

SMEs in the cloud: looking before they leap

Overview:

Cloud computing has long ceased to be an emerging technology. After the unprecedented hype which Cloud has enjoyed over the last five years, it is now an established and growing model - one which businesses the world over are investing in more and more.

In late 2008, Easynet Connect conducted its first research into SME attitudes towards the Cloud, by which we mean the model of delivering IT-related capabilities as a service via the internet. Whilst it is one thing for the large enterprise with a dedicated IT department to implement cutting-edge technology, we wanted to see if the same was true of small businesses, many of whom may have little or no in-house IT staff or support. The potential benefits of Cloud are as relevant for start-up firms as they are for multinational companies, so our aim has been to see how the UK's SMEs are adopting cloud.

When we ran the survey again in late 2009, the results showed a growing enthusiasm for the Cloud, with the number of companies planning to transition to the Cloud in the following five years up by two thirds on the previous year. This year's research, however, indicates that this enthusiasm has been dampened.

The results showed that less than a third of SMEs have implemented any Cloud style capabilities. More than a third (34%) have no plans to use Cloud computing – more than last year, where this figure was just 27%. This indicates a fundamental shift in perception of the Cloud during the past 12 months amongst SMEs, with many obviously feeling that it is less of a priority for their business in these uncertain times.

These figures beg the question of why small businesses haven't embraced the Cloud as readily as had been anticipated in previous years. One key reason is financial: amid a continuing uncertain economic outlook, small companies are naturally being cautious with their cash. However, the study also highlights that many SMEs simply aren't aware of the Cloud options available to them.

This report explores these trends at greater length and discusses the possible solutions.

About the research:

The primary research for this report was conducted by OpinionMatters, an independent pan-European market research company. The research was commissioned by Easynet Connect.

OpinionMatters surveyed 251 IT decision makers within small businesses of up to 250 employees during April and May, 2011.

Section 1: Adoption of cloud computing by SMEs

The results of this question show that cloud computing is still a minority pursuit among the UK's SMEs. Less than one third are currently running cloud applications, and among those who were not, the most popular reasons given were that they did not feel the need to discard their existing systems, knew little about the options available, or simply had no spare budget with which to make changes.

Figure 1: Have you rolled out any cloud computing applications in the past two years?

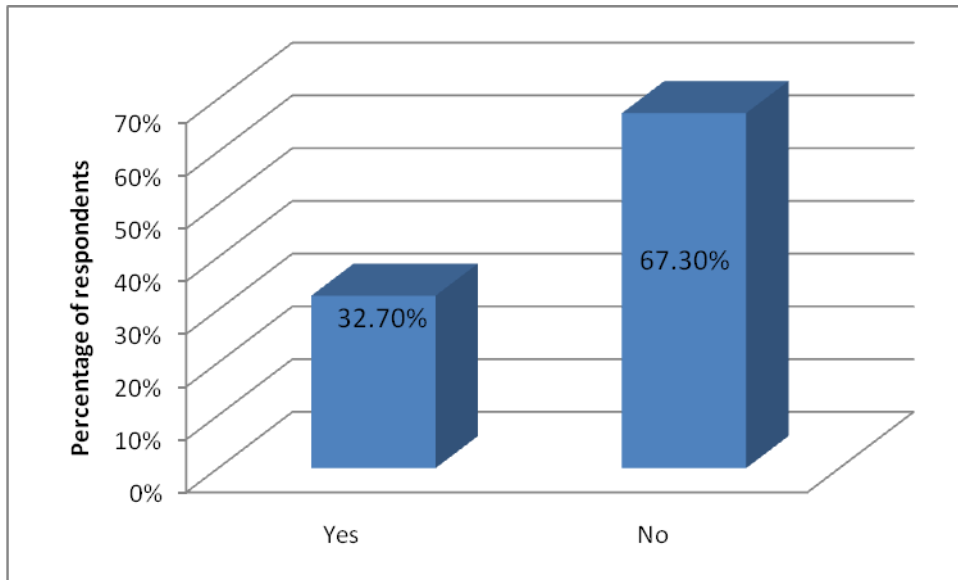
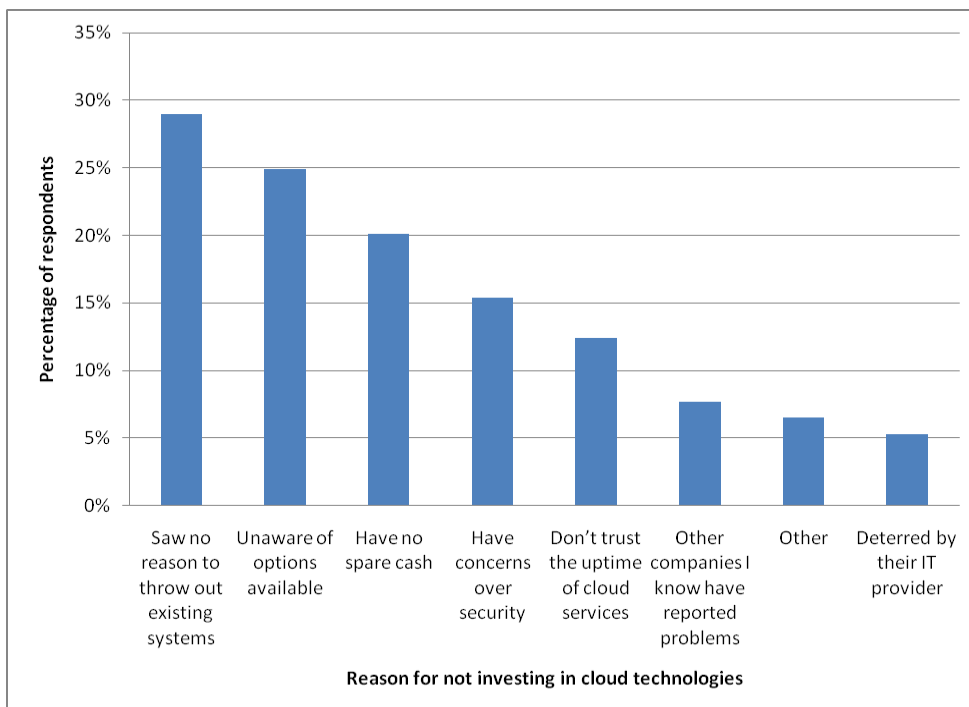
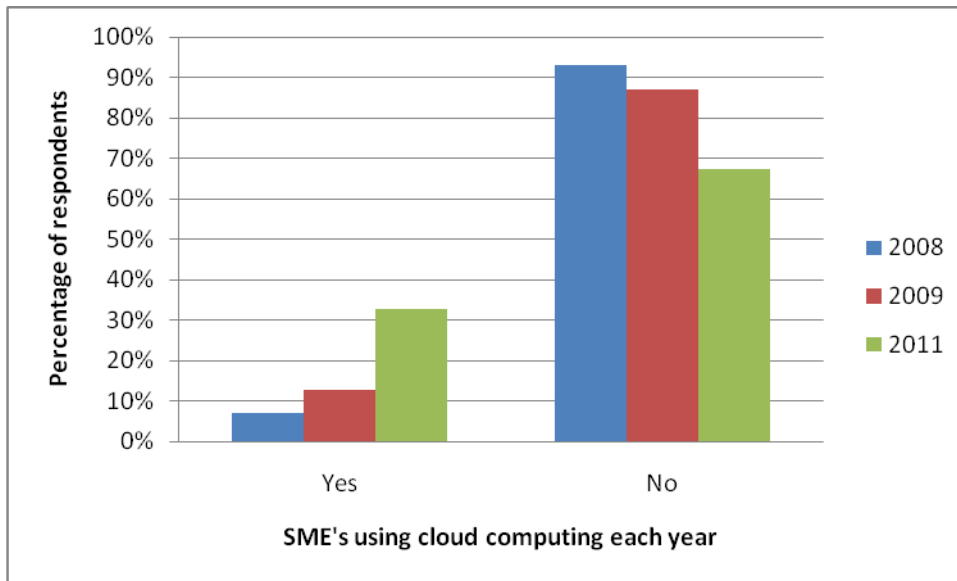


Figure 2: If you did not invest in cloud technologies, can you say why?



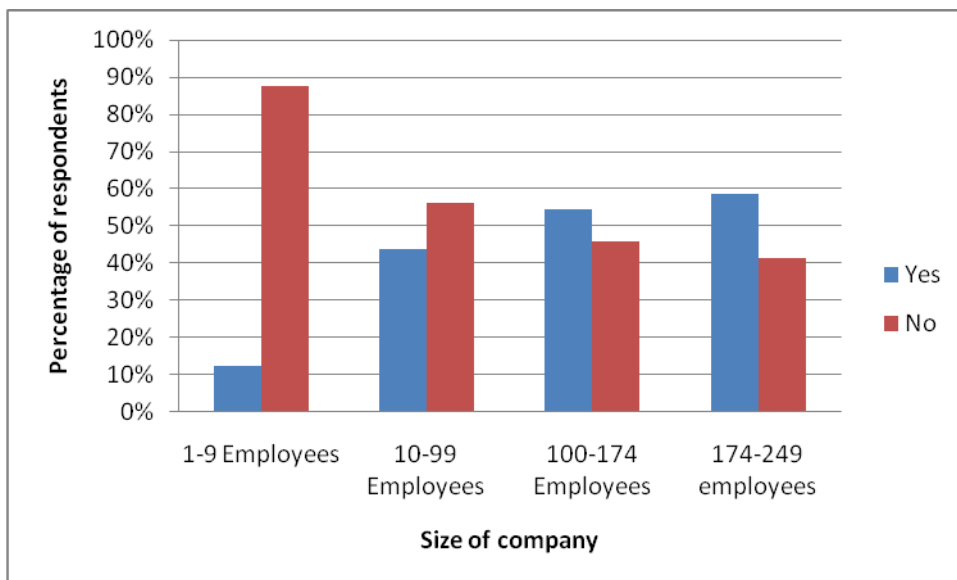
However, the proportion of SMEs using cloud has more than doubled, rising from just 12.9% in 2009.

Figure 3: Percentage of SMEs using cloud computing (2009 vs 2011)



As in previous studies, it was the smallest companies which were most uncertain of the cloud. Despite the fact that small companies are often best placed to take advantage of the low start-up costs of the Cloud, only 13% of businesses with less than ten employees had rolled out any cloud-based applications. By contrast, 59% of those comprising between 175 and 249 employees (the largest companies included in the study) were already using the Cloud.

Figure 4: Have you rolled out any cloud computing applications in the past 2 years? (split by size of company)



Although a majority of respondents believed that they would eventually adopt the Cloud, the number of those who believed they would not has increased from 27% in 2009 to 34% today. That said, this year's survey did show that most of those with an appetite for the Cloud planned to make their move promptly: 59% said that they would invest within the next twelve months.

Figure 5: Do you plan on using some 'cloud computing' applications now or in the future? (2008, 2009 & 2011)

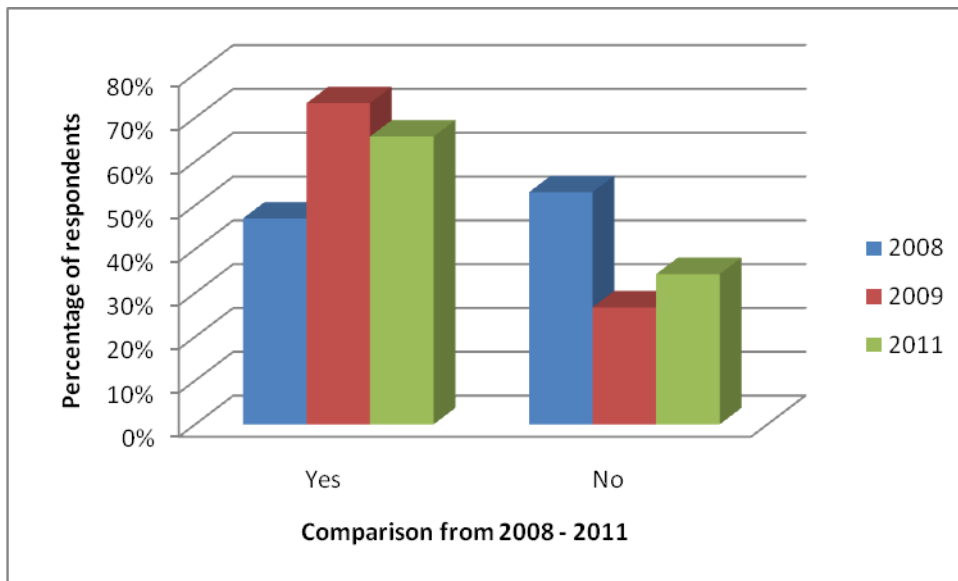
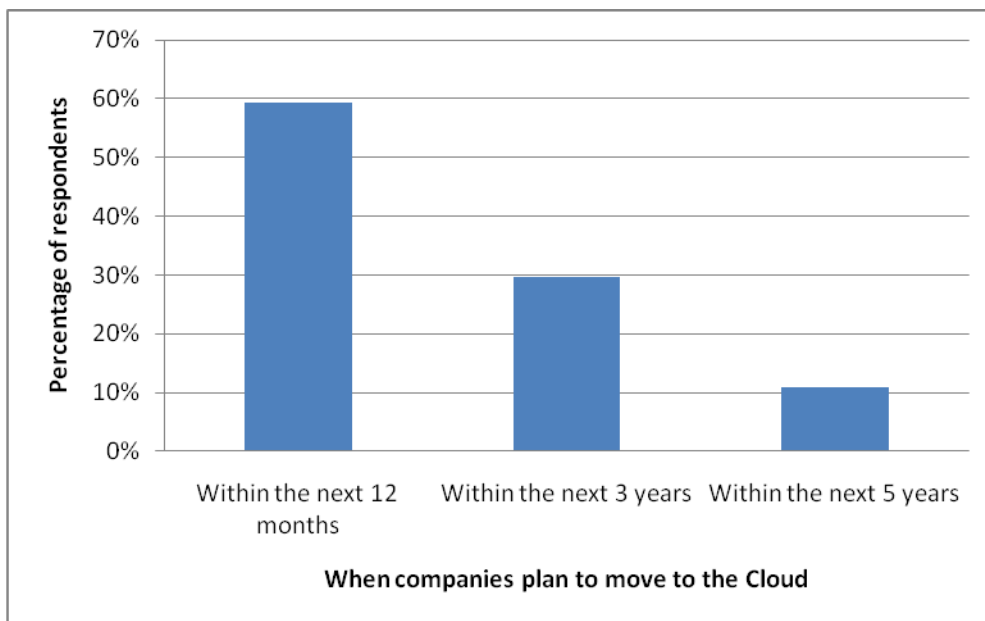


Figure 6: If yes, when? (2011 data)

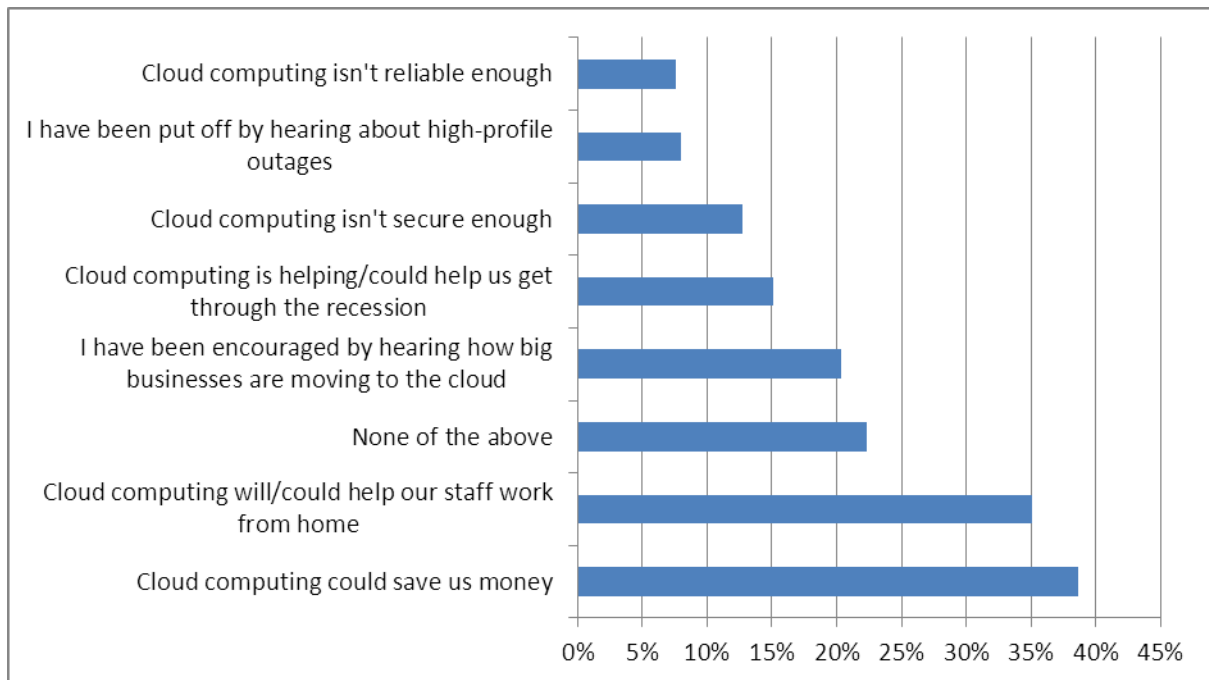


Section 2: Benefits of cloud computing

Despite showing some wariness towards cloud adoption, the respondents were nonetheless very clear on the benefits they felt it would bring to their businesses. For the third year in succession, potential cost savings and the increased ability to allow employees to work remotely were identified as the two most prominent benefits for the SMEs questioned.

Relatively few respondents seemed concerned about potential pitfalls of the cloud: concerns over security, reliability and problems with uptime were the three least popular choices.

Figure 7: Thinking about the use of cloud computing, which of the following statements do you agree with?



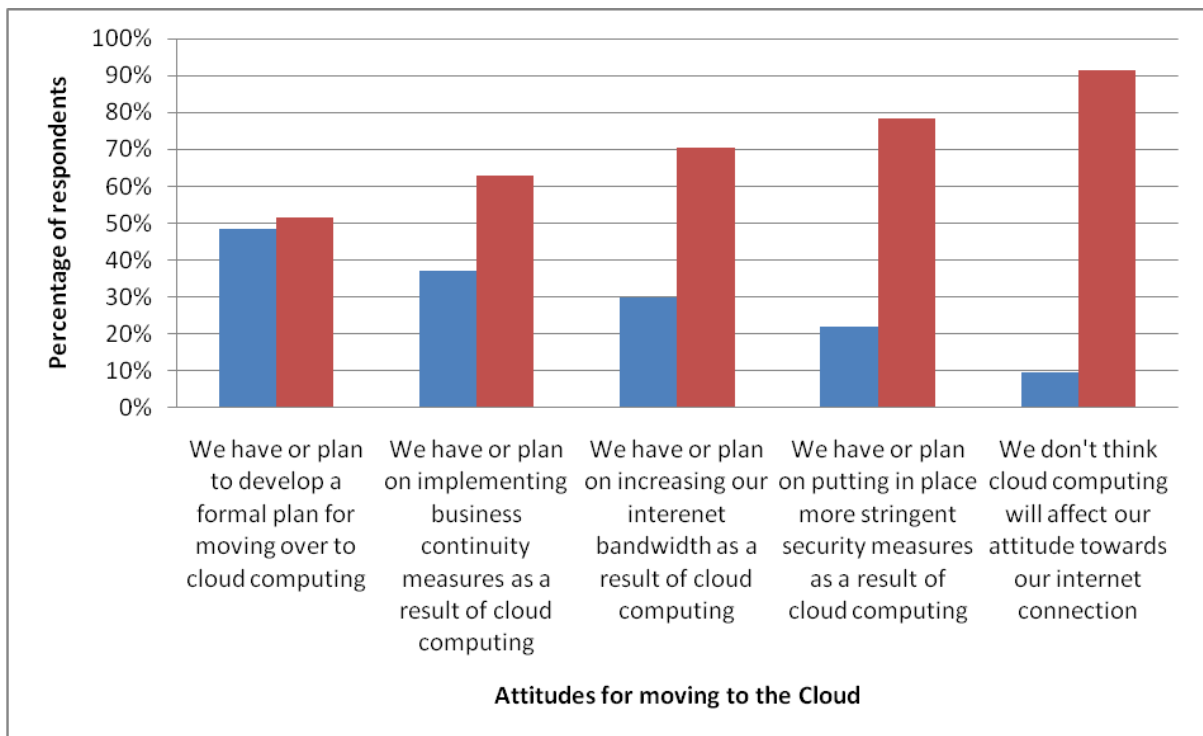
Section 3: Planning for the Cloud

One of the most striking findings of previous surveys has been the low proportion of SMEs who have developed a formal plan for their move towards the Cloud. This improved this year, from 29% in 2009 to 49% today, but still shows that the majority of small companies who plan to adopt cloud computing still have no strategy in place for doing so.

Perhaps more worrying than this is the fact that less than a third of those questioned had (or planned to) increase the bandwidth of their company's network in order to cope with the increased demands of cloud. However, the proportion of businesses putting in place additional business continuity measures increased from 24% in 2009 to 37%.

The fact that such a low proportion of SMEs believe that they need to review their internet connections is especially worrying: even if companies don't need to upgrade their connections, any conversation about the Cloud needs to factor in any possible impacts on the headline speed and quality of the company's connectivity, in addition to measures to ensure redundancy and fail-over.

Figure 8: Which of the following measures have been put in place/will be put in place by your company to prepare for cloud computing?



Is the cloud's march faltering?

Commentary from Andy Horn, managing director, Easynet Connect:

In 2008 and again in 2009, we asked the UK's small and medium-sized businesses about their plans for moving into the Cloud over the years ahead. Although still an emerging trend, the business owners we spoke to were confident about the Cloud's potential to transform their company for the better. The results of our 2009 study projected that half of the UK's SMEs would be using some form of cloud computing by the end of 2010.

Fast forward eighteen months and the picture is somewhat different. Less than one third of the UK's SMEs have made the move to the Cloud, whilst 34% now state that they have no plans to do so. What has happened in the interim to so dampen small business owners' enthusiasm for Cloud?

The reasons given by those who had opted not to invest in Cloud imply that adverse economic conditions may well have had a large role to play in the stalled uptake. Many were yet to be persuaded that they should replace their existing IT investments with Cloud technology, while more than one in five said that they simply had no cash with which to invest.

However, there is also a slightly less obvious, and altogether more concerning, subtext to some of the responses gathered this year. One quarter of the business owners who were yet to move to the Cloud said the reason was that they were simply unaware of the options available to them, and this lack of knowledge is also evidenced by other areas of the research.

More than half of the respondents with plans to invest in Cloud said that they had no formal strategy in place for doing so. Whilst this represented an improvement on last time, it is still worrying to see that so many of the UK's small businesses may be conducting their move to the Cloud based more on luck than judgement. The fact that fewer than 30% of those companies planned to increase their bandwidth in preparation for the Cloud is also a concern. The network is at the very heart of any move to the Cloud, and the fact that so few businesses appear to be factoring this in shows that there is still a lot of educating to be done in this area.

It was surprising to see that so few of the UK's smallest enterprises have taken the plunge into the Cloud. With such low set-up costs for many of the most effective cloud applications, such as Skype or Dropbox, it is hard to see why take-up remains so low. As an industry, communications providers, vendors and resellers need to pull together to educate small businesses on how the Cloud can work for them.

However, there are also plenty of positives to be taken from the findings. The fact that the majority of those planning to move to the Cloud intend to do so within the coming 12 months implies that many small businesses are positive about the year ahead. If the UK's economic recovery continues to gather pace as many hope it will, then we may be looking at a very different picture by this time in 2012. The findings should also offer encouragement to the reseller channel. With many small business owners obviously still lacking the necessary knowledge to take their companies into the Cloud, the channel has a vital role to play. Without planning or the correct infrastructure, small businesses run the risk of wasting vital resources on cloud projects which may not perform as required or deliver the benefits expected. The role of the reseller should be to guide their client in

preparing a formal strategy for its Cloud investment and ensuring that they take the right decisions when doing so.

Tips for SMEs moving to the Cloud:

- Always plan strategically for cloud computing. As the old adage goes, failing to prepare is preparing to fail, and the Cloud is by no means an exception to this rule. If your company does not have in-house IT staff, then seek the guidance of your service providers. Always get more than one opinion on what options could work best for you and what any potential project should cost
- Think carefully about your internet connection. Relying on cloud services makes the potential implications of any outage far greater, which means that relying on a home broadband line or other basic levels of connectivity may not be sufficient. Invest in a network that you know has sufficient bandwidth to support all of your additional activities, is robust enough to withstand increased activity, and which is backed-up by professional customer support and a guaranteed fix-time.
- Ensure that your Service Level Agreements (SLAs) reflect the financial impact that downtime would have on your business, and provide compensation if the targets are missed.

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