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Global IT Leadership Report
September 2013

Global IT Trends:
IT Outsourcing Fuels Business Growth

Global IT Leaders Embrace "Hybrid" Outsourced IT to Accelerate Growth

A message from Savvis

For years now, mainstream adoption of the outsourced cloud has moved closer to reality. Our new global survey of senior IT decision makers verifies this. It is not, however, a new revelation. The real news from this year's survey of IT leadership is that enterprises are more immediately concerned with strategically shifting IT infrastructures from an in-house to an outsourced model. Within just 5 years, 70 percent of all IT infrastructures will be outsourced. This is a dramatic shift, and it's huge.

Cloud is part of the picture — but not the only part. Rather, organizations are moving to a complex mix of IT infrastructure models that include, but are not limited to, cloud. Although on-premise, in-house owned infrastructure is used by the majority of enterprises today, this doesn't last for long. Within 12 months, in-house private clouds will edge out that model to take the leadership position. In 2 years, colocated services will be the IT infrastructure model of choice. In 5 years, outsourced managed services (24 percent) and cloud (25 percent) will, between them, cover nearly half of the outsourced landscape. Finally, after 5 years, the outsourced cloud will achieve dominance over all other models. Until then, IT infrastructures will be a hybrid mix of largely outsourced models.

As a result, IT leaders want more from their providers. Successful IT outsourcing providers will have the breadth and depth to help clients accelerate their business and bring applications to market more quickly. Security and uptime for applications are essential, and IT leaders are looking to their outsourcing providers to own their underlying network and have strong hybrid infrastructure capabilities.

IT leaders are balancing issues like security, uptime, loss of control, and company culture with their desire to outsource increasingly large portions of their infrastructures. Significant numbers of respondents said that, although functions such as disaster recovery, facilities, and business applications were currently managed in-house, they belonged in an outsourced model.

At Savvis, outsourcing is at the heart of what we do for enterprises. Whether you are taking your first foray into outsourcing, or you are well on your way to transforming how your IT operations are managed, we can work closely with you to understand your business challenges, and design solutions to help accelerate your business growth. We look forward to hearing from you.

Best regards,
Becky Carr
Chief Marketing Officer

IT focuses on innovation and growth — and moves to a "hybrid" infrastructure model

The results of our 2013 survey are in, delivering insight into what senior IT decision makers think — and, more importantly, the choices they are making. Things have changed considerably since our first survey in 2009. The recession lasted longer and cut deeper than many experts predicted. But speed forward four years and our message today is more uplifting, with a focus on innovation and planning for the future — and on a pending radical shift in the IT environment.

When asked about their strategic IT goals in this more positive economic environment, senior IT decision makers still put controlling costs on top of the list — but only barely.

Almost as many IT leaders said focusing resources on business-critical applications was a priority. Although cost will always be a concern, IT is pushing to break through that restriction to become a driver of innovation and growth (see Figure 1).

Key Findings

Within five years, companies will have outsourced approximately 70 percent of their infrastructures.
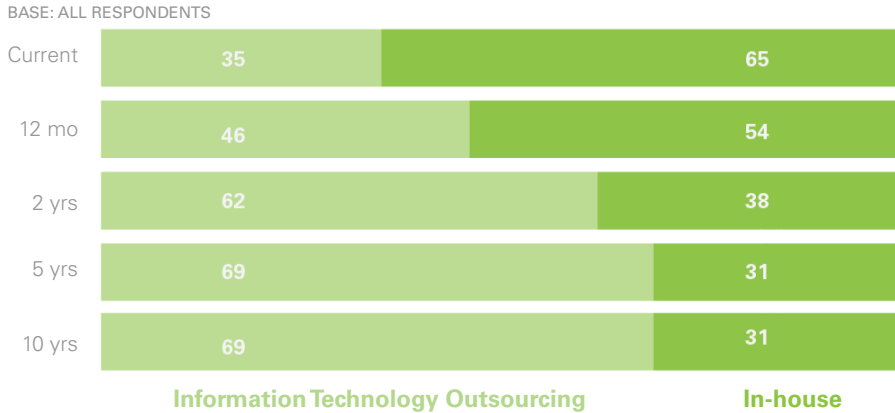
Accelerating development and management of business applications has nearly surpassed cost control as the top strategic goal of IT leaders.

Colocation and managed services gain in popularity over the next two years as on-premise, in-house systems decline.

Public cloud is not the answer for most organizations. Instead, most will deploy "hybrid" IT infrastructures.

In five years, outsourced cloud becomes the leading IT model, surpassing colocation, managed services and in-house owned models.

Figure 1
Top strategic concerns of IT leaders

BASE: ALL RESPONDENTS · TOTAL

Controlling costs	**36%**
Focusing IT resources on developing and/or managing business-critical applications	**35%**
Finding more cost effective IT infrastructure solutions	**28%**
Better collaboration across the business	**27%**
BASE	550

The inexorable shift to outsourcing

Many of IT's strategic goals will be achieved through outsourcing. Within five years, companies will have outsourced approximately 70 percent of their infrastructures (see Figure 2). This represents almost a complete inverse of today's owned/outsourced equation.

Figure 2
Organizations move aggressively to IT outsourcing

BASE: ALL RESPONDENTS

	Information Technology Outsourcing	In-house
Current	35	65
12 mo	46	54
2 yrs	62	38
5 yrs	69	31
10 yrs	69	31

Information Technology Outsourcing   **In-house**

What makes outsourcing attractive? Cost reduction has again made it to the top of the list of outsourcing benefits (see Figure 3). However, CIOs are no longer under duress to slash costs as a business survival tactic.

Rather, IT leaders are looking for better cost structures to provide their businesses with competitive advantage. In fact, 36 percent of organizations see improved quality of service from outsourcing versus in-house solutions. Enterprises that can provide reliable, secure and high-performance IT at a lower cost than their competitors can use that cost advantage to reinvest elsewhere in the business — and drive top-line revenue to accelerate their business growth.

Figure 3
Cost, quality and scalability drive outsourcing

BASE: ALL RESPONDENTS

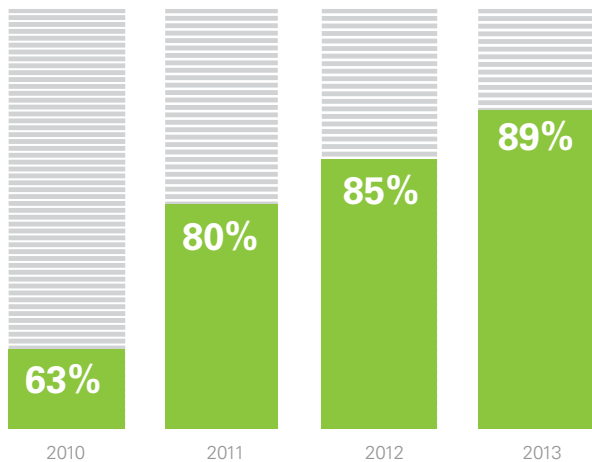|	TOTAL
Cost reduction or containment	**42%**
Improved quality of service	**36%**
Infrastructure scalability and flexibility	**35%**
Reduced administration time	**30%**
Enhanced security	**29%**
High and flexible service level agreements	**29%**
Access to best of breed technologies	**23%**
Faster time-to-market	**18%**
Environment considerations	**17%**
Ease-of-provisioning	**16%**
Future-proofing infrastructure	**13%**
Ability to more quickly leverage innovative	**13%**
BASE	**550**

Cloud adoption continues to increase

Cloud use has been on the rise since we first asked about it in 2009. Then, 60 percent of respondents said cloud would be a priority for their organizations at some point in the future, but 71 percent said it wasn't near the top of their current list.

Moving forward to 2010, we saw that 63 percent of organizations had started to use a cloud solution of some kind. This increased in 2011 and 2012 to 80 percent and 85 percent, respectively, with private cloud dominating in both years. In 2013, 89 percent of survey respondents reported that they are using cloud, another small increase.

40% *in* 4 years

In the 4 years between 2010 and 2013, the number of enterprises using Cloud services grew by over 40 percent.

Figure 4
Cloud usage on the rise

BASE: ALL RESPONDENTS

The new normal: a "hybrid" IT infrastructure

Although cloud is an important part of the story, it's not the whole story. We're on the cusp of a major shift in IT infrastructure models. This shift ultimately leads to the outsourced cloud as the dominant model; however, the journey will take more than 5 years.

Today, the majority of organizations still prefer the traditional on-premise, in-house owned IT model (see Figure 5). A mere five percent of enterprises today depend on the outsourced cloud for the bulk of their IT resources.

But if we look more closely at the trajectories of these two IT models in Figure 5, the in-house owned, on-premise model sharply drops off while the outsourced cloud rises. Within three years, outsourced cloud will dominate over in-house IT.
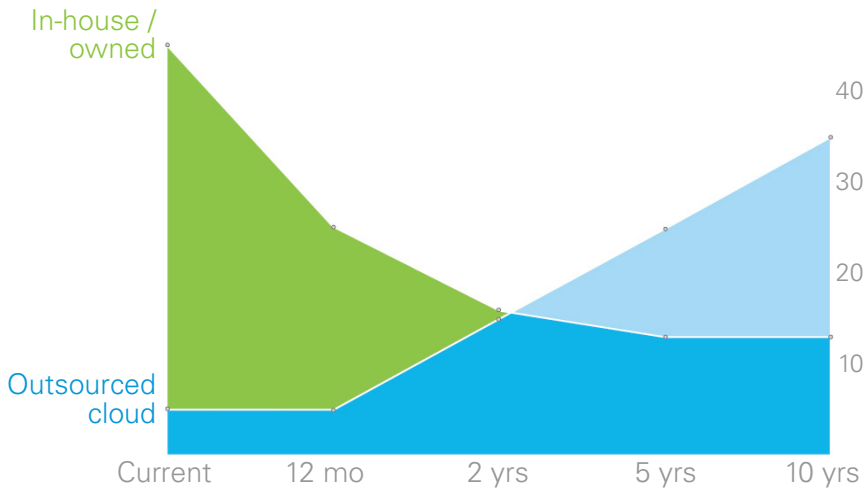
Figure 5
Growing dominance of outsourced cloud over in-house owned IT infrastructures

In-house / owned

Outsourced cloud

	Current	12 mo	2 yrs	5 yrs	10 yrs

40
30
20
10

2-3 years

Outsourced cloud is expected to exceed in-house owned in 2 years and overtake in-house private cloud in 3 years.

Currently, the second most popular IT infrastructure is the in-house private cloud model (see Figure 6). But note that usage of the in-house/private cloud model starts to decline in 12 months — exactly when the move to the outsourced cloud begins to take off.

Figure 6
Use of in-house private cloud peaks in 12 months

In-house private cloud

Outsourced cloud

|	Current	12 mo	2 yrs	5 yrs	10 yrs

40
30
20
10
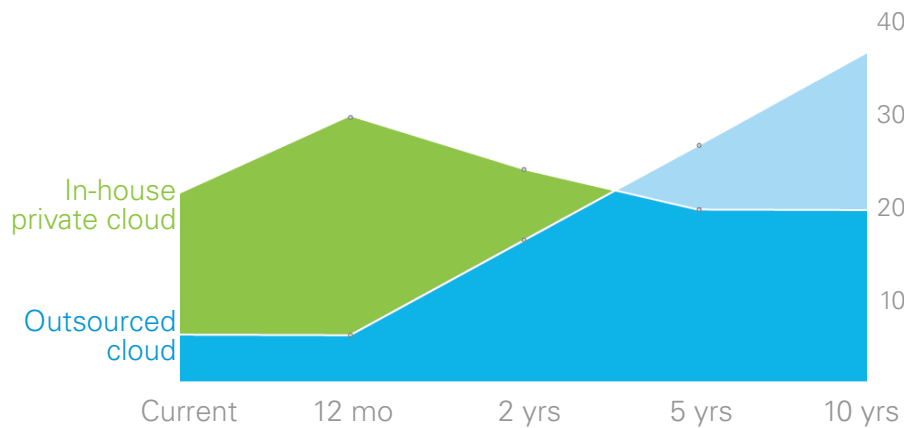
Within 4 years, organizations will prefer outsourced clouds to running their own private clouds. Organizations are currently testing the cloud with limited in-house private cloud deployments. But once they are confident that they understand how best to leverage the technology, they will begin to outsource it.

Another interesting point is that both colocation and managed services — two time-honored ways to outsource IT — also begin to increase in popularity as on-premise, in-house systems decline (see Figure 7).

Figure 7

The reemergence of colocation and managed services

BASE: ALL RESPONDENTS

In-house owned
Colocation
Managed services

| Current | 12 mo | 2 yrs | 5 yrs | 10 yrs |
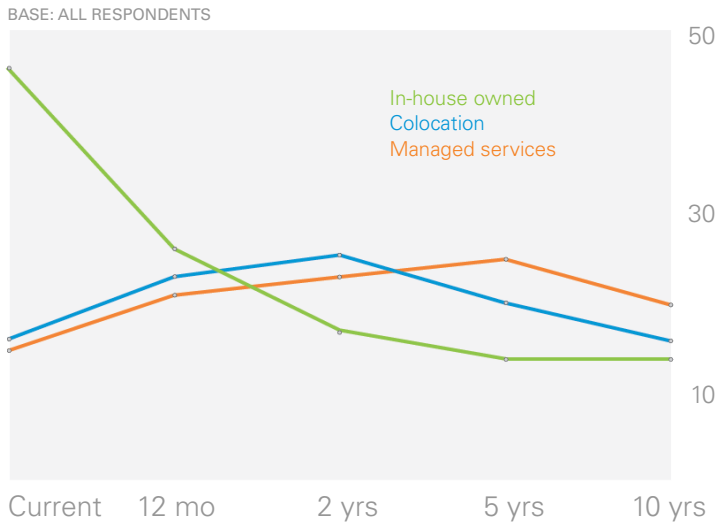
Within 12 months, both of these services overtake the in-house, on-premise model. And they will remain dominant for quite some time. When we add in outsourced cloud, as shown in Figure 8, we see that it's a full 5 years before the crossover point when cloud displaces both colocation and managed hosting as the lead IT infrastructure category. After year 5, outsourced cloud is by far the dominating model.

Figure 8

Outsourced cloud crossover and domination

BASE: ALL RESPONDENTS

In-house owned
Colocation
Managed services
Outsourced cloud

| Current | 12 mo | 2 yrs | 5 yrs | 10 yrs |
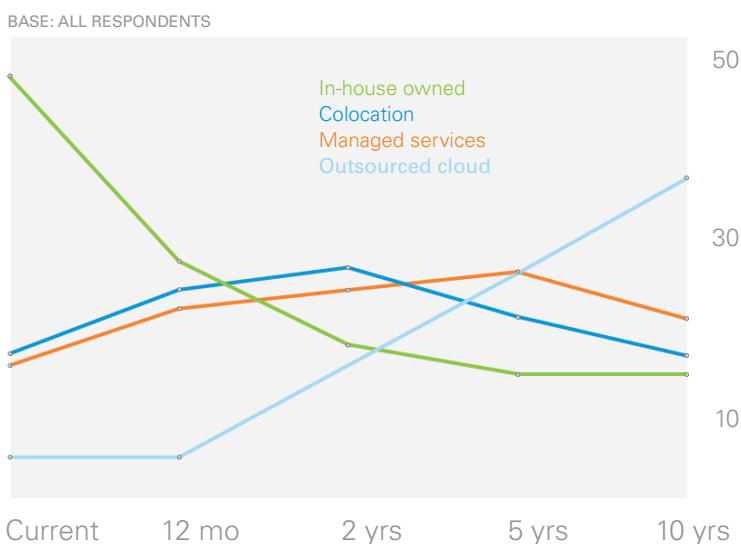
Definitions

In-house owned: all equipment is owned and managed in a customer-owned facility.

In-house private cloud: customer owns and manages all elements of a cloud-based infrastructure in their own data center.
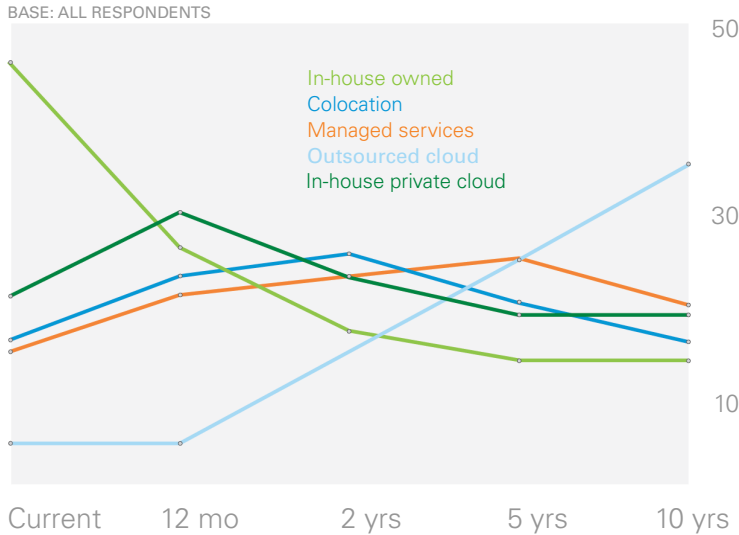
Colocation: customer locates their own equipment in a service provider's data center and is fully responsible for management.

Managed hosting services: the provider owns and manages equipment for the customer in the provider's data center, with the customer retaining management of all applications including the operating system.

Outsourced cloud: the provider owns and manages all aspects of the infrastructure, delivering computing, storage and other capabilities as a service to the customer.

Finally, bring it all together and you see that IT organizations will go through a prolonged period of complex, hybrid infrastructure management that ultimately culminates in the outsourced cloud (see Figure 9).

Figure 9
A complex hybrid of in-house and outsourced solutions

BASE: ALL RESPONDENTS

In-house owned
Colocation
Managed services
Outsourced cloud
In-house private cloud

Current   12 mo   2 yrs   5 yrs   10 yrs

Security seen as better in the cloud

One surprising finding this year is that a significant proportion of IT decision makers said that a top reason to move to the cloud was enhanced security (see Figure 10). This is especially noteworthy because the same group views security as a potential roadblock to outsourcing.

The other benefits are more expected. Just like outsourcing, moving to the cloud results in lower costs. And the ability to scale to meet storage and compute needs is, of course, one of the most predictable benefits of cloud.

Figure 10
Security a top reason for cloud adoption

BASE: ALL RESPONDENTS

	TOTAL
Lower cost	**37%**
Enhanced security	**32%**
Ability to scale up and down computer, storage and bandwidth consumption to manage fluctuating demand	**31%**
Improved reliability	**30%**
BASE	550

Next 5 years

Over the next 5 years, IT executives will be juggling a complex set of infrastructure services.

New IT model driving new challenges

This shift to hybrid IT is elevating different kinds of IT challenges. When asked about the key issues IT will face in the next year, only one issue out of the top five is related to cost (doing more with less). The other issues related to business expansion, security, and — the number one issue — finding enough skilled IT workers to make the new hybrid IT model a reality (see Figure 11). To reinforce how critical outsourcing is to IT leaders, 24 percent of IT leaders say that adapting to the new era of outsourcing and cloud is a top priority.

Figure 11
Key issues IT will face in next 12 months

BASE: ALL RESPONDENTS	TOTAL
Shortage of IT staff and skills set	34%
Keeping our infrastructure secure	29%
Having to do more with less budget	28%
Supporting business expansion and aggressive development	24%
Refreshing/updating technology	24%
Adapting to the new era of outsourced IT and cloud computing	24%
BASE	550

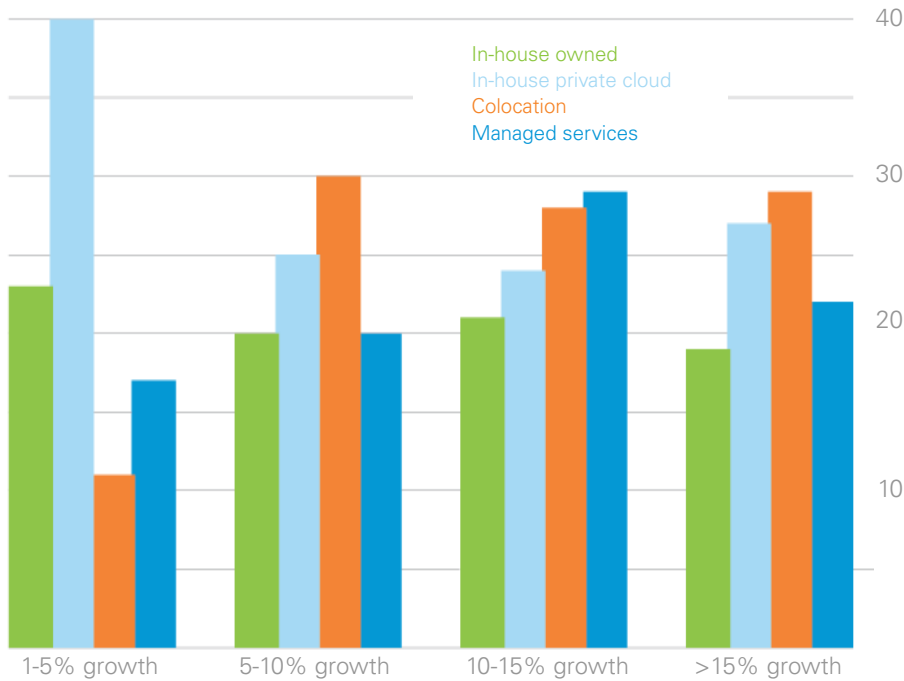# Firms that outsource enjoy higher revenue growth

Organizations that outsource are more likely to experience and predict revenue growth in the coming 12 months than those who do not outsource. This correlation speaks to the role that IT outsourcing plays in accelerating business growth.

Of the 90 percent of organizations predicting a revenue increase this year, the average growth is predicted to be 8.5 percent. Over the next 12 months, 94 percent of respondents predict growth — on average by 11.5 percent. But there are differences in which firms experience the highest growth rates. Figure 11 shows that among organizations that are growing, those with a majority of their infrastructure still "in-house owned" (45 percent) are growing primarily in low revenue growth categories. Firms that have the majority of their IT in "colocation" (29 percent), "in-house private cloud" (27 percent) or "managed hosting" (22 percent) are more prevalent in the high revenue growth categories over the next 12 months.

Figure 12

Companies predicting higher growth have a different mix of infrastructure deployments

BASE: ALL RESPONDENTS

Legend:
- In-house owned
- In-house private cloud
- Colocation
- Managed services

Categories: 1-5% growth, 5-10% growth, 10-15% growth, >15% growth

Higher growth

Companies that have higher growth rates use more managed services than companies with lower growth rates.

The fact that 35 percent of IT leaders said that outsourcing gives them infrastructure scalability and flexibility makes sense since growth drives the need to scale.

Businesses seeking cost savings through outsourcing are finding them

In addition to being correlated with revenue growth, outsourcing saves money. Today, outsourcing saves businesses an average of 11 percent of their annual IT budgets. The savings increase over time — they jump considerably in 2 years, and more than double in 5 years (see Figure 13).

Figure 13

Cost savings achieved through outsourcing are growing

BASE: ALL RESPONDENTS	CURRENTLY SAVING	SAVE WITHIN 2 YEARS	SAVE WITHIN 5 YEARS
Nothing	18%	6%	5%
Less than 10%	40%	18%	11%
Between 10% and 20%	29%	39%	33%
Between 20% and 35%	10%	26%	28%
Between 35% and 50%	2%	10%	16%
Between 50% and 75%	1%	1%	5%
More than 75%	0%	0%	1%
Average (percentage)	11%	19%	24%
BASE	550	550	550

IT managers want to outsource more

Respondents told us there were elements of their IT infrastructure they were managing in-house that they thought should be outsourced (see Figure 14).

Figure 14

Currently managed in-house, should be outsourced

BASE: ALL RESPONDENTS	TOTAL
Non mission critical applications	45%
Data center facilities	41%
Storage	39%
Content management applications	37%
Mobility solutions	36%
BASE	550

24% *in* 5 years

Companies that outsource IT are saving an average of 11 percent of their annual budget; that savings grows to 19 percent in 2 years, and to 24 percent in 5 years.

Non mission-critical applications were at the top of the list of elements respondents want to move out of in-house management and over to outsourcing. Data Center technologies and storage were also top priorities, as were content management applications and mobility solutions.

So why is this not happening? What is stopping organizations from getting to where they need to be? Two reasons were top concerns: security and lack of control (see Figure 15).

Figure 15

Security and lack of control top barriers to outsourcing

BASE: RESPONDENTS WHOSE ORGANIZATION HAS NOT ALREADY OUTSOURCED ALL ELEMENTS OF THEIR IT INFRASTRUCTURE

	TOTAL
Security concerns	**52%**
If we manage it, then we are in control	**43%**
Company culture	**34%**
Contractual obligations	**34%**
Sunk cost — owned and it is not written off	**27%**
BASE	**543**

In addition, inhibitors such as company culture (34 percent), contractual obligations (34 percent) and sunk cost (27 percent) are also roadblocks for a significant number of organizations.

What applications are in the outsourced cloud comfort zone today?

Although today's organizations harness the outsourced cloud for a broad range of applications, they tend not to be business-critical ones. Email, websites and intranets are considered safe to move. But not supply chain management, enterprise resource planning (ERP), finance or telecom services. Figure 16 shows which applications enterprises are likely to move to the outsourced cloud today.

24% savings

Companies that outsource IT are saving an average of 11 percent of their annual budget; that savings grows to 19 percent in 2 years, and to 24 percent in 5 years.

Figure 16
Applications deemed suitable for the outsourced cloud today

BASE: RESPONDENTS WHOSE ORGANIZATION HAS NOT ALREADY OUTSOURCED ALL
ELEMENTS OF THEIR IT INFRASTRUCTURE

	TOTAL
Email	58%
Website and microsite	47%
Intranet	42%
Security (Firewall, AVAS, Content Filtering)	33%
Customer relationship management (CRM)	31%
Mobile applications	27%
Supply chain management (SCM)	27%
Enterprise resource planning (ERP)	26%
Finance applications	25%
Telecom (virtual PBX, conferencing, fax)	23%
BASE	449

68% *of* enterprises

68 percent of enterprises using cloud today implemented it within the past year.

Cloud storage currently most popular type of cloud

Although only 5 percent of organizations currently depend on cloud as their main IT infrastructure model, a full 89 percent use some type of cloud — most commonly for storage (see Figure 17). There has been a recent boom in cloud implementation, although 68 percent of those using the cloud have implemented it within the last 12 months.

Of those who have already implemented cloud, private cloud Infrastructure-as-a-Service (IaaS) comes after storage as the most popular type of cloud. After that, comes public cloud IaaS, then Software-as-a-Service (SaaS), and finally Platform-as-a-Service (PaaS).

This is primarily because IaaS is considered a safe and cost-effective environment for testing and developing applications: there is little risk in moving test & dev workloads to the cloud. After that, SaaS is a way to move applications to the cloud — considered a little riskier, especially for business-critical applications, the benefits for many are exceeding the drawbacks. Finally, PaaS, which provides a computing platform and a solution stack as a service, is beginning to catch on as a way to acquire a customized software development and testing environment without putting together the entire stack of tools yourself.

Figure 17
Types of clouds currently in use

BASE: ALL RESPONDENTS	TOTAL
Cloud storage	54%
Private cloud IaaS	40%
Public cloud IaaS	30%
Cloud SaaS	20%
Cloud PaaS	19%
None of the above	11%
BASE	550

The keys to outsourcing success

The next decade is going to be one of constant change. Organizations will be experimenting with different IT models to find the right mix of in-house, outsourced, and cloud (private, outsourced and hybrid cloud models) to best accelerate business growth.

But much of enterprises' future plans for outsourcing in general, and outsourcing in the cloud in particular, rest upon finding the right provider.

Ninety-seven percent of those surveyed agreed to some extent that their organization would move more workloads into the cloud if they had help assessing and performing the migrations.

What were the top criteria for choosing an outsourced or cloud provider? The first was 100 percent-proven data center uptime — and here, the important word is *proven* — not just a promised SLA, but an established track record. Second was security (Figure 18).

#1 Cloud Storage

Cloud storage is the number one type of cloud in use today. Private and public cloud IaaS follow in second and third place.

Figure 18
Uptime and security most important for colocation services

BASE: ALL RESPONDENTS	TOTAL
100%-proven data center uptime	49%
Security of data center	47%
Value for money	37%
High availability and uptime SLAs	37%
Experience of provider	37%
BASE	550

Furthermore, 99 percent agree, to some extent, that outsourcing providers need to be able to cater to their requirements at all stages of the buying and application lifecycle. This means making it easy, contractually, as well as fitting into organizations' existing governance requirements.

And the same number (98 percent) agreed, to some extent, that selecting an IT services provider that does not offer a full suite of infrastructure services will limit their organization in the long term.

On the other hand, for those looking for a cloud provider, security featured highest on the list of requirements (Figure 19 below).

100%-proven uptime

49 percent of those surveyed indicated proven data uptime was the top criteria for selecting an outsourcing provider

Figure 19
Desired attributes of a cloud provider

BASE: ALL RESPONDENTS	TOTAL
Stringent cloud security	45%
Proven IT infrastructure experience	34%
Best-of-breed technology	31%
Global scale	24%
Flexible contracts	23%
BASE	550

The next steps on your IT infrastructure journey

Here are five steps to take to ensure success in coming months and years.

1 Find out where you are in the outsourcing journey

Where are you on your journey to outsourcing? Do a quick inventory of your applications and infrastructure. How much of it is still on-premise and in-house owned? How much have you placed into a private, in-house owned cloud? Be careful to account for "shadow" IT initiatives that may account for more outsourcing than has been officially sanctioned by your department. Sometimes these line-of-business outsourcing projects can be substantial. Now, make a list of the workloads or infrastructure components that you feel should be outsourced, but aren't — yet. Prioritize them. This is the beginning of your roadmap to the optimal mix of owned and outsourced IT.

2 Invest in innovation to fuel growth

IT infrastructure models are evolving. Over the next two years, we're going to see radical changes in how companies pay for and manage IT. Your competitors are planning for this — shouldn't you? Not surprisingly, almost a quarter of respondents (24 percent) say that adapting to the new era of outsourced IT and cloud computing is at the top of their list for the next 12 months. If you have not begun to explore your options, now is the time to get started.

3 Explore your options

While cloud offers significant benefits, traditional outsourcing services will continue to play an important role for IT organizations. Colocation services and managed hosting will remain key options to reduce costs and improve IT service quality for years to come. While the distribution of IT outsourcing among these services will shift, organizations will continue to manage all of these services as they look to maximize efficiencies and also meet the quality, security and performance demands of a wide range of applications.

4 Get to know the tools available to you

It's difficult to relinquish control — especially of something as critical to the business as IT. But the trend toward outsourcing began in earnest decades ago, and businesses like yours have had stellar experiences — if they chose the right provider. And choosing the right provider means feeling satisfied about accountability: that your provider has the right tools, processes, and personnel in place to run IT infrastructure as well as, or better than, it could be done under company ownership. Top outsourcing providers supply clients with portals that give them visibility into how well the provider is managing their IT resources.

5 Find the right outsourcing provider for your organization

By selecting a trusted outsourcing provider — whether for managed services, colocation or cloud — outsourcing the day-to-day tasks of keeping your infrastructure working will relieve you of the headaches of ensuring continuous data availability, security and scalability. You will enhance your role as a valuable strategic partner to the business. And that's what IT should be about today.

About the research

This independent survey was commissioned by Savvis and conducted with 550 CIOs, IT Directors, VPs of IT, and Senior IT Managers of organizations based in the USA, Canada, UK, Germany, Japan, Hong Kong and Singapore, and was completed in August 2013. The research was conducted by Vanson Bourne, a research-based technology marketing consultancy offering clients analysis and advice based on incisive, rigorous research into their market environment. The research used a combination of online fieldwork methodology and telephone interviewing. All research carried out by Vanson Bourne adheres to the latest MRS Code of Conduct. Demographic detailing respondent communities includesw industry sector, the country in which the respondents were based, and size of business.

About Savvis

Savvis, a CenturyLink company, is a global leader in IT infrastructure and computing services. Since 1995, Savvis has been at the forefront of IT service development and delivery. From colocation and managed hosting to enterprise cloud computing, Savvis turns IT into business performance for enterprises across a wide variety of industries, including 30% of the Fortune 100.

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visit www.savvis.com or call 1.800.SAVVIS.1

f t 🔊 in ▶You Tube g+

Global Headquarters
1 Savvis Parkway
St. Louis, MO 63017
Tel 1.800.SAVVIS.1
(1.800.728.8471)
www.savvis.com