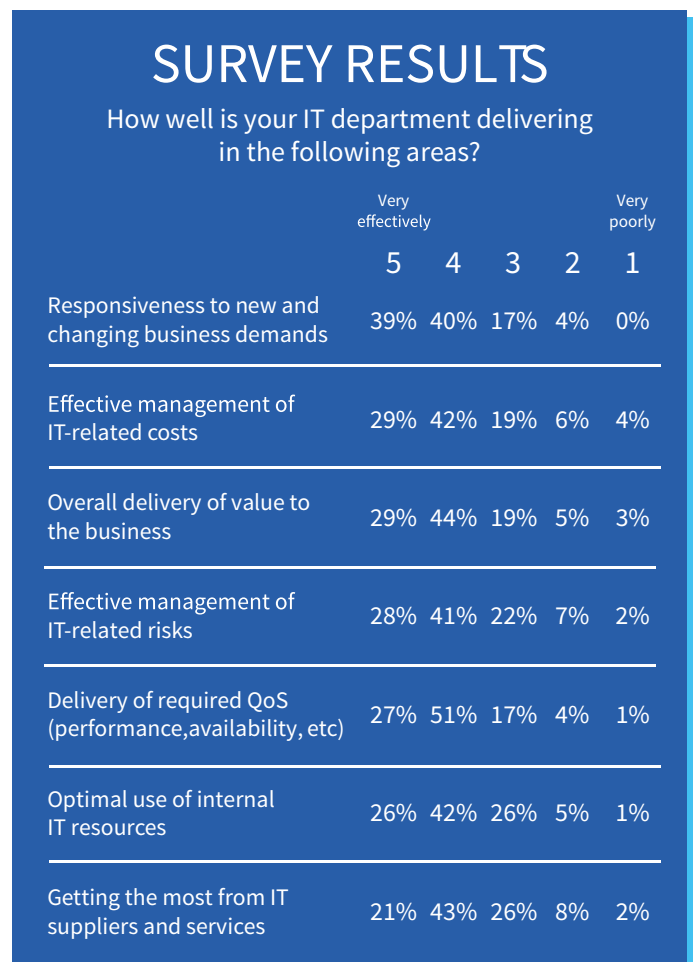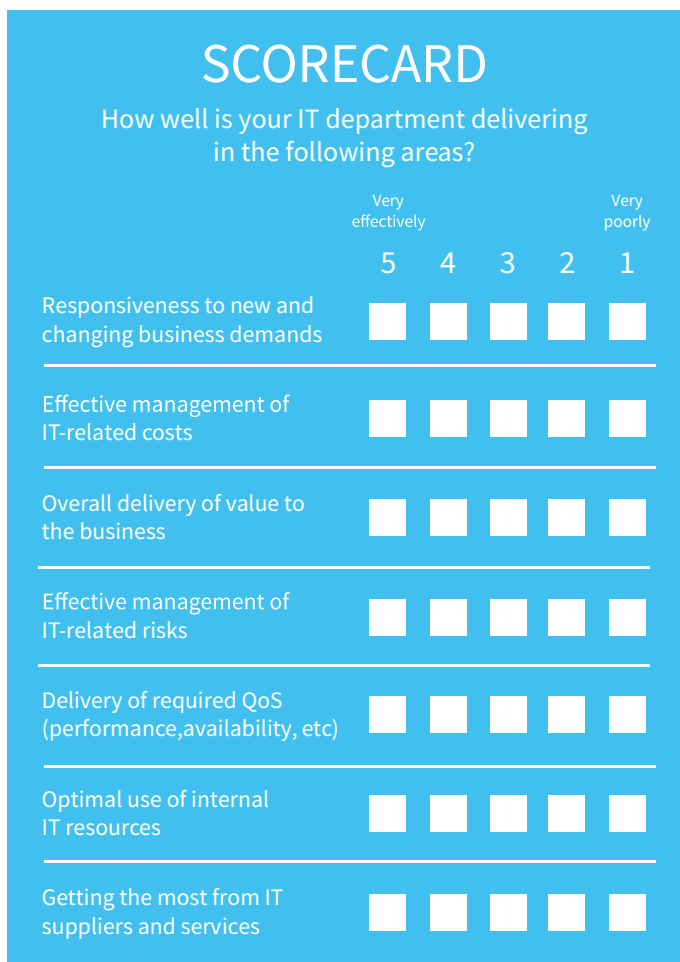# The Impact of Cloud on IT Teams

An opportunity to raise your game?

Freeform Dynamics, 2016

IT performance checkpoint

We often hear that cloud computing dramatically reduces the need for in-house IT teams, and might even lead to their ultimate demise. The research reported here provides a very different view based on analysis of real business objectives and actual experience. As we shall see, cloud doesn't mean that IT teams become less important, but they do need to change.

In order to put our discussion into its proper perspective, we must first acknowledge that cloud itself is not an 'end', but a means to an end. The real mission is to enable the business as effectively, efficiently and responsively as possible, so the achievements that matter are the kind presented in the scorecard below. The percentages you can see relate to input from over 500 senior IT professionals working in a mid-sized business environment, and they immediately reveal that performance of IT teams varies considerably. For the purposes of our analysis, we are less concerned with the detail of this (interesting though it is), and more with identifying the 'top performers' so we can study them further.
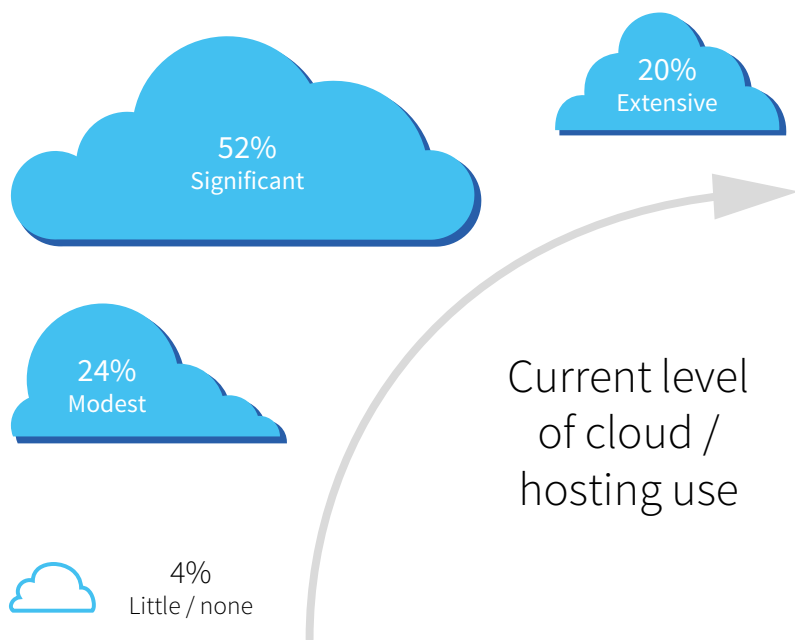
SCORECARD

How well is your IT department delivering in the following areas?

	Very effectively				Very poorly
	5	4	3	2	1
Responsiveness to new and changing business demands	☐	☐	☐	☐	☐
Effective management of IT-related costs	☐	☐	☐	☐	☐
Overall delivery of value to the business	☐	☐	☐	☐	☐
Effective management of IT-related risks	☐	☐	☐	☐	☐
Delivery of required QoS (performance,availability, etc)	☐	☐	☐	☐	☐
Optimal use of internal IT resources	☐	☐	☐	☐	☐
Getting the most from IT suppliers and services	☐	☐	☐	☐	☐

SURVEY RESULTS

How well is your IT department delivering in the following areas?

	Very effectively				Very poorly
	5	4	3	2	1
Responsiveness to new and changing business demands	39%	40%	17%	4%	0%
Effective management of IT-related costs	29%	42%	19%	6%	4%
Overall delivery of value to the business	29%	44%	19%	5%	3%
Effective management of IT-related risks	28%	41%	22%	7%	2%
Delivery of required QoS (performance,availability, etc)	27%	51%	17%	4%	1%
Optimal use of internal IT resources	26%	42%	26%	5%	1%
Getting the most from IT suppliers and services	21%	43%	26%	8%	2%

Survey
(508 respondents)

Segmentation of respondents based on overall average performance

Focus on high achievers

Top performers
24% of sample

Others
76% of sample
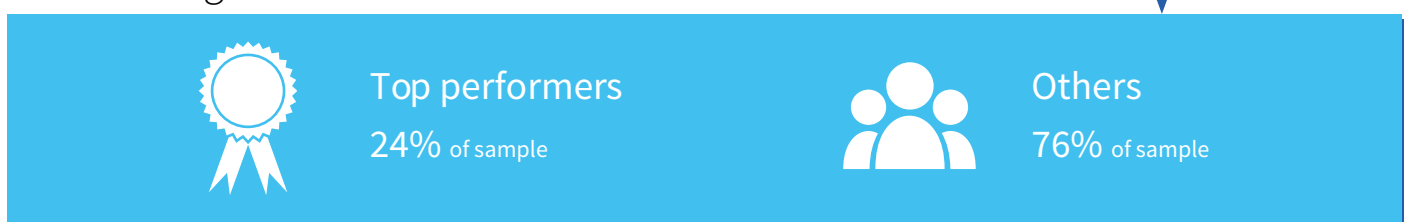
The rise of cloud and hosting

52% Significant

20% Extensive
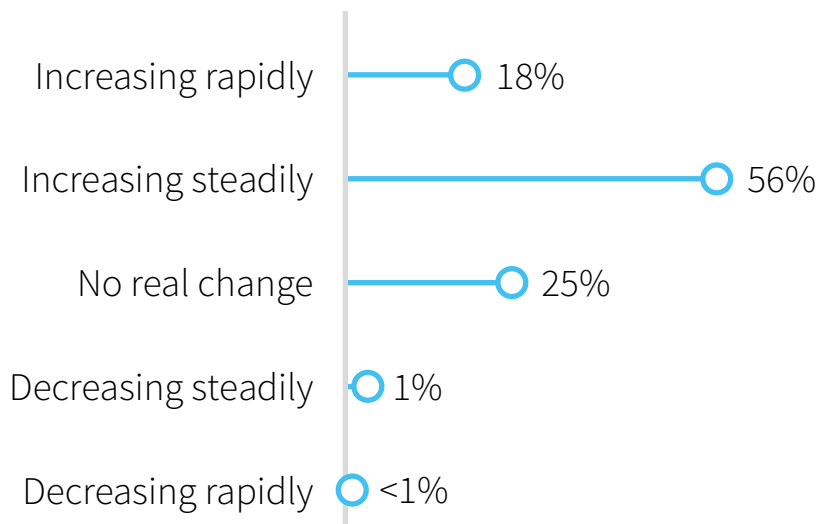
24% Modest

4% Little / none

Current level of cloud / hosting use

Let's begin our analysis by exploring views on the role of cloud, hosting and managed services (referred to collectively as 'cloud' from this point onwards), using current activity and trends as a backdrop. The study focused on UK based organisations with between 50 and 2,500 employees, and the adoption picture we see gels with general market experience. Most mid-sized organisations now have at least some involvement with cloud. The majority tell us they use it 'significantly', even if most of their IT might still be on-premise. Some are then more advanced in their level of adoption, while others are earlier in their cloud journey.

Looking ahead, we see an ongoing trend towards greater use of cloud, though not the universal rush away from on-premise systems claimed by some commentators. This is understandable given that the market is still relatively young. It has yet to settle down to the point where you can be sure what to expect from a provider without performing significant due diligence and reading the fine print in contracts. This in turn has meant mixed early experiences, along with problems resulting from services and providers not always working well together - an issue that may already be familiar to you. Pacing your adoption therefore makes absolute sense at this point in time.

How is your level of use trending?

Increasing rapidly	18%
Increasing steadily	56%
No real change	25%
Decreasing steadily	1%
Decreasing rapidly	<1%

Agree / disagree
Cloud / hosted services have an important role to play in meeting our business needs

Top performers
49% strongly agree
35% agree
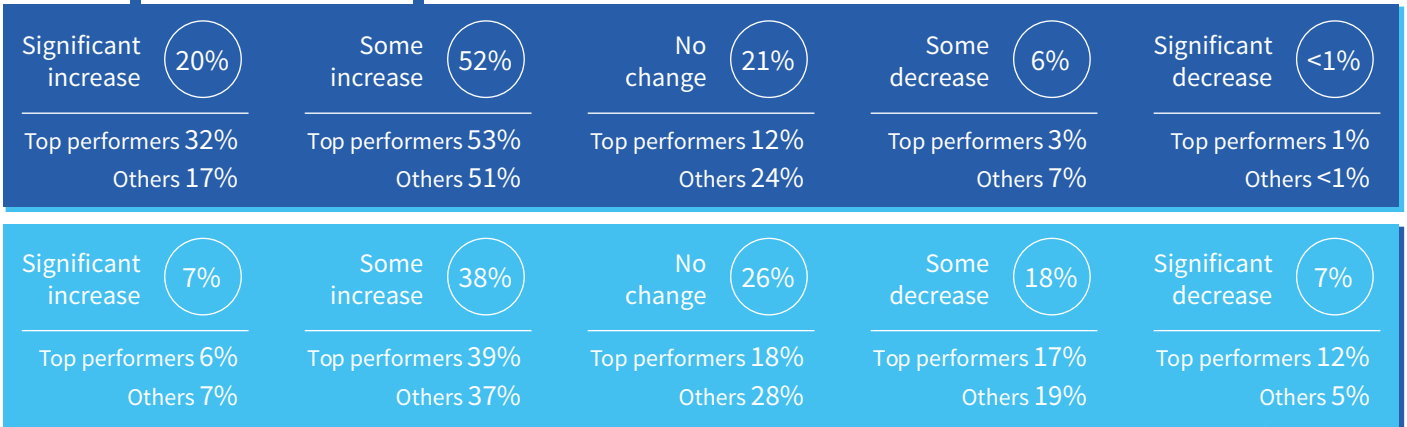} **84%**

Others
36% strongly agree
44% agree
} **80%**

Despite the challenges, however, the majority have seen enough value and future potential to be convinced about the importance of cloud, though we do see a significant difference here between our top performer group and other organisations. Comparing the 'Strongly agree' responses on the graphic to the left, those reporting the best scores in relation to IT delivery performance are significantly more likely to emphasise the importance of cloud in helping to meet business needs.

One reason for this is that cloud services themselves often lower technology adoption barriers, making advanced capability more accessible, and reducing 'time to value'. But our research reveals another set of factors at play here to do with the impact of cloud on IT teams, and the logic is contrary to the accepted industry narrative.

Impact on IT teams

If you view IT purely through a cost lens, cloud adoption could be seen as an opportunity to shed IT staff. Over the past three years, however, even though cloud usage has clearly been on the rise, the majority report that their IT teams actually grew. Furthermore, the highest growth rates are seen within the top performer group, i.e. among those with the greatest enthusiasm for cloud. Looking forward, the next 3 years are anticipated to bring yet more net growth, with the average size of IT teams continuing to increase overall, albeit at a slower rate.

Change in team size seen over the last 3 years

Significant increase	Some increase	No change	Some decrease	Significant decrease
20%	**52%**	**21%**	**6%**	**<1%**
Top performers 32%	Top performers 53%	Top performers 12%	Top performers 3%	Top performers 1%
Others 17%	Others 51%	Others 24%	Others 7%	Others <1%

Significant increase	Some increase	No change	Some decrease	Significant decrease
7%	**38%**	**26%**	**18%**	**7%**
Top performers 6%	Top performers 39%	Top performers 18%	Top performers 17%	Top performers 12%
Others 7%	Others 37%	Others 28%	Others 19%	Others 5%

Expected change in team size over the next 3 years

Of course some will downsize because of cost pressure, and others will exploit efficiency gains from cloud adoption and other investments to reduce staffing levels. Indications are, however, that many are using operational overhead reduction as an opportunity to focus on more value-creating activities. The relationship we see below between cloud adoption levels and the composition of IT teams is consistent with this. As cloud service use increases, routine administrative tasks shift to service providers, resulting in a reduced need for general purpose IT resources. Rather than lose people, though, the skill-base shifts to more specialist areas. Examples here include software development, information management, business analytics, and other areas associated with business value delivery, along with disciplines such as architecture and security needed to deal with complex hybrid environments.

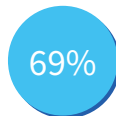## How is your IT team made up?

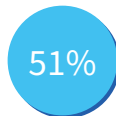|	All / mostly specialists	Even mix of specialists & generalists	All / mostly generalists
Those making **EXTENSIVE** use of cloud / hosting	69%	18%	13%
Those making **SIGNIFICANT** use of cloud / hosting	51%	32%	17%
Those making **MODEST or NO** use of cloud / hosting	11%	33%	56%

The next iteration of cloud

Agree / disagree
Providers who aggregate multiple services into a single integrated solution have a key role to play

Top performers
39% strongly agree
50% agree / possibly
} 89%

Others
18% strongly agree
69% agree / possibly
} 87%

Agree / disagree
How would you describe your use of converged services?

Top performers
51% significant use
38% some use
} 89%

Others
28% significant use
53% some use
} 81%

The desire to focus valuable internal resources on activities that deliver most value to the business is making IT teams more discerning about the kind of cloud services they use. The danger is that the operational benefits of any individual service are undermined by the collective overhead of having to make sure all of the services you use work together with each other and your on premise systems. Top performers particularly understand the integration, management and support risks, and appreciate the role of providers who can deliver more integrated or converged offerings.
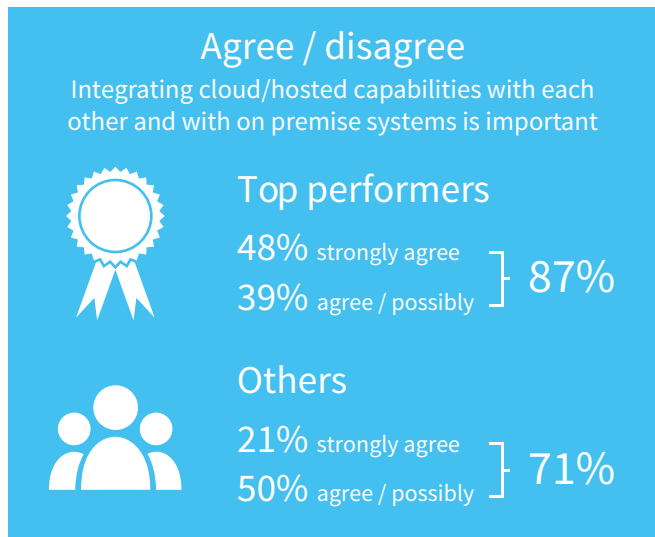
Suppliers expected to up their game

Some service providers have fallen into the trap of believing that all activity will move towards a 'low touch' or even complete hands-off engagement model. This may be true for narrow-scope SaaS offerings sold into small businesses, but mid-sized organisations of the kind participating in our study expect more. This is especially the case when a single provider is delivering a broader converged offering that may, for example, include elements of voice and data communications, traditional infrastructure hosting, shared/public cloud resources, and maybe even full platform or application related services. The provider team needs to be able to speak with in-house specialists on a peer-to-peer basis, within an overall engagement approach based on partnership and enablement. Top performers who are both more likely to have engaged with converged service providers, and made those arrangements work for them, give us some valuable pointers on what to look out for when evaluating suppliers in this space.
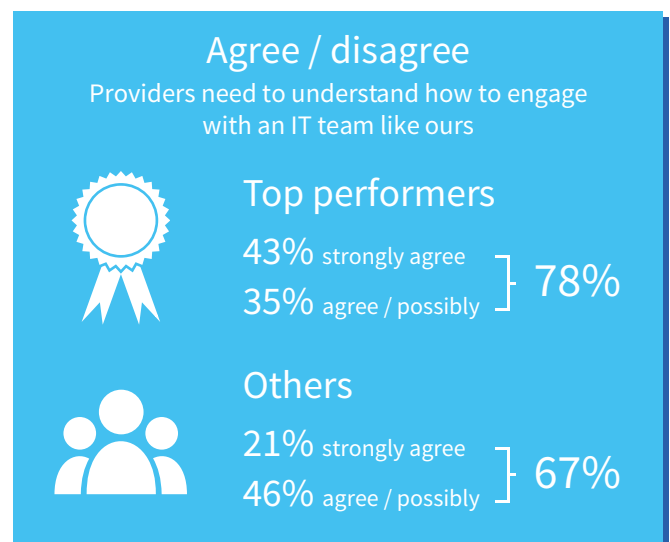
How important is the following in a potential provider?

	Top performers	Others	
Availability of experienced technical personnel to work with you	80%	57%	(1.4 x difference)
Willingness and ability to understand your environment	68%	45%	(1.5 x difference)
Service level commitments adequate for critical systems	66%	48%	(1.4 x difference)
Appropriate growth and flexibility options	65%	39%	(1.7 x difference)
Comprehensive and relevant reporting	64%	39%	(1.6 x difference)
Service level options to deal with different requirements	61%	44%	(1.4 x difference)
Comprehensive self-service capability	61%	34%	(1.8 x difference)
Ability to support you in line with your established processes	61%	45%	(1.3 x difference)

The bottom line

Agree / disagree
Integrating cloud/hosted capabilities with each other and with on premise systems is important

Top performers

48% strongly agree
39% agree / possibly
} 87%

Others

21% strongly agree
50% agree / possibly
} 71%

If we zoom out from all of the details we have been discussing, we can identify a few key takeaways. Firstly, the demand for technology-based solutions within your business will continue to accelerate as markets and the world in general become increasingly 'digital'. Keeping up with these demands in an effective, efficient, and responsive manner will require a combination of both internal and external skills and resources. One of the big challenges for IT teams looking forward over the next few years will be to deal with the practicalities of processing, data and the associated responsibilities becoming increasingly distributed. Key assets, resources and activities may even need to migrate between environments over their lifetime, sometimes quite frequently. Maintaining integration and harmony therefore has to be a key objective.

Going hand-in-hand with the integration imperative is a need to work with the right suppliers. The more a service provider can deal with integration issues at source, the less you have to worry about, and the more you can spend your time on activities that generate value for the business. However, both the dependencies and dynamics mean that it won't be easy to simply throw problems and responsibilities over the wall to a third party. The partners you choose must be willing and able to understand how you operate, and align services accordingly. There will always be a place for point solutions, but for those core communications, infrastructure and platform services that underpin your business so fundamentally, partners with which you have mutual trust will be important for success.

Agree / disagree
Providers need to understand how to engage with an IT team like ours

Top performers

43% strongly agree
35% agree / possibly
} 78%

Others

21% strongly agree
46% agree / possibly
} 67%

Final thoughts & recommendations

The IT industry is dogged by idealism. Some of the rhetoric we hear in relation to cloud computing in particular can also be quite insulting to IT professionals. Executives preaching from their Silicon Valley pulpits would have you believe that the days of in-house IT teams are numbered. Cloud will magically deal with all technology requirements and render you irrelevant. If anyone is even thinking about maintaining any IT expertise on the payroll, they are either stupid or in denial. Either way, the company's future success is in jeopardy.

Of course, that's a bit like saying that you don't have to worry about financial management because banks will take care of all that for you!

Back in the real world, while debates about whether everything will ultimately move to the cloud are great to have over a beer, this shift isn't going to happen any time soon, if ever, for the vast majority of mid-sized businesses. And even for those who do go fully down the cloud and hosting route, that's not the same as outsourcing all aspects of your use of technology. Specialist skills and expertise of the kinds we have highlighted will be in ever increasing demand, wherever your data physically resides and regardless of whose servers process it and how they are connected.

However, as we have seen from this research, the use of cloud, hosted and managed services is on the rise, and while the continued existence of in-house IT teams is not threatened per se, the status quo within them very much is. If you are an IT leader, it would therefore be wise to make sure you have a strategy in place to transition your team's skill mix, the way it functions, and how it engages with both the business and suppliers. As cloud services become an ever more prominent part of IT service delivery, significant change within IT teams is inevitable.

About the research

The research upon which this report is based was independently designed and analysed by Freeform Dynamics Ltd. 508 responses from mid to senior ranking IT professionals (plus some business stakeholders) were collected via an online survey. The respondents were from organisations in the upper part of the SMB sector and the midmarket (50 to 2,500 employees) and from a wide variety of industry sectors. The study was sponsored by 6DG.

About Freeform Dynamics

Freeform Dynamics is an IT industry analyst firm. Through our research and insights, we aim to help busy IT and business professionals get up to speed on the latest technology developments, and make better-informed investment decisions.

For more information, and access to our library of free research, visit www.freeformdynamics.com

About Six Degrees Group

Six Degrees Group is a converged technology infrastructure provider that is transforming the managed services landscape. 6DG has invested in its own data centres, cloud platforms, next generation data network and voice switching capability, and leverages these core assets to develop, manage and support its unique portfolio of solutions. The company is committed to delivering exceptional customer service and has recently achieved the prestigious 'Silver Investors In People' accreditation.

For more information go to www.6dg.co.uk