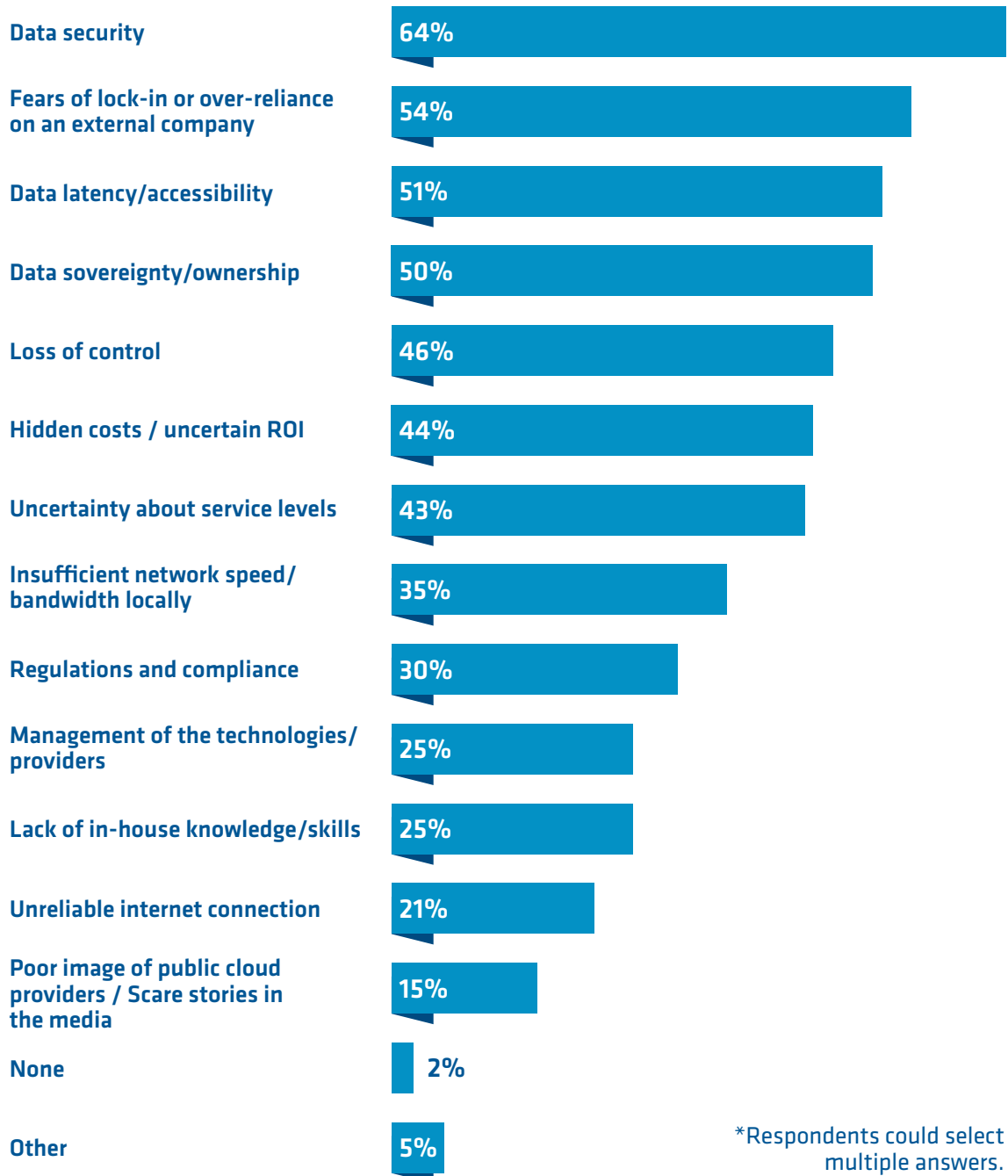
**Fig. 2 : Do you run/manage your IT entirely in house?**



For many such organisations, therefore, there is a feeling that they are alone and that any significant technology change takes them out of their comfort zones and represents operational and financial risk. More specifically, it challenges them to decide which applications, services, platforms, tools and hardware to retain on premise, and which to move into the cloud – particularly when so many public cloud solutions are available.

Scare stories abound. Asked what their main fears were about cloud services, data security easily topped the table – as is always the case – cited by nearly two-thirds (64%) of SMBs. Vendor lock-in and over-reliance on a third party were cited by 54 percent of respondents, with data latency/accessibility and sovereignty/ownership both cited by half of the *Computing* respondents (Fig. 3, see next page).

**Fig. 3 : What concerns, if any, do you have about using cloud applications, platforms and/or infrastructures?**

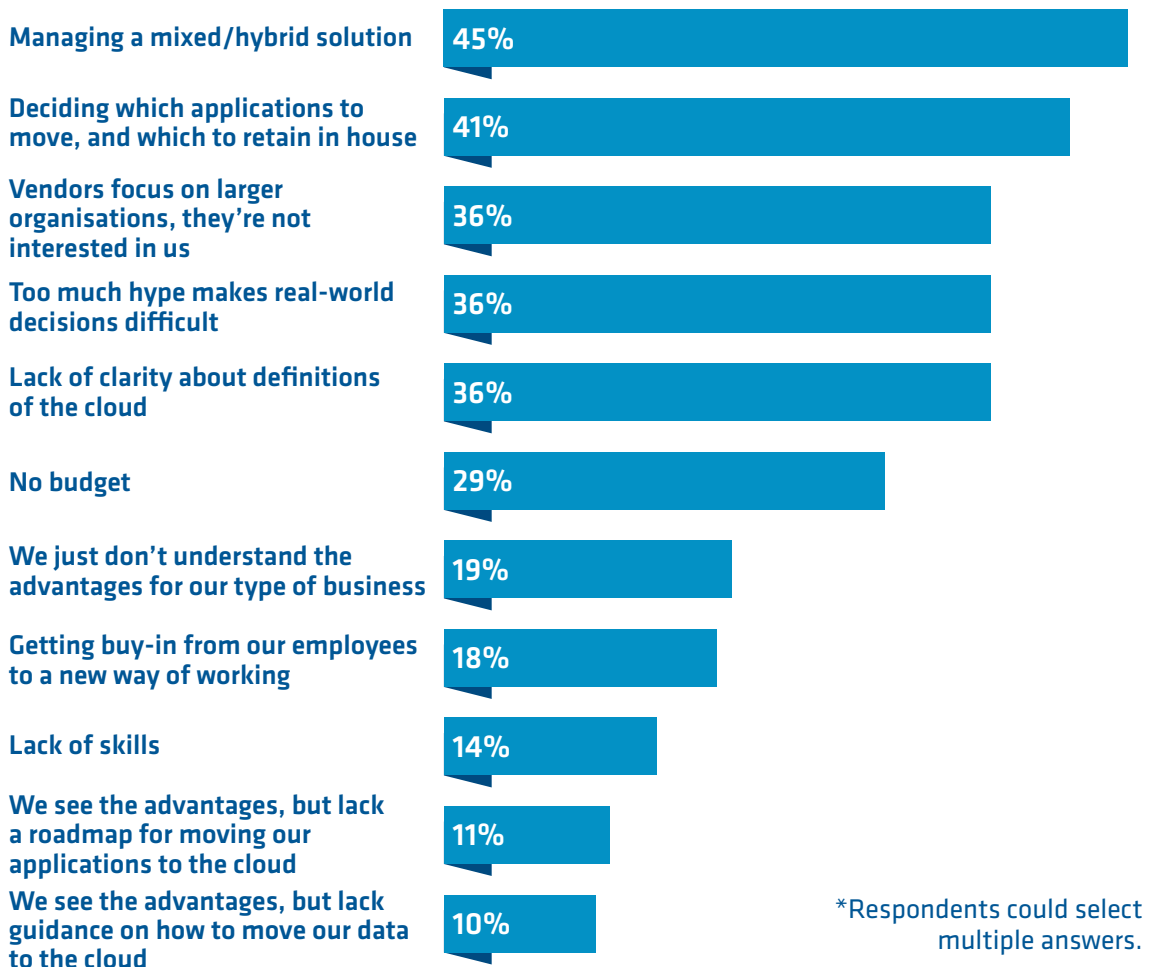


Loss of control (cited by 46% of SMBs), hidden costs and uncertain ROI (44%), and worries over service levels (43%) were the next largest bugbears, followed by a range of inter-connected concerns about internal management, skills, compliance and technical shortfalls – not to mention the poor image of some public cloud providers (15%).

With the direction of cloud adoption now moving ever upwards into the large enterprise space – as technologies mature and long-established organisations battle the threat of nimble startups – many established smaller enterprises perhaps feel that they are missing the boat, that cloud opportunities may be at risk of escaping them, or that they may make the wrong choice in a world of competing options. Asked what they believed the main challenges of moving to cloud technologies and working methods are, a clear picture emerged that the internal issues are as great a concern to SMBs than any perceived problems ‘out there’ in the industry. Managing a mixed/hybrid solution was identified as the main challenge by the largest bloc of respondents – 45 percent – with deciding which applications to move and which to retain in house following closely behind (cited by 41%).

Thirty-six percent of respondents expressed the malaise of many a smaller organisation as the arms race of large-enterprise ICT continues, saying: “Vendors focus on large enterprises; they’re not interested in us.” Nearly 20 percent admitted that they simply don’t understand the advantages for smaller businesses – again revealing that the ‘SMB focus’ of cloud services is seen as a myth by many smaller ventures. Among these familiar complaints, an emerging view also bubbled up from the survey findings, revealing a new trend within the SMB sector: 11 percent of respondents said that they could clearly see the advantages of the cloud, but lacked a clear roadmap for migrating their applications there, and 10 percent said that the advantages were clear but they lacked guidance on how to move their data safely to the cloud (Fig 4).

**Fig. 4 : What do you believe the challenges of moving to cloud technologies and working methods are for smaller organisations?**



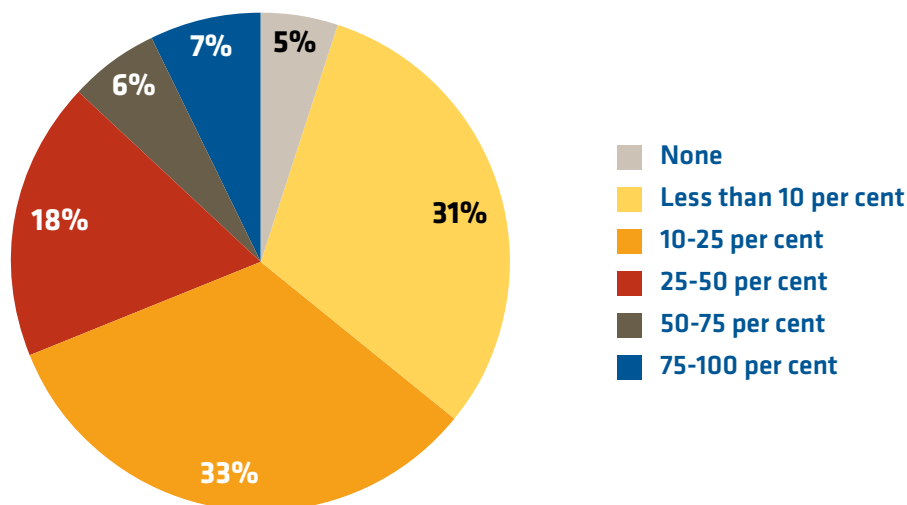
## Mobility and agility

There are other related trends within the SMB sector. For example, many smaller enterprises have a gut instinct that they ought to be as agile as a startup, but have discovered that being small does not necessarily make them more mobile – at least not with their existing technology set.

For example, the survey found that 31 percent of the SMB respondents had less than ten percent of their employees regularly working from home, on the move, or at remote locations. A further one-third of all respondents said that less than one-quarter of their employees regularly worked outside the main office premises. Only 13 percent of respondents said that more than half of their employees regularly worked outside the office (Fig. 5).

In general, previous surveys tend to show that mobility is more common within larger enterprises, suggesting that many SMBs are not capitalising on new technologies' promise of greater mobility, flexibility and efficiency. SMBs ought to be nimbler and more fleet of foot than larger organisations, and should be encouraged to use IT solutions that enable greater flexibility.

**Fig. 5 : How many of the organisation's employees regularly work remotely (e.g. from home) or on the move?**



Although established SMBs may not have the luxury of starting from scratch like a brand new company, and may have more limited IT budgets, they do not have anything like the legacy IT millstone of many large enterprises either. This should give them an opportunity.

The survey found that while 98 percent had access to a broadband connection with, only 76 percent saying that the speeds were fast enough for their business needs.

Thirteen percent said that their broadband was generally not fast enough, with a further 11 percent citing problems with either uploads or downloads specifically. Eighty-three percent of SMBs said that their broadband service was reliable, with the remainder saying it was “somewhat” reliable. For on premise businesses are largely happy but for the migration to cloud services there is confusion and ambiguity over what level of connection is required and whether having a single



point of connectivity is a risk. The SMB sector is itself a complex space. SMBs may occupy a single premises, or multiple small premises – local branches, retail presences or regional hubs, for example – meaning that their low employee numbers do not necessarily equate to simple structures or a single on-premise network. The *Computing* survey found that while 58 percent of the organisations surveyed do operate from a single premises, 27 percent had two to three separate offices and a total of 11 percent had between four and over 10 premises within the UK.

In addition, the smaller, budget-limited nature of their businesses means that some may feel that they lack access to the type of external technology consultancy expertise that is available to larger enterprises. Others may be tied to an IT supplier that has little or no expertise in cloud solutions, or they may have little appetite to experiment with hosted options, and/or fear losing access to their core data and essential systems.

In short, a growing number of SMBs can see the potential of cloud ‘on the other side of the canyon’, as it were, but at the same time feel that there is no obvious bridge to get them, their data and their applications there, or that the optimal mix of applications, services and hardware is not clear. They may be aware of an overall business case for cloud services (and their many benefits), but have no roadmap for getting there.

The challenge is complicated by a number of factors that can impact on smaller organisations more seriously than on their larger competitors. These include the speed of technology change and the proliferation of platforms, application suites and ecosystems as computing becomes increasingly mobile. In addition, the approaching end of life (and vendor support) of many commonly used suites and operating systems means that SMBs should now start exploring more contemporary, future-proofed solutions.

## Cloud as business strategy

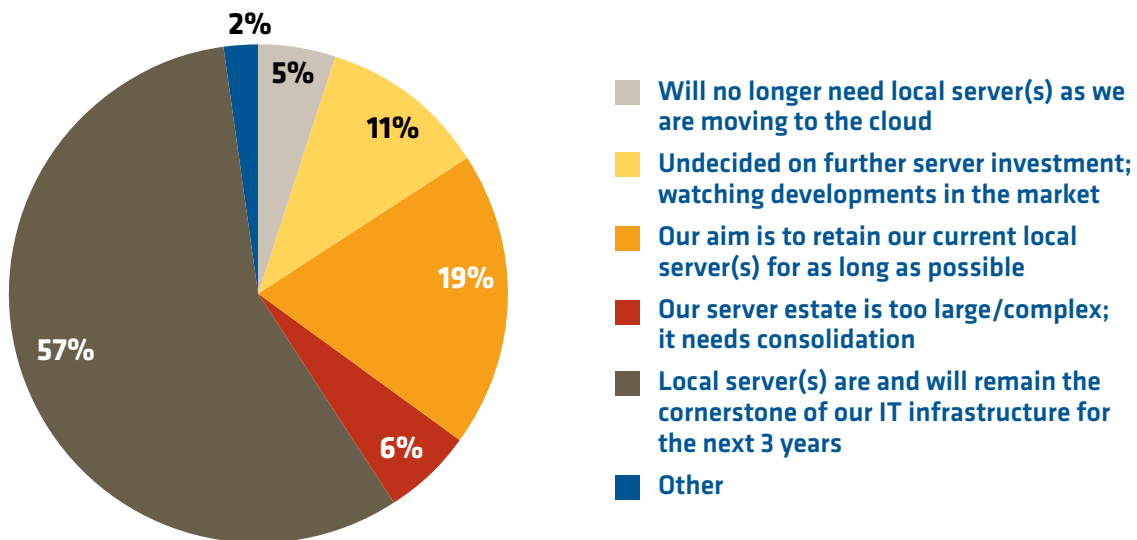
Asked what the main drivers were for considering a move to the cloud, only 28 percent of SMBs said that they are not considering any such move, strongly suggesting that the forward trend into the cloud is clear to a large majority, 72 percent, of the SMB sector.

By far the largest group of respondents – 45 percent – said that moving to the cloud was a strategic business decision, with a further 36 percent of all respondents identifying access to better technology as the key reason. Twenty-eight percent said they wanted to make their technology more efficient, 21 percent said they needed to cut internal costs, while 18 percent stated that it was because they could ‘read the runes’ of trends in the IT market.

A majority of SMBs surveyed have a significant estate of five or more servers running on premise, with a further 18 percent running three or four, so the ‘in house/in the cloud’ debate is significant for these businesses. An SMB solution therefore needs to embrace scale, application complexity and the more distributed nature of ICT that has become the norm this decade.

A clear majority also emphasised that their in-house estate will remain a cornerstone of their organisations’ technology moving forward. Only five percent of SMBs said that they will no longer need their in-house server estate because of a wholesale move to the cloud, with a further 11 percent sitting on the fence and monitoring the situation (Fig. 6, see next page).

**Fig. 6 : What is your attitude to your local server(s)?**

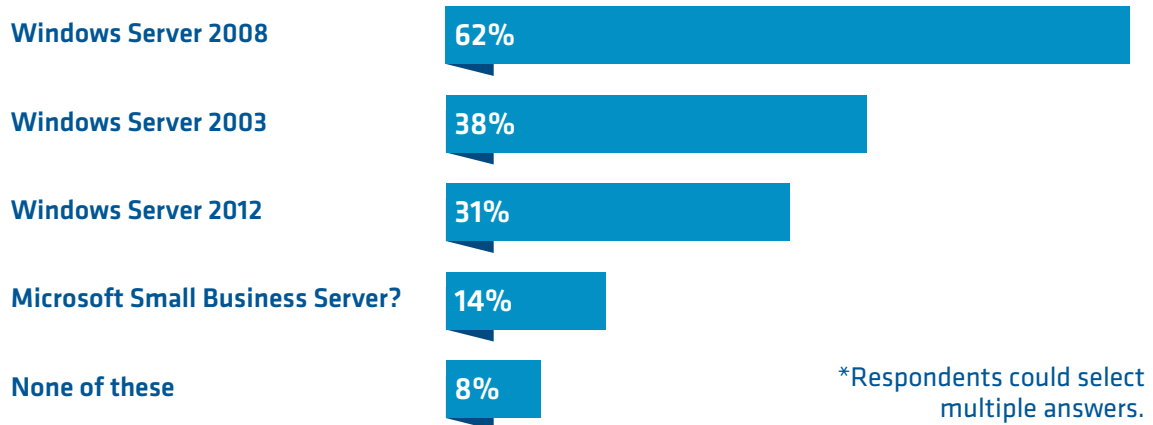


## Later rather than sooner

For most of the UK's SMBs, then, a wholesale move to the cloud is not happening anytime soon, despite the widely held view within the industry about cloud's obvious SMB suitability. However, the survey also demonstrates that SMBs do understand the advantages of cloud platforms, applications and infrastructures; it's just that getting there is not easy and the route is not immediately obvious.

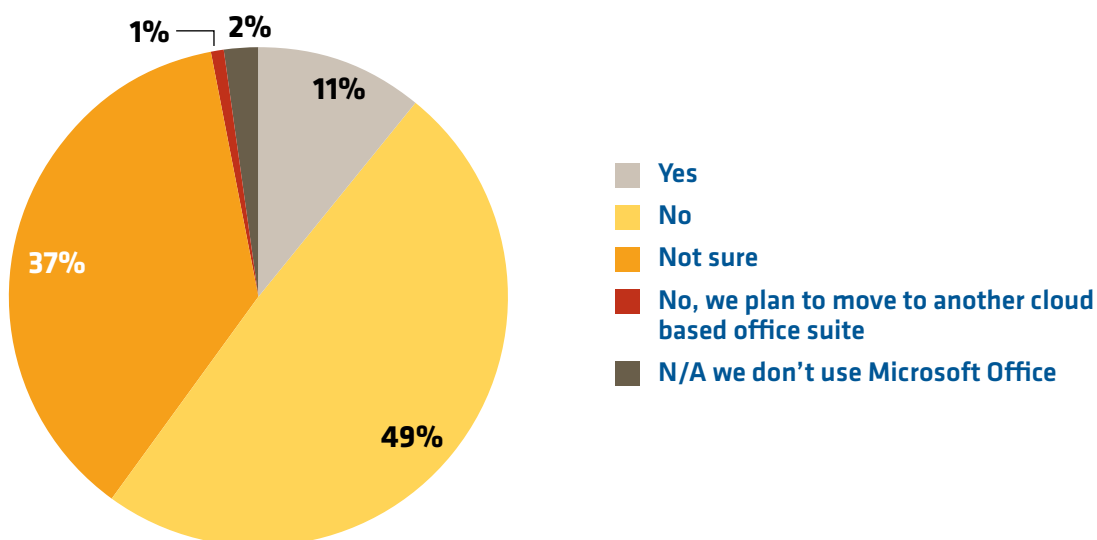
And the issue is not just related to existing investment in hardware. While it's true that many common on-premise applications are available in cloud versions, other legacy applications are not, or cannot run in the cloud – including ones that may have been written for the organisation or the market that it operates in. And if an on-premise application is core to a successful business, few organisations will want to waste time and money in attempting to make it run in the cloud.

So what is the in-house picture among the UK's SMBs? Asked what platforms are running in house, 62 percent said Windows Server 2008 and a surprising 38 percent answered Windows Server 2003 which is under notice that support will end in 2015. Fourteen percent are running Microsoft Small Business Server (Fig. 7 on page 11). With the older of these products fast approaching end of useful life, SMBs need to consider what else is approaching: degraded performance.

**Fig. 7 : Do you operate the following platforms on-premise?**

In terms of enterprise applications, 78 percent of SMBs retain their finance and accounting applications on premise, while three quarters of all respondents are still running their email systems and office suites in house, despite the wide availability of cloud iterations. Following behind are HR (39%) and CRM (a surprising 38 percent of instances still on premise within SMBs). A number of respondents identified bespoke applications as well.

Forty-nine percent of the respondents that currently run Microsoft Office on premise said that they have no current plans to run the cloud-based alternative, Office365, with a further 37 percent saying that they are unsure. Only eleven percent of the UK's SMB Office users said that they definitely plan to switch to Office365 (Fig. 8).

**Fig. 8 : If you currently use Microsoft Office applications on-premise, do you plan to switch to Office 365?**

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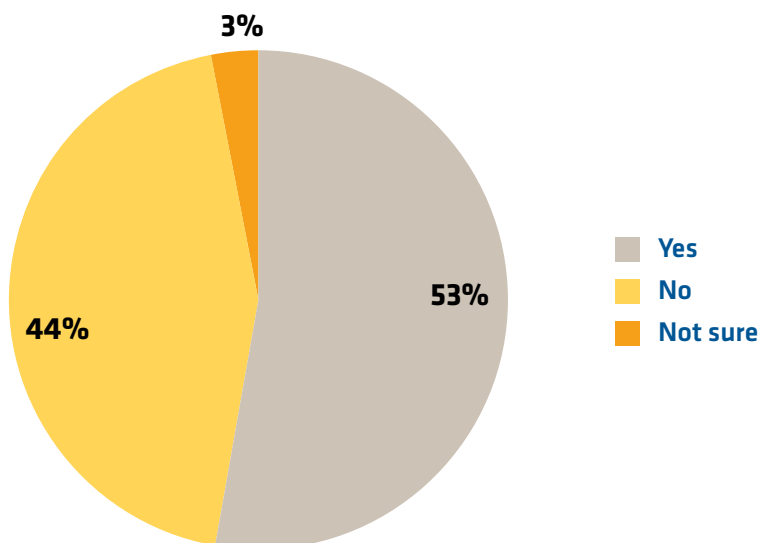
This reticence may be due to the perceived difficulties in running a hybrid environment (see Fig. 4), as revealed by the high number of 'don't knows'. The office suite is absolutely mission critical to many small businesses and many will be fearful about the possibility of any downtime or disruption caused by switching systems, and want to ensure they keep control of their company data.

Despite this, 55 percent of SMBs are currently running their email application in the cloud, with 45 percent running different line of business applications – among them event management, payroll, scheduling, ticketing, BI tools, SharePoint, transport planning, and holiday management systems. Twenty-two percent are running Office in the cloud, followed by the 16 percent of respondents that are running hosted CRM and HR applications.

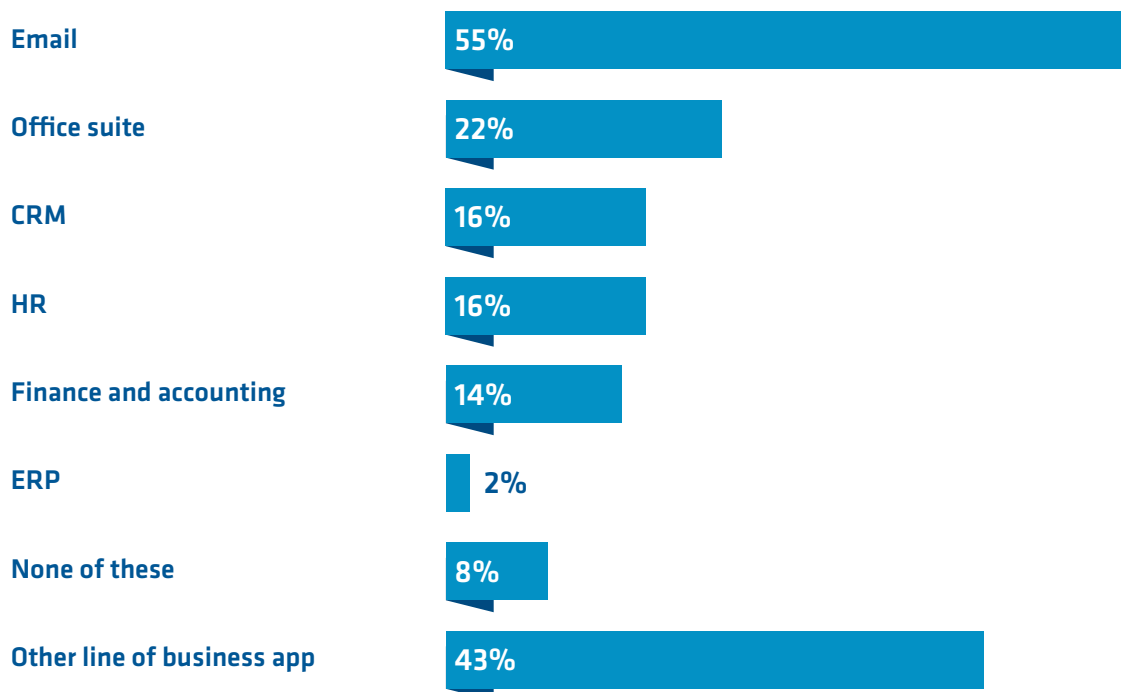
However, the survey found that a total 44 percent of the UK's SMBs say that they are not running any applications in the cloud at all, despite the advantages that many associate with cloud applications, platforms and infrastructure (Figs. 9 and 10).

Clearly, there are still barriers to adoption that are preventing SMBs from taking full advantage of what cloud computing has to offer.

**Fig. 9 : Are you already running some applications in the cloud?**



**Fig. 10 : Which of the following types of enterprise applications are you running in the cloud?**



\* Only asked of those running applications in the cloud; respondents could select multiple answers.

## Finding the right balance

So should smaller organisations stick with their existing investments and applications, move to a cloud-based iteration of their day-to-day office tools, or search for something new?

For nervous organisations, these and similar questions really revolve around complexity, security, data ownership, loss of control, and the strategic and operational management of their IT – together with value for money, of course. Smaller organisations need skilled people who know the business inside out, but at the same time one of the barriers to new technology for smaller businesses can be that same human element: someone needs to manage, maintain and secure their data and their technology.

So how can smaller and medium-sized organisations achieve similar levels of control from new, efficient, cost-effective cloud technologies to those offered by their on-premise options – a single point from which to access and manage their IT estate, wherever it may be located?

One option is to explore the advantages of an appliance-based, on-premise cloud solution that is designed for smaller businesses. Such a device can offer a single sign-on to both public cloud and on-premise applications and data, leaving the user – the small or medium-sized organisation – to decide where it stores its core and operational data.

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With an on-premise, cloud-managed server appliance, data stored in hosted public cloud locations can be replicated or drawn back down to the local organisation on demand, and vice versa. For example, an on-premise cloud appliance can be integrated with standard cloud-based suites – such as the hosted versions of standard office-style applications – while backing that data up onto local machines, giving users an extra layer of protection to those offered by many cloud providers.

Such a hybrid option effectively offers the best of both worlds, because it allows smaller organisations to gain the advantages of cloud-based services – including on-demand applications, platforms and infrastructures coupled with a managed service and the cost-predictability of a pay-per-use model and seamless upgrades – while at the same time running whatever applications need to remain on-premise through it. For example, specific line-of-business applications can run either locally or in the cloud, creating a single point of management and control.

An appliance solution can be a safety valve for smaller businesses, because it means they only move applications and data to the cloud when they need to, or when they feel able to safely. It also removes the operational need to directly manage and secure data and systems in house whilst retaining control, freeing up hard-pressed ICT staff up to focus on supporting the business strategically rather than ‘keeping the lights on’. In this new environment, managing service levels and quality around strategic business objectives becomes the norm.

## Conclusion

A one size fits all approach can never work for a sector as diverse as SMBs. Nevertheless this is what many of them are offered by vendors whose main income comes from much larger entities. The sort of bespoke customisation and consultancy available to large companies simply does not filter down the scale, meaning that smaller companies often find themselves struggling with ill-fitting applications that are complex or expensive to maintain.

In theory, then, the cloud should be the saviour of small business, giving access to applications or infrastructure on an on-demand basis. However as this survey shows, this is not how it's seen from the perspective of many SMBs, who fear that embracing the cloud will simply lead to more complexity and expense.

What is needed is an on-premise private cloud environment, and/or a way to seamlessly integrate on-premise and public cloud solutions so that those functions that are better run in the cloud are run in the cloud, while those that need to stay in-house can comfortably do so, with none of the creation of functional silos that this so often implies. With this alternative approach, the benefits of embracing a cloud model across all locations becomes possible.

The need to keep control of servers and software is keenly felt in SMBs, which is why, for many, a managed, appliance-based, on-premise cloud solution designed for smaller businesses may be the answer. With vendor lock-in and security being key concerns for SMB respondents, having a more open and flexible environment in which users can pick and choose what stays on premise and what would be better served in the cloud would give them far greater confidence.

The benefits of a local control point that enables single sign-on to applications and data wherever they are hosted along with automation and assurance over storage, back-ups and security drive greater efficiency and availability for the SMB. Furthermore, with multi-site organisations – as many SMBs are, despite their low employee numbers – on-premise private options are an ideal solution to create a local integrated hybrid infrastructure.

This is the case today and most likely in the future, as many on-premise solutions reach the end of their supported lives. The seamless upgradability of infrastructure, applications and platforms as a service can help SMBs sidestep many of the IT problems that face the smaller business.

## About the sponsor, Zynstra

Zynstra is a provider of hybrid cloud solutions that enable SMBs to benefit from the security and performance of local IT combined with the economics and ease of the cloud. Headquartered in Bath, UK, Zynstra has developed patent-pending technology that gives SMBs hassle-free, enterprise-level IT with built-in reliability they can afford. For further information about Zynstra's Cloud Managed Server Appliances:

**For more information:**

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