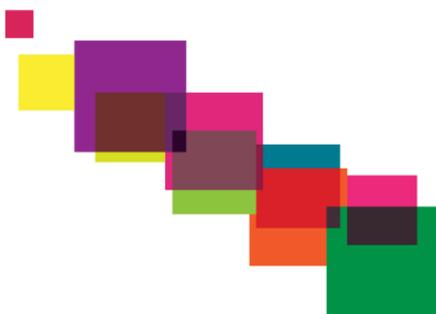
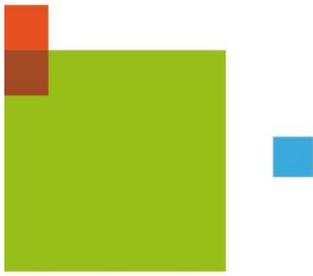
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Unlocking the business value of social, mobile, cloud and big data

How businesses are turning to Managed Service Providers to optimize transformative technologies

June 2013





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Scope of research/methodology

Research methodology

Avanade commissioned independent technology market research specialist Vanson Bourne to undertake the research upon which this report is based. Avanade was created by Accenture and Microsoft in 2000 to provide business technology solutions and managed services based on the Microsoft platform.

750 interviews were carried out during March-April 2013 with senior decision-makers in the IT department. The businesses targeted were of the following size: 1001-3000 employees (42%) and more than 3000 employees (58%). Interviews were performed in nine countries:

- USA - 200 interviews
- United Kingdom - 100 interviews
- China - 100 interviews
- Germany - 100 interviews
- Italy - 50 interviews
- Spain - 50 interviews
- Netherlands - 50 interviews
- Japan - 50 interviews
- Australia - 50 interviews

Respondents to this research came from a range of industry sectors, which only excluded the public sector. Interviews were conducted online using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.

Unless otherwise indicated, results discussed in the main narrative are based on the entire global sample. Where variances in regional response are notable, they are clearly indicated as such.

Aims of the research

The study explores how businesses are responding to the transformative forces of social, mobile, cloud and big data. This is done by examining the strategies they employ to overcome the challenges and make the most of the opportunities these forces present, related to four key technology areas: collaboration and messaging applications, business applications, application development and management, and infrastructure optimization.

Are these areas that businesses are already getting to grips with, or are there serious underlying issues that prevent them overcoming the challenges and making the most of the opportunities? The four forces of social, mobile, cloud and big data are all converging whether organizations like it or not. Convergence can potentially lead to benefits, but the issue is that organizations are not necessarily aware of the impact convergence can have on how their businesses operate and how their employees function. Over the past decade, the development of technologies related to the four forces has opened up a new world of potential solutions, but organizations aren't always taking advantage of these.

This study looks at the role that managed services providers (referred to in this paper as MSPs) can play and the assistance they can provide in coordinating an organization's strategies. One area of weakness for many organizations is that all too often they are relying on out-of-date versions of their technologies. But we'll also see that the help an MSP can provide often goes beyond the IT department, and makes a critical difference to the business performance itself.

There are crucial aspects to how managed service providers work with organizations – we'll see that most organizations require a fully strategic relationship with their MSP, and not simply use them as a way to minimize issues as a point solution provider.

Microsoft is understandably a key player in this field, so another question being asked is how important are Microsoft technologies to managed services? Is Microsoft just a necessary bolt-on, or does it play a more integral role in helping businesses utilize their service providers?

Summary of key findings

The converging forces of social, mobile, cloud, and big data are perceived as a double-edged sword, presenting both challenges and opportunities for the majority of businesses

The majority of senior IT decision-makers (referred to in this paper as ITDMs) believe the converging forces to be a challenge (on average, 83%, depending upon the technology) when developing strategy and the majority (on average 93%) also believe they are an opportunity for them.

But organizations are struggling to respond because new versions of technologies are gathering dust on the shelf

One in four organizations has invested in technology that has not been deployed in a production environment. Critically, almost a fifth of organizations (18% on average) have the rights to use the latest versions of their technologies but have not even piloted them – these organizations have spent time and money getting hold of these technologies, but they are simply not being used.

Less than a quarter (22% on average) of organizations are using the latest versions of their technology

But even these organizations aren't necessarily in an ideal situation - almost one in three (31% on average) feel they are not fully utilizing the capabilities of these technologies.

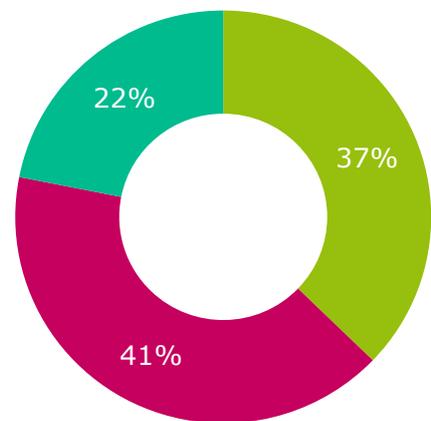
Lack of capital and inability to demonstrate ROI are barriers to deploying new technology

Excluding those organizations that are still in the process of evaluating new versions of technology, over a quarter (28% on average) of those not using the latest versions of their technology, lack the capital to carry through the updates.

Similarly, almost as many are unable to demonstrate a rapid ROI to request the required investment (26% on average).

Most organizations are moving towards a hybrid IT strategy in partnership with MSP's, indicating that steps to address these barriers are being taken

Currently, almost three quarters (74% on average) of organizations are basing their strategies around traditional on-premise solutions, but more than a third (38% on average) of organizations intend to move to a private and/or public cloud solution in the next 12 months. In terms of management models, a third (37% on average) are partnering with a managed service provider today, with an additional four out of ten intending to move to using an MSP within 12 months' time (41% on average). This illustrates the development of hybrid technology strategy in partnership with MSP's.



- MSPs are part of our current strategy
- We intend to move to using MSPs as part of our strategy within 12 months time
- MSPs are not part of our current strategy and will not be part of our strategy in the near future

Figure One: Current and intended future use of managed service providers as technology strategy (average percentage based on all four technology areas that relate to the converging forces)

There are strong arguments for taking the MSP approach

Organizations using managed service providers reap significant rewards for the business. Seven out of ten organizations agree that MSPs enable IT to better meet the requirements of the business (73%), allow their business to grow (71%) and also that they make improvements to business processes (70%).

When it comes to choosing an MSP, nearly three quarters (73%) of organizations do not see having a previous relationship as an important factor

This shows they would be open to using an MSP new to them provided it met their business and technology requirements. Reducing cost (65%) followed by the ability to accelerate ROI (36%) are seen as the key business drivers and reliability (54%) followed by speed of deployment (41%) are seen as the key technology drivers in the selection process.

Almost two thirds (63%) of ITDMs would expect an MSP to leverage cloud technologies

This comes as no surprise as almost half (45%) of organizations spend at least 20% of their IT budget on managed services that use cloud technologies today, rising to 51% spending at least 20% next year.

Over half (52%) would expect to work with an MSP as a full strategic partner

This desire to partner with an MSP as a strategic partner that collaborates to make the IT strategy more aligned with the business strategy is strongest in the Healthcare (64%) and Retail, Distribution and Transport (61%) sectors.

A high expectation for MSP's to deliver solutions that focus on business outcomes

Above all else, ITDMs expect MSPs to be capable of delivering pricing and service level agreements that are focused on business outcomes (53%). However 44% of respondents also selected the capabilities to leverage Microsoft and cloud technologies as well as industry knowledge as important.

A close relationship with Microsoft is a key influencer when choosing an MSP

Three quarters (75%) of ITDMs feel it is important that a contracted MSP has a relationship with Microsoft. When it comes to the type of relationship nearly a third (32%) expect the MSP to have direct access to the latest Microsoft early adopter programs and 28% expect the MSP to demonstrate competency in the relevant Microsoft technology area the service includes. Almost a quarter expect their MSP to be a Global Microsoft Gold partner.

It's clear that enterprises are turning to MSPs to develop an IT strategy that overcomes the challenges and maximizes the opportunities presented by the transformative forces of social, mobile, cloud, and big data



Challenges and opportunities in converging technology

Are organizations even aware of what lies ahead for them?

When it comes to collaboration and messaging applications, business applications, application development and management, and infrastructure optimization there are many issues that an organization will have to deal with. Can two users access a business application at the same time as communicating in a messaging application? Does the infrastructure support multiple device use? Is application development centralized, or are different areas of the organization communicating effectively on what they're working on? As the four technologies converge in their uses and operation organizations will need to face and provide answers to these and many more questions besides.

We can see from figures two and three that businesses are aware that there are challenges and opportunities ahead when it comes to dealing with the technologies related to the four key areas.

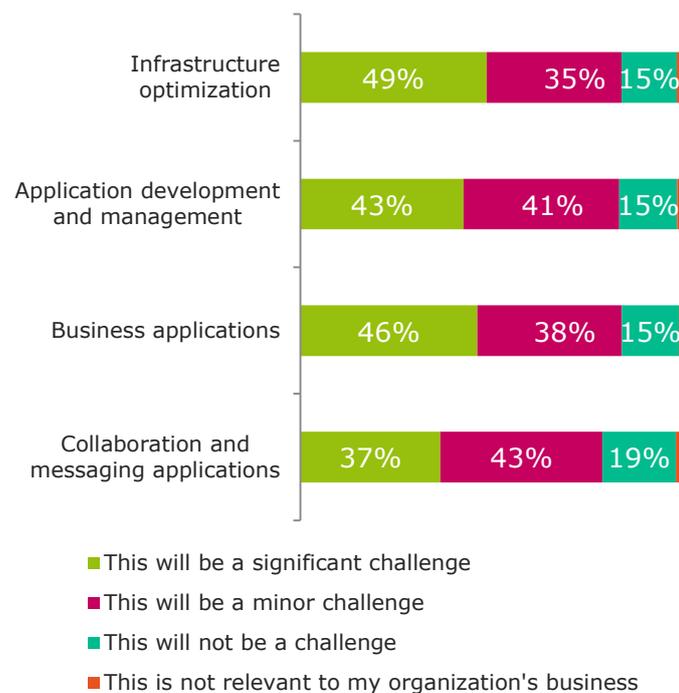


Figure two: How challenging respondents view each of the four technology areas to be

Broadly speaking, each technology area is considered challenging to roughly the same degree, so if businesses struggle in one area, they are likely to struggle in other areas.

Similarly – crucially – organizations broadly see opportunities equally across the four technology areas. So despite the technologies being seen as challenges, they're also seen as opportunities. Therefore the challenge of adopting these technologies is seen as one that is worth overcoming.

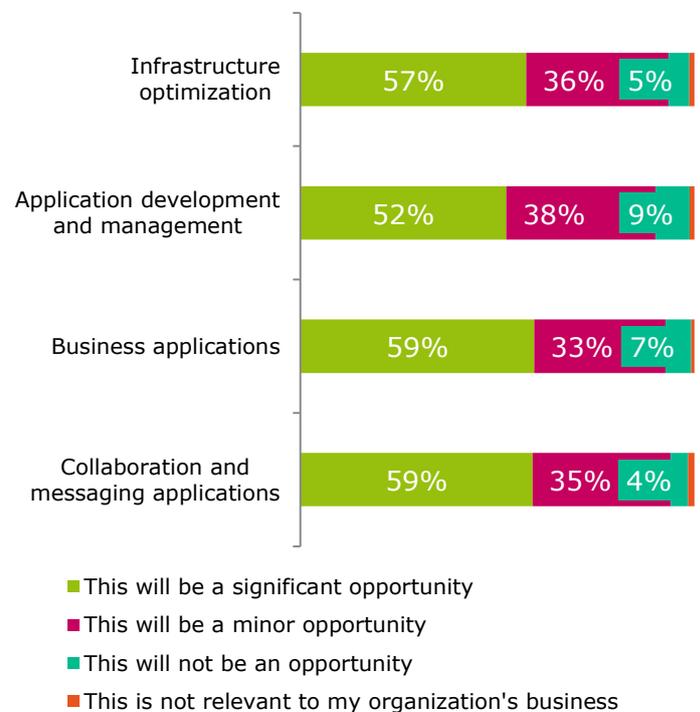


Figure three: How much of an opportunity respondents view each of the four technology areas to be

Clearly almost all organizations recognize the opportunities present here, with the majority going so far as to see a significant opportunity across all the technologies. The important point to consider next is how organizations intend to take advantage of these opportunities and whether the organizations are well placed to make the most of the opportunities they see.

Country analysis

Organizations in all countries broadly agree, though there some diversions for each of the technology areas.

Infrastructure Optimization (average challenge response of 84% and opportunity response of 93%) is seen as less of a challenge in Australia (74%), the UK (78%) and China (79%), but more of a challenge in Japan (90%) and the Netherlands (94%). It's also seen as more of an opportunity in the USA (96%), Germany (96%) and Australia (96%).

Application Development and Management (average challenge response of 84% and opportunity response of 90%) is seen as less of a challenge in the UK (76%), but more of a challenge in China (92%). It's also seen as less of an opportunity in Japan (76%) and the Netherlands (60%), but more of an opportunity in the USA (96%) and China (99%). Significantly, the Netherlands sees application development and management as more of a challenge (86%) than an opportunity (60%).

Collaboration and Messaging Applications (average challenge response of 79% and opportunity response of 94%) is seen as less of a challenge in Italy (70%) and the Netherlands (70%), but more of a challenge in China (95%). It's also seen as less of an opportunity in Spain (88%) and Japan (88%), but more of an opportunity in Australia (98%), Germany (98%) and China (99%)

Business Applications (average challenge response of 84% and opportunity response of 93%) is seen as less of a challenge in Japan (78%), Germany (76%), Italy (76%) and Netherlands (76%), but more of a challenge in Spain (90%) and China (94%). It's also seen as less of an opportunity in Netherlands (66%) and Japan (82%), but more of an opportunity in the USA (97%) and China (100%). Significantly, the Netherlands sees application development and management as more of a challenge (76%) than an opportunity (66%).

In terms of significant variations in the data by country, China is the only country to see significantly more of a challenge and an opportunity in three technology area; application development and management, collaboration and messaging applications and business applications, suggesting an awareness of the level of immaturity in China's use of these technologies.

Yet significantly (and something that we examine further when we look at technology strategies), China is less likely to see infrastructure optimization as a challenge (79% against an average response of 84%). The USA sees significantly more opportunity in three technology areas of infrastructure optimization, application development and management and business applications, with no significant variation from the challenge averages, suggesting the USA is optimistic to the opportunity these technologies represent.

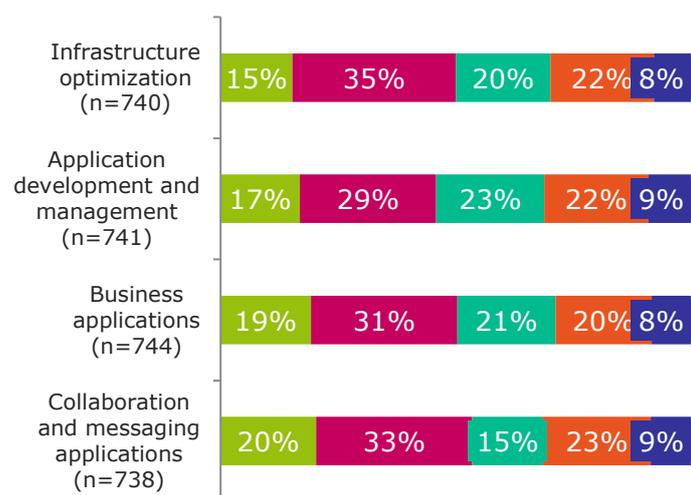
Overall, the European countries (with the exception of Germany) see both the challenge and opportunity as less than the average, with Japan, also seeing the opportunity as less than average. This is perhaps a reflection of the economic situation in these countries



Organizations' ability to respond to converging forces limited by old technology

Newer technologies are gathering dust on the shelf

We've seen that even though organizations view the four technologies (collaboration/messaging applications, business applications, application development and management, and infrastructure optimization) as extremely challenging, they also see them as presenting tremendous opportunities. In order to meet these challenges, how successful are they at implementing and deploying updates across these areas? Would it be naïve to assume that most organizations are using the latest versions of these technologies across the board?



- We have the rights to use the latest version of this technology but we have not deployed it today
- We are using an older version of this technology but feel a more current version would help us fulfil our needs better
- We are using an older version of this technology and are happy with continuing to use it
- We are using the latest versions of this technology
- We have piloted the latest versions of this technology but have not deployed it fully

Figure four: 'Which of the following statements best describes your adoption of the following technologies?', each technology only asked of those whose organization uses it

In total, between 68-72% of organizations are not using the most up-to-date version of each technology. Of these, 15%-20% do have the rights to the latest technologies but are simply

not using them. This is worrying for these organizations given the likely investment required to attain the rights.

Almost a third (29% - 35%) of these organizations believes that a more up-to-date version would improve how their organization operates. This is crucial as it shows that, despite the high awareness of opportunity, the majority are not yet taking full advantage of this.

In contrast, between 15-23% of organizations are happy using an older version of their technology. Though not updating their system means an avoidance of the risk of errors, flaws, incompatibilities and data losses, it potentially means a loss of competitive advantage and opportunity. By not updating, there is a real risk of rival organizations taking competitive advantage if their equivalent technologies are up to date and offering more than their contemporaries.

In order to combat this concern, almost one in ten organizations is in the process of updating their software. Between 8%-9% (varying slightly between each of the four technology areas) of organizations are in the process of piloting the latest versions but have not yet completed the process. Because of the potential risk of a technology update severely disadvantaging the business, the fact that so many businesses are in an on-going state of deployment suggests that they may be acting cautiously and not pushing updates out all at once. Though piloting technology first is a practical methodology due to the complexity involved, it suggests that IT infrastructures are rigid, difficult to update, and slow to upgrade. Those in organizations with such slow infrastructures are not able to enjoy the fast deployment which some of their rivals will be able to implement.

This leaves, incredibly, only between 20-23% of organizations that are using the latest versions of their various technologies.

Why are so few organizations using the latest versions of the various technologies? And for those who are using the latest versions, are they being maximized as much as they could be?

Organizations are encountering significant issues preventing them from updating to the latest versions of their technologies

Lack of capital and inability to demonstrate ROI slow or prevent organizations updating their technologies

A significant number of organizations are currently in the process of evaluation (between 29%-36%), but these aside, organizations are hitting a variety of internal issues in getting their systems up to date.

intelligently, as between 40-57% of these ITDMs say that these technologies present them with significant opportunities. If the opportunities are present, why is the appropriate budget not being assigned accordingly? This hints at limitations being placed upon the IT department by the business – an issue that we'll return to later.

Between 23-27% are not able to demonstrate ROI, though of the ITDMs with this issue, between 47-56% again say that these technologies are presenting them with significant opportunities. This suggests that they are having an issue convincing the business to green light the improvements to infrastructure, though the key here is that updating to the latest version of a technology is being seen as something that necessarily *should* have a direct ROI as opposed to being something to help the organization keep pace with its competitors. It's interesting to note that, looking at the same group of ITDMs, between 26-48% see this area as a major challenge. Potentially there is a feeling that excessive challenge will make budget allocation elsewhere more useful, which relates back to the issue highlighted above concerning budgets.

Another 17-20% of ITDMs don't have the time or staff capacity to spend on such projects. This reflects the issue of other, more visible, projects being prioritized in the place of non-critical updates. Between 25-52% of these ITDMs say that such updates would be a significant challenge, further reflecting this feeling that the amount of resource that would be spent overcoming this challenge would be better spent elsewhere.

15-21% of ITDMs do not have the in-house skills necessary to develop the technology. Crucially, it is these ITDMs who are most likely to view the technologies as a challenge – between 58-74%. This shows how important it is for organizations to have the right skill sets when updating their technologies to the latest versions. If specialist skill sets are lacking, the organization's ability to keep pace with technology updates and changes is severely hampered. This is quite a challenge for the ITDM to overcome.

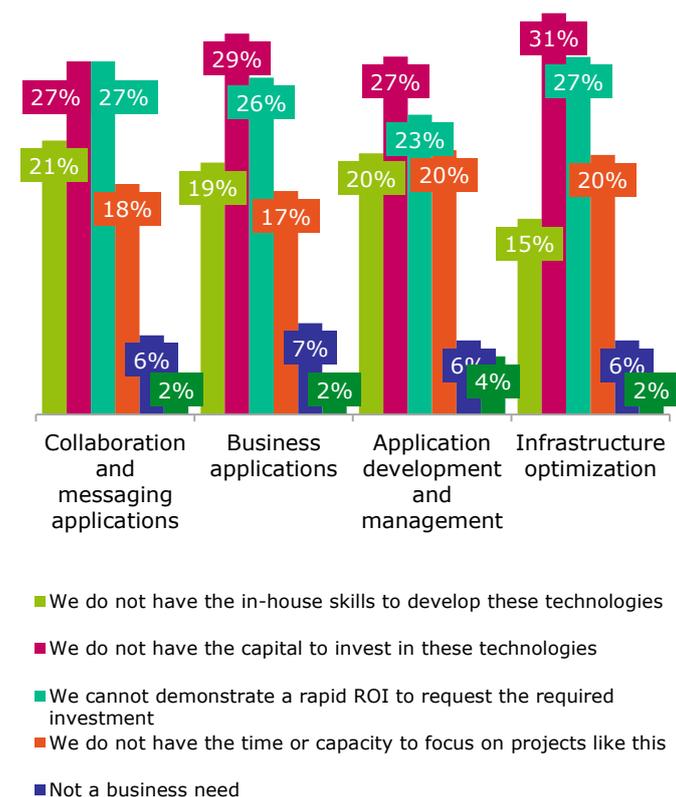


Figure five: 'Which of the following statements best describes your reasons for not yet fully adopting the latest transformational technologies?', asked of those who have not updated to the latest version of each technology (excluding those who are still in the process of evaluation)

Between 27-31% simply do not have the capital to invest. This suggests an inability to budget

Updates to technologies require careful management to be successful

Organizations with the latest technologies are not always able to maximize the benefit

Even those organizations who have updated to the latest versions are not necessarily reaping great benefit from them. Almost a third of such organizations feel that they are not able to make the best use of the latest versions of these technologies.

applications may have led to compatibility issues, where newly deployed devices cannot properly use important applications (or vice-versa).

Alternatively, the organization may have overestimated the level of in-house skills available, or indeed underestimated the complexity of the updated technologies. Either scenario could have led to poor implementation.

We've already seen that organizations are suffering from limited capital and capacity to deploy updates, so potentially organizations who decided to push ahead with deployment despite having these concerns have suffered from these limitations during the deployment phase.

Country analysis

Comparing regions, again we see that while ITDMs broadly agree there are some differences between the technologies areas.

For Infrastructure Optimization (22% using the latest version on average), China is the most likely to be using the latest version (29%), with Germany the least likely (15%). Of those who do have the latest version of this technology, 33% are not able to make full use of this technology on average, though just 21% of ITDMs based in the USA and China felt they weren't maximizing the technology.

For Application Development and Management (22% using the latest version on average), China and Japan are most likely to be using an up-to-date version (28% in China and 27% in Japan doing so), with the Netherlands and Spain the least likely (both on just 10%). Of those who do have the latest version of this technology, on average 33% not able to make full use of this technology, though less than a quarter of those in the USA (21%) and China (just 17%) felt they weren't maximizing this.

When it comes to Business Applications (20% using the latest version on average), Japan is the most likely to be using the latest version (29% do so), with the Netherlands the least likely (just 8% do so). Of those who do have the latest version of this technology, on average 32% not able to

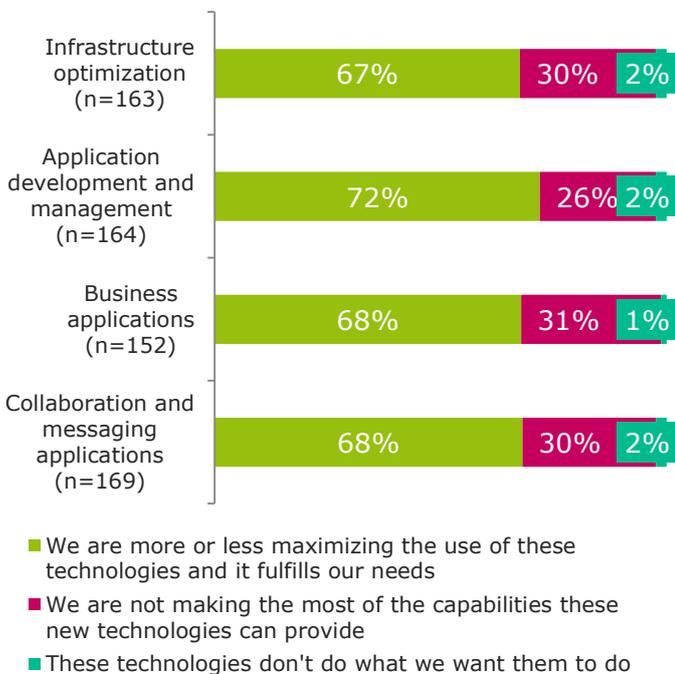


Figure six: 'Which of the following statements best describes your reasons for not yet fully adopting the latest transformational technologies?', asked of those who are using the latest versions

This issue could stem from problems at any stage of the update process, either due to investigations into updates being inadequate (leading to misapprehensions in what the update would achieve) or poor implementation of the updates.

Inadequate investigations could have led the organization to implementing software that isn't yet fully supported in the market, meaning critical functions and features are missing or limited. Inadequate investigations into devices and

make full use of this technology, though just 17% of ITDMs based in the USA felt they weren't maximizing this.

Collaboration and Messaging Applications (23% using the latest version on average), China is the most likely to be using an up-to-date version (30%), with UK (16%) and Italy (17%) the least likely.



Managed service providers as a technology strategy

Organizations are moving towards greater variety of solutions and increased use of managed service providers

Organizations are struggling when it comes to taking advantage of the latest versions of the converging technologies. Businesses have never had a greater choice of solutions for their technology strategies, so are organizations finding the most appropriate solution to deal with the issues highlighted previously?

Currently, the majority of organizations (around three quarters, depending upon the technology in question) are utilizing a traditional on-premise solution as part of their deployment strategy; less than half (though still a significant number) are currently using a cloud based solution or managed service provider for each of the technology areas. It is important to note that the majority of organizations are using at least two strategies, illustrating the hybrid nature of their solutions.

But organizations are changing their strategies significantly. Looking at their plans for the next twelve months, the emphasis towards on-premise solutions will decrease to be replaced by an emphasis towards off-premise solutions.

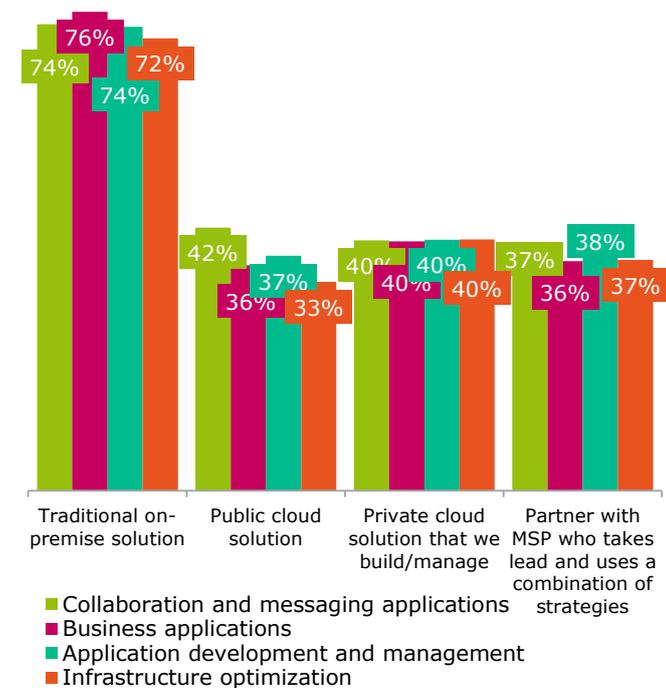
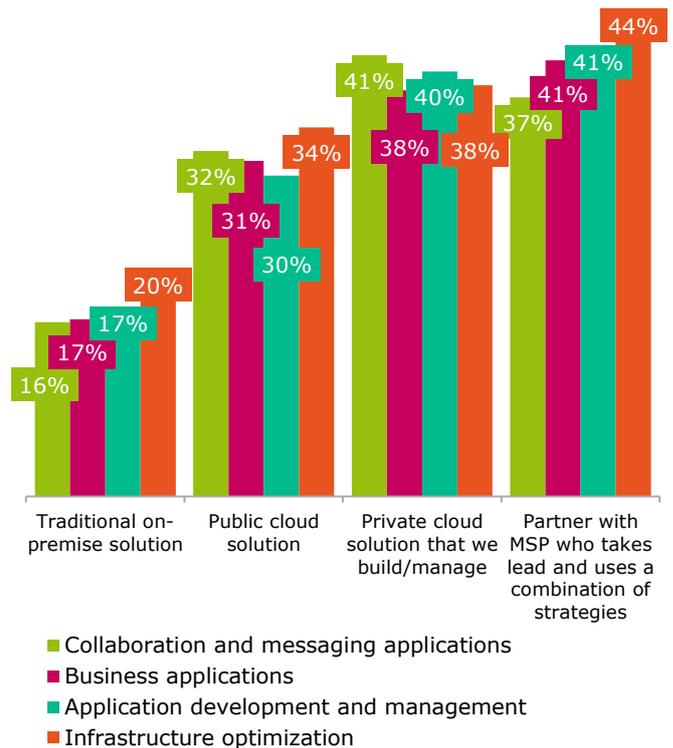


Figure seven: Current strategy/ies for the four technology areas

Figure eight: Strategy/ies planning to adopt if not already adopted in the next 12 months for the four technology areas

The majority of organizations are looking to migrate one or more technologies to another solution, either partially or wholly. The hybrid solutions being used will therefore become even more varied and complex.

This supports the point made earlier regarding awareness of opportunity and challenge, as the strategies for each technology area will see major changes – proof that most organizations are in some way already experiencing or investigating the opportunities and challenges, and changing their strategies to best deal with this.

As can be seen in figure eight on the previous page, organizations intend to make significantly increased use of managed service providers across all four technology areas, particularly when it comes to infrastructure optimization.

For these ITDMs who intend to move to an MSP in the near future for one or more technology solutions, their reasoning in moving is clearly seen in the optimism they hold when it comes to the expected benefits of such a move. Depending upon the technology, 67-72% agree that an MSP would allow their business to grow (against the average of 57% agreement for all current non-MSP users). This illustrates the high expectations that most ITDMs are placing on MSPs – it's at this point we start to see the image of an MSP providing more than services and technical solutions and going beyond this to provide significant benefits that assist the organization's competitiveness in the market.

Further supporting this is the fact that 67-71% of future MSP adopters agree that an MSP would allow the IT department to better meet the requirements of the business (against the overall average of non-MSP users, again, of 57%). So the majority of ITDMs are clearly expecting to see significant improvements in their performance to allow growth and also in the effectiveness of IT to support the business.

Most organizations are therefore likely to be in the process of investigating and implementing significant changes in terms of how their data and services are stored and who it's stored with. Such significant changes will form part of the challenge to organizations that we've already seen ITDMs are aware of.



Budgets for cloud technologies

Adoption of cloud solutions appears almost static when looking at organizations' budgets for cloud technologies over the next year.

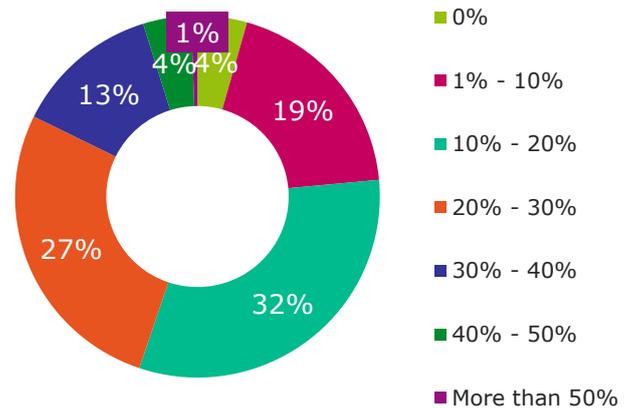


Figure nine: 'Approximately, what percentage of your IT budget **this** year is allocated to managed services that use cloud technologies?', asked to all

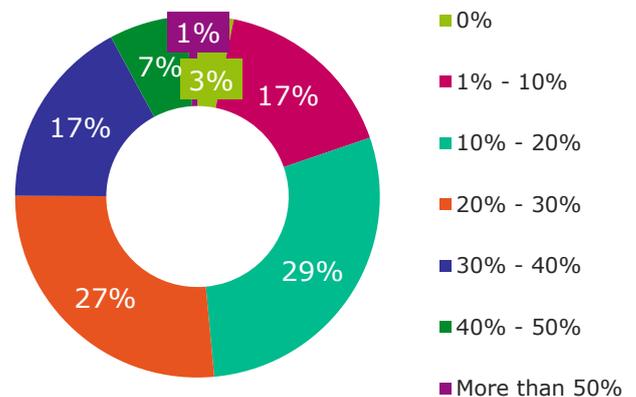


Figure ten: 'Approximately, what percentage of your IT budget **next** year is allocated to managed services that use cloud technologies?', asked to all

The average percentage is set to increase from 19% to 22%. This is only a relatively minor budget increase, especially when bearing in mind earlier observations regarding deployment of

cloud based solutions increasing significantly over the next year. This suggests an expectation amongst organizations that they will be able to get more value from their cloud solutions provider as the technologies mature and service providers are able to expand the range of services that they offer.

Country analysis

Organizations in the USA and China are committing more of their IT budgets to cloud technologies, with both also planning to make an increase for next year.

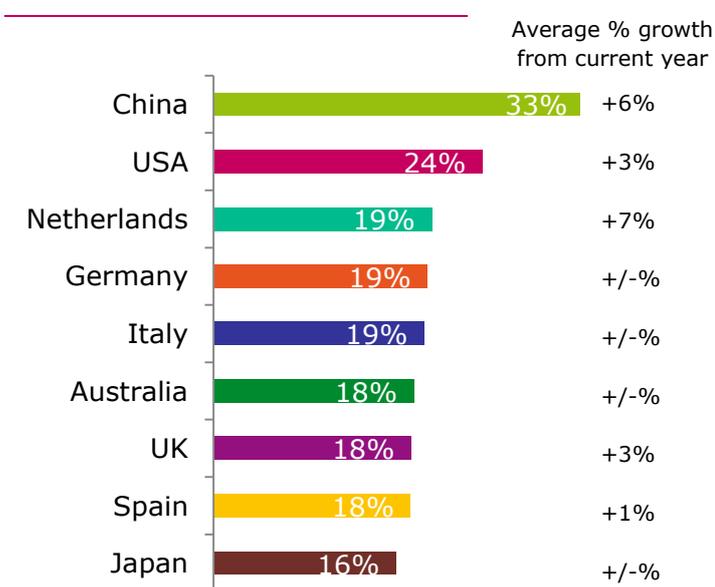


Figure eleven: Average percentage of IT budget allocated to managed services that use cloud technologies next year with difference to current year, by country

As these are such large economies, does this suggest that investment in cloud is the way to go for the future?

Looking in more detail at the strategies employed in different markets across the four technology areas, there are some notable differences:

Organizations based in the larger economies such as those in the USA, Germany, and China use a greater variety of strategies than elsewhere, with future deployment leading to an even more sophisticated hybrid strategy.

However, we do see a difference between the adoption of public and private cloud in these

larger economies: those in Germany are more likely to be using a private cloud strategy across all company areas today (between 45% and 49%) compared to those in China (between 38% and 41%). Similarly, organizations in the USA are using a private cloud strategy today (between 41% and 44%) more across three technology areas, the exception being applications development (40% versus 41% in China). A significant difference is the adoption of private cloud in China in the next 12 months (between 52% and 53%), considerably higher than the USA (37% to 40%) and Germany (33% to 40%) across all technology areas.

Conversely, those in China are using a public cloud strategy far more across all technology areas today (between 52% and 54%) compared to those in the USA (between 36% and 41%) and Germany (between 30% and 43%). This same difference also holds true over the next 12 months, with Chinese businesses more likely to adopt public cloud (between 44% and 47%) compared to those in either the USA (between 26% and 34%) or Germany (between 28% and 39%). A similar pattern exists for partnering with an MSP – more Chinese organizations will be doing this over the next 12 months than those in the USA and Germany.

This suggests that Chinese organizations have accelerated their technology strategies by adopting public cloud for all technology areas, something which it continues to do, but that private cloud, which has already played a significant role, will play an even bigger role than public cloud over the next 12 months in partnership with MSPs. Those in the USA and Germany, on the other hand, perhaps with a greater investment in traditional on-premise solutions, have put a greater emphasis on private rather than public cloud to date, whilst moving to hybrid cloud strategy through partnering with an MSP over the next 12 months.

Organizations based the Netherlands, Italy, and Spain are keen to move to private cloud and MSP solutions for most technology types, though the rate of current adoption for these varies greatly. - For instance, 62% of those in the Netherlands intend to move to an MSP in the next 12 months when it comes to infrastructure optimization, but only 35% plan to do so for collaboration and messaging applications. Similarly, 53% of organizations based in Italy intend to move to an MSP in the next 12 months when it comes to business applications, but only 38% plan to do so for infrastructure optimization. In Spain, 56% intend to move to a private cloud solution in the

next 12 months for collaboration and messaging applications, but only 41% plan to do so for business applications.

Another major difference can be seen when comparing public cloud adoption rates in China to those of the UK and the Netherlands. Only a few (if any) ITDMs in China state that they would not consider employing public cloud as a strategy in the near future. The UK and the Netherlands on the other hand are far less keen, with between 41% and 51% stating it is not part of their strategy to adopt a public cloud solution at any point in the near future in the UK across all four technologies, and between 62% and 78% for the Netherlands across three of the technologies. Similarly, Australia is less likely to be using public cloud today (between 27% and 35%) than the average (between 33% and 42%), but Japan is more likely (between 45% and 52%)

Overall, the larger economies are leading the way when it comes to the strategies they already have in place today and those they are planning for the next 12 months. The variation in the responses from the other countries suggests the extent to which the other countries are still developing their strategies. However, it is clear that the differences in their approaches suggest different dynamics at work beyond economics, such as investment in traditional technologies.



Managed service providers can help businesses to grow

MSPs are helping organizations with the key technology areas

Most organizations intend to use an MSP in the near future if they are not already doing so in order to cope with the demands that technology requirements place on the business. We saw earlier that the number of organizations incorporating MSPs as part of their strategy will increase significantly compared to other strategy solutions, with the possible exception of private cloud adoptions. It is clear that future technology solutions inevitably lie, at least to some extent, in partnership with service suppliers.

Those organizations that currently use a managed service provider as their solution for one or more of the aforementioned technologies are enjoying a vast range of benefits as a result.

The most often selected benefit, at 73%, is that by using an MSP, IT is better able to meet the requirements of the business. As we've already seen, most organizations are struggling to keep their key technologies up to date and will be going through a significant IT strategy shift over the next year. Against this background, it's clear that IT will see the need to justify major updates and upgrades, and if they feel a managed service provider will help provide a greater alignment between the IT and business strategies then their use will clearly be sought after.

Similarly the next three most selected responses have all been chosen by more than two thirds of current MSP users. 71% agree that use of an MSP has allowed their business to grow. So not only is the IT department able to meet requirements, it's actively contributing to the success of the business – a fact further supported by the 69% agreeing that their MSP has helped the business become more agile than their competitors. Finally, 70% agree that use of an MSP has fundamentally helped improve business processes – such improvements will help decrease inefficiencies and assist organizations in achieving their goals. Fundamentally then, the majority agree that use of MSPs goes beyond having a better IT department – the organization achieves measurably better results.

Preaching to the converted perhaps? Not at all: looking at those ITDMs not currently using an MSP, it's the same benefits that rise to the top (albeit selected by a slightly lower proportion).

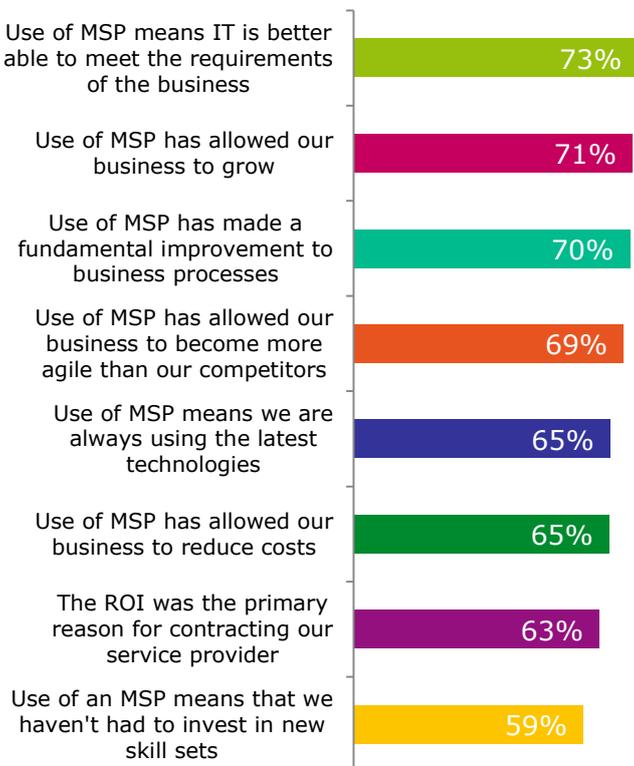


Figure twelve: 'Regarding your managed service provider, to what extent do you agree or disagree with the following statements?' Percentage showing agreement



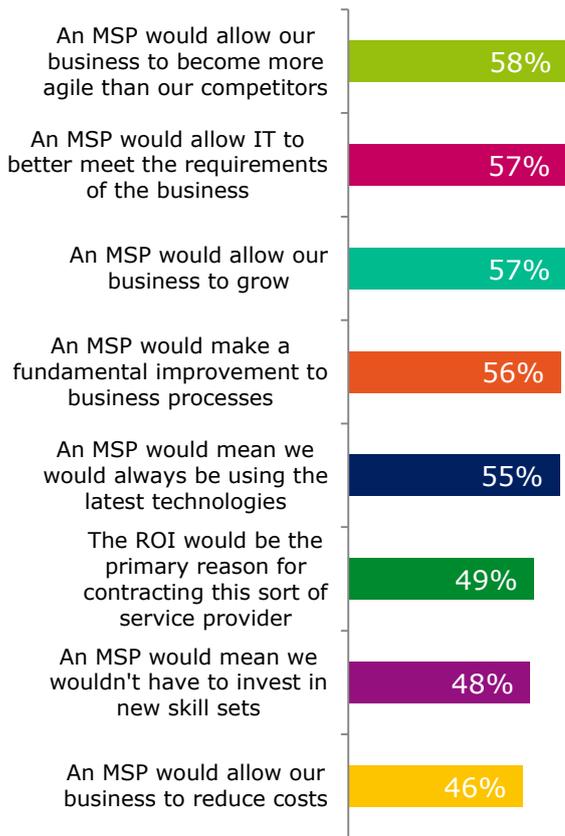


Figure thirteen: 'Regarding managed service providers, to what extent do you agree or disagree with the following statements?' Percentage showing agreement

So overall, the benefits of an MSP are significant to the business, a fact that ITDMs are aware of, whether they are currently using an MSP or not. Of those ITDMs not using an MSP, barely 1% disagreed with all of the above listed benefits.



Which managed service provider?

There are a number of factors that influence a business' decision as to which MSP they should opt for.

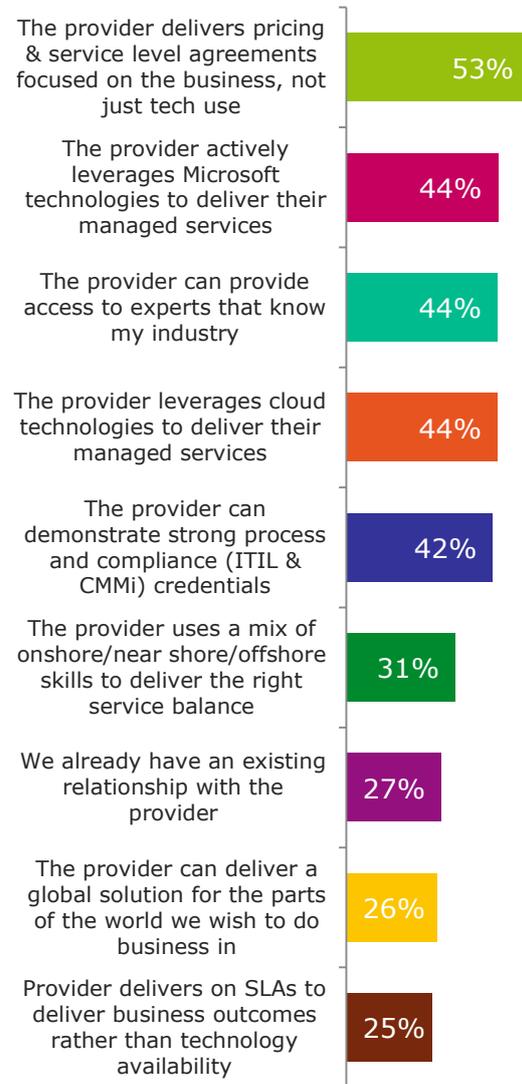


Figure fourteen: 'What capabilities would impact your decision to select a managed service provider?'

Over and above everything else, the majority of ITDMs (53%) want to pay for services based only on what they *need*, and not based on simply the technology/software the MSP is able to bundle in to a single package. No feature emerged as a clear second most popular, though amongst the four features selected by 42-44% of the sample, it is worth noting that active use of Microsoft

technologies is important (a point that we will return to later).

There is, however, an important distinction to make – ITDMs and decision makers outside the IT department view potential business benefits differently. While the considerations of the ITDM will be crucial in making the final decision of which MSP to use, non-IT personnel involved in the decision have strong influence or even the power to veto if their own requirements are not met. This can be seen with the majority of ITDMs selecting cost as an important *business* reason for choosing an MSP.

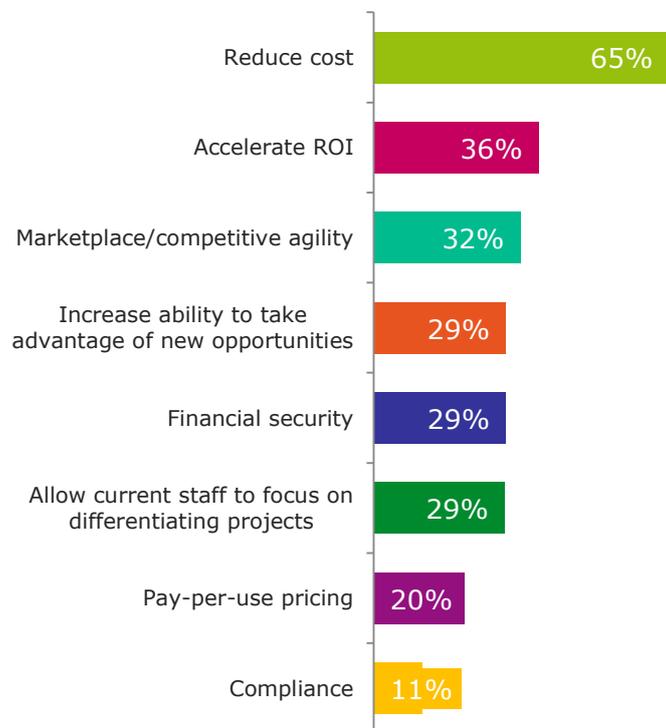


Figure fifteen: 'What would be the main business reasons for choosing a particular managed service provider?'

In contrast, reducing costs is not in the top five experienced or expected benefits by ITDMs (as seen in figures thirteen and fourteen on the previous pages). This highlights a significant disconnect between ITDMs and BDMs – ITDMs primarily see MSPs as bringing major competitive benefits to the business, but none-the-less feel that MSPs would be chosen by BDMs primarily on the basis of reducing costs. This returns us to the issue of BDMs placing cost and budget related restrictions upon ITDMs. This suggests that ITDMs need to do more to make BDMs see beyond the basic (albeit still important) issue of making savings to the long-term gains that can be made

in their markets. However the ITDM won't be able to do this on their own – any assistance a prospective MSP can give the ITDM is therefore highly valuable.

When it comes to technology reasons for selecting an MSP, reliability is a requirement for the majority (54%), with no reason emerging as a clear second most selected benefit.

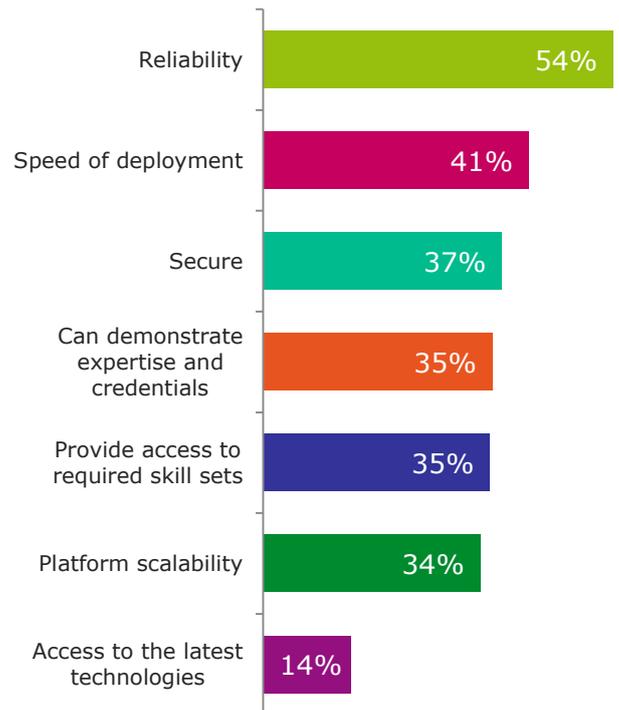
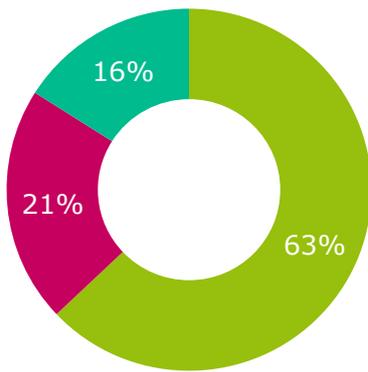


Figure sixteen: 'What would be the main technology reasons for choosing a particular managed service provider?'

When moving an important IT technology to a managed service provider, it's vital that the organization can trust that the technology functions as reliably as it did before, if not more so. The difficulty for MSPs is of course to persuade ITDMs that they can offer a service that guarantees this, so the ability of MSPs to demonstrate this will play a key role in negotiations.

How else do ITDMs think an MSP can make a difference to their organization? Cloud technologies are making a huge impact on strategies for each of the four key areas, with even more organizations looking to adopt in the near future. Bearing this in mind, the majority of organizations (63%) expect an MSP to also utilize cloud technologies.



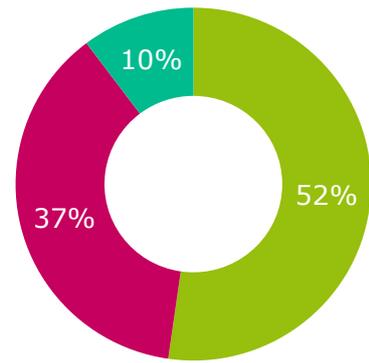
- I expect my managed service provider to leverage cloud technologies as part of the service they provide me
- I do not mind what technologies they use as long it they deliver against the SLA I expect
- I do not want my managed service provider to leverage cloud as part of the service they provide me

Figure seventeen: 'Which of the following statements do you most agree with?'

This further reflects how important this aspect of strategy is to organizations. Cloud services are difficult to execute in organizations without previous experience in this field – and recruitment of staff with the necessary skills will involve significant outlay even before the investigations process begins. It's natural then that if an organization contracts an MSP they would expect to receive a full IT service (including cloud capabilities) from a single vendor, and so would not expect or wish to contract a number of smaller providers for different services. This expectation of a full IT service brings us to another – crucial – aspect of the relationship between an organization and their MSP.

Managed service provider as a strategic partner

Organizations want their MSPs not to just be a technical point of reference but to be vested and interested in their strategies. Just over half (52%) of ITDMs said that they preferred to have a fully strategic relationship, with most of the remaining ITDMs preferring a tactical partner.



- Strategic partner – the service provider collaborates with us to make the IT strategy more aligned with the business strategy
- Tactical partner – the service provider develops and provides solutions for all of IT's tactical requirements
- Point solution provider – the service provider develops specific solutions as per IT requirements in isolated cases only

Figure eighteen: 'What sort of relationship would you expect to have with a managed service provider that your organization had contracted?'

So clearly the preference is for a close working relationship rather than using the MSP merely as a point by point solution provider.

Looking in more detail at those organizations that would prefer a strategic relationship, the healthcare and retail/distribution/transport sectors are most likely to wish for this kind of relationship. Financial services sector is the least likely, though still more than four out of ten would prefer this (see figure nineteen).



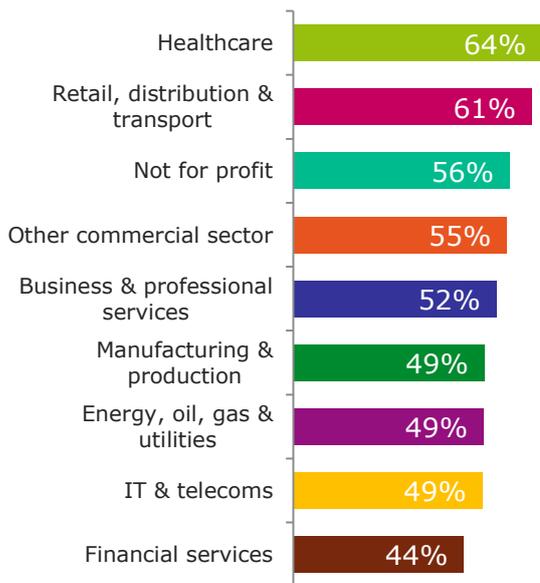


Figure nineteen: 'What sort of relationship would you expect to have with a managed service provider that your organization had contracted?' Percentage selecting 'Strategic partner', by sector

This preference for strategic relationships further reflects the suggestion made above that organizations do not want to contract different suppliers for individual services. Contracting a single supplier is not only more efficient in theory, but also allows a more consistent, centralized IT strategy. To make the most of the relationship, MSPs will need to be intimately involved with the organization's business aims.

Country analysis

Looking at attitudes towards MSPs by region, ITDMs based in the USA and China emerge as generally the most demanding when it comes to the range of capabilities they expect, as indicated by their selecting more reasons for choosing an MSP than ITDMs from other regions. This echoes their recognition of the opportunities shown earlier towards the key areas as well as their awareness of the challenges.

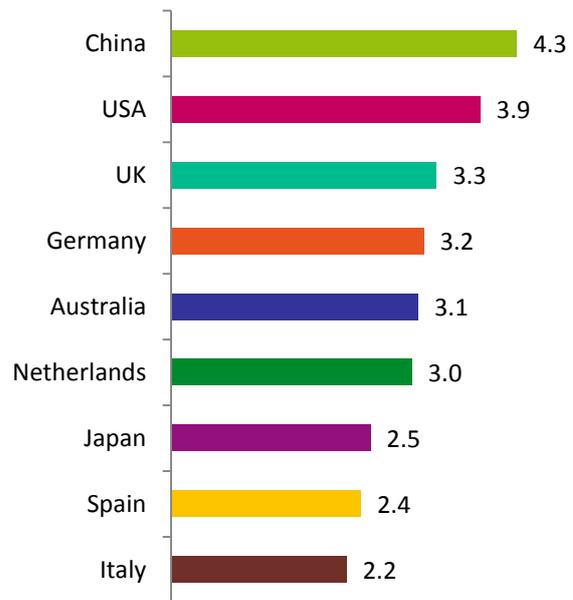


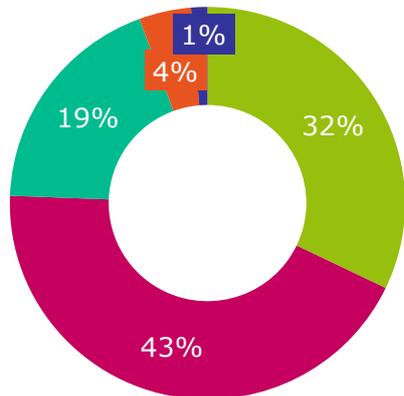
Figure twenty: Average number of MSP capabilities selected, by country

So does this mean that MSPs looking at the European market are less aware of the benefits that an MSP can bring, when compared to ITDMs in China and the USA? It's worth noting on this point that ITDMs based in some European and APAC regions also show a preference for tactical partners or point solution providers as opposed to strategic partners, which goes against the overall average (of 52% preference of strategic partner, as shown in the previous page on figure 18). This includes the Netherlands (only 22% preferring a strategic partner), Spain (28%), Japan (34%) and Australia (40%). Only Italian ITDM preference for a strategic relationship comes close to the overall average (at 46%, though still only marginally ahead of their tactical relationship preference at 42%). Clearly then, MSPs need to be better at demonstrating in these regions the advantages that a close strategic alliance can give a business.

The importance of collaboration with Microsoft

A relationship with Microsoft can make a significant difference for the better

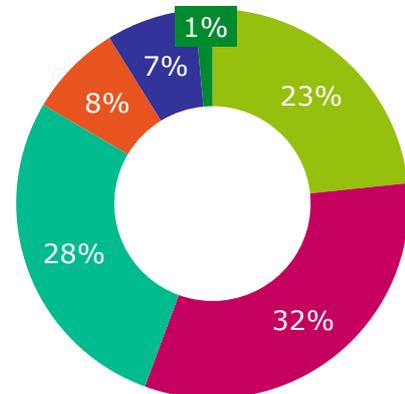
Large organizations are likely to have thousands if not millions of Microsoft files, so there is a real need for Microsoft focused assistance and compatibility in order for these businesses to evolve their infrastructure and services. A key aspect to what an MSP can offer will be the extent of their relationship with Microsoft: three quarters of respondents say that it is very or quite important that an MSP for their organization has a relationship with Microsoft.



- Very important
- Quite important
- Neither important nor unimportant
- Not very important
- Not at all important

Figure twenty-one: 'How important is it that a managed service provider for your organization has a relationship with Microsoft?'

In addition, 23% say that any MSP they use should be a Global Microsoft Gold partner, with a further 32% saying that the MSP should have direct access to the latest Microsoft early adopter technology programs. So there is clearly a huge advantage for using an MSP with this sort of close relationship with Microsoft.



- The service provider should be a Global Microsoft Gold partner
- The provider should have direct access to the latest Microsoft early adopter technology programs
- The provider should be able to demonstrate competency in the relevant Microsoft technology area the service includes
- The provider should employ people who are Microsoft qualified to be responsible for the service
- The services provider shouldn't need to have any relationship at all with Microsoft beyond technology licensing
- The services provider should avoid using Microsoft entirely to deliver managed services

Figure twenty-two: 'What sort of relationship would you expect a managed services provider of your organization to have with Microsoft?'

The importance of having a relationship with Microsoft is further illustrated by looking at those respondents who use an MSP across all four technology areas. For these heavy MSP users, almost all (91%) recognize the need for some sort of relationship with Microsoft, with three quarters preferring a close relationship of the sort discussed above (Global Microsoft Gold partner or access to early adopter programs).

As we saw earlier, most organizations are aware of the challenges and opportunities that are ahead of them when it comes to the four key areas (collaboration/messaging applications, business applications, application development and management, and infrastructure optimization). For the most part, ITDMs also agree that Microsoft is crucial in overcoming the challenges and making the most of the opportunities (between 62-74% agree regarding opportunities, and 57-70% agree regarding overcoming challenges), with just one in six disagreeing

regarding the opportunities and one six disagreeing when it comes to the challenges.

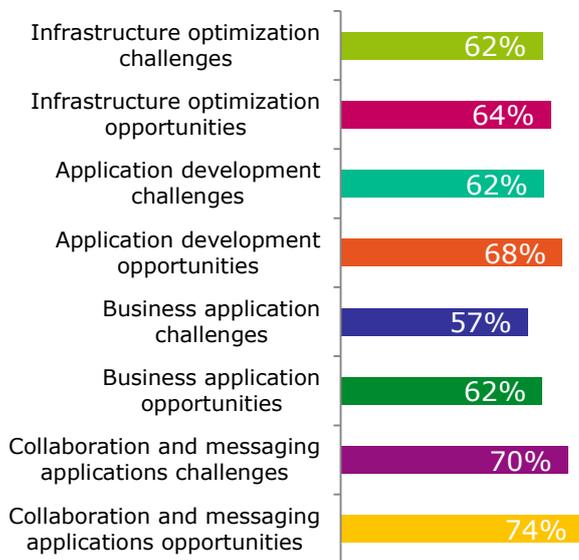


Figure twenty-three: *Agreement with statements: 'Microsoft playing a significant role in overcoming the challenges and making the most of opportunities for each technology area'*

So the importance of Microsoft is clear when it comes to facing the challenges of the converging technologies, a fact that is recognized by most organizations.



Managed service providers and Microsoft – the way forward

Organizations are under no delusions about the transformative forces of social, mobile, cloud and big data.

Most organizations think these four forces offer significant opportunities, but most also say they present challenges. The extent of these challenges is well illustrated by the fact that the majority of organizations are not using the latest versions of these technologies.

Organizations are dealing with these forces and how they relate to the technology areas of collaboration and messaging applications, business applications, application development and management, and infrastructure optimization in a variety of ways when it comes to their strategy. Many are migrating to cloud and off-premise solutions by using a managed service provider. The few organizations that are not already using a variety of strategies to create a hybrid solution are likely to be doing so very soon.

This is a major challenge because it involves losing or at least adapting the existing infrastructure (which, as we've seen with most organizations, currently involves an on-premise solution). In addition, the majority of organizations are having trouble updating to the latest versions of their respective technologies and, worryingly, some ITDMs are satisfied with using older versions. Solution migration while

using out-of-date technology adds a further layer of complexity, and thus risk.

Of the organisations interviewed, a strategy that has helped many deal with the problems faced is use of a managed service provider. As we've seen, an MSP is well placed to help organizations with problems such as these, provided the organization can be persuaded of the benefit. However, the MSP needs to fulfill strict criteria – it must be able to demonstrate the benefit it can have to the business, and not just the IT department. It must be prepared to embark on a full strategic relationship with the customer organization, and should ideally have a close working relationship with Microsoft.

Finally, it's worth reiterating that organizations in Europe (UK, Netherlands, Spain and Italy) and Japan are particularly struggling with the transformative forces of social, mobile, cloud and big data. This manifests itself not only in lower levels of awareness of the challenges ahead and less positivity regarding the opportunities, but also through inconsistent technology strategies and being less likely to look for more than a few capabilities in an MSP. This is perhaps a reflection of the economic situation in these countries. Conversely, it could be said that the larger economies of the USA and China are embracing the same transformative forces and should be shown as examples of best practice.



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