

Investing for Transformation

Priorities for agile businesses



In partnership with



BUSINESS

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ABOUT THE AUTHORS



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Pauline Trotter is Practice Leader for Workspace Services within Ovum's Enterprise Services team, which focuses on how service providers can address opportunities in the future workplace. The practice brings together Ovum's research in enterprise mobility services and unified communications and collaboration (UC&C). She undertakes research with enterprise buyers as well as their employees on their plans and expectations for the future of work, and their views on the place of new technologies and new ways of working.

Pauline specialises in enterprise mobility, managed mobility services and mobile-centric UC. She has worked on many consulting assignments for service providers, vendors and enterprises. Her current research includes assessments for companies looking to select mobile workspace service providers, research with ICT buyers in large enterprises and developing a broad market landscape for workspace services.



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With 38 years' industry experience, David heads up Ovum's Advanced Digital Services practice, which tracks the evolution of the applications-centric service provider out of IT services, SI, telco and applications vendors, and analyses the implications for the digital enterprise.

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Hansa advises clients on sourcing approaches and vendors on go-to-market strategies. She also looks at the growing distributed agile software development space and its role in enabling the transformation of business technology. Her key areas of expertise include application services and sourcing strategies, outsourcing trends, service provider strategies, global and offshore service delivery and engagement models, distributed/offshore agile development, and vendor management and governance. Hansa has been covering the IT services market for nearly a decade and previously spent five years as part of Ovum's Tools and Insights team.



Adam Holtby
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Adam Holtby is a senior analyst at Ovum, specialising in enterprise mobility, workplace productivity, and IT service management.

Adam focuses on helping enterprises understand how digital technologies and services, specifically mobile and service management, are evolving and the impact this can have on business. He produces enterprise case studies, detailed technology audits, insight papers, and comparative technology reports.

His work involves defining the vendor competitive landscape and providing best-practice recommendations for enterprises and vendors alike. For vendor clients, he provides technical review, market context, and strategic advice on current developments and future trends.

Executive summary

In brief

This white paper is about how UK businesses are approaching digital transformation. It looks at several areas of change: what factors are driving IT and network investment and what the priorities are for that investment; how businesses can ensure that the future network will be flexible enough to support the business agility required; how they are enabling change in the workplace; and the role of managed service providers (MSPs) in supporting transformation. It provides key findings from Ovum research in cooperation with 250 midsized to large enterprises, including some multinational corporations, in the UK.

Key findings

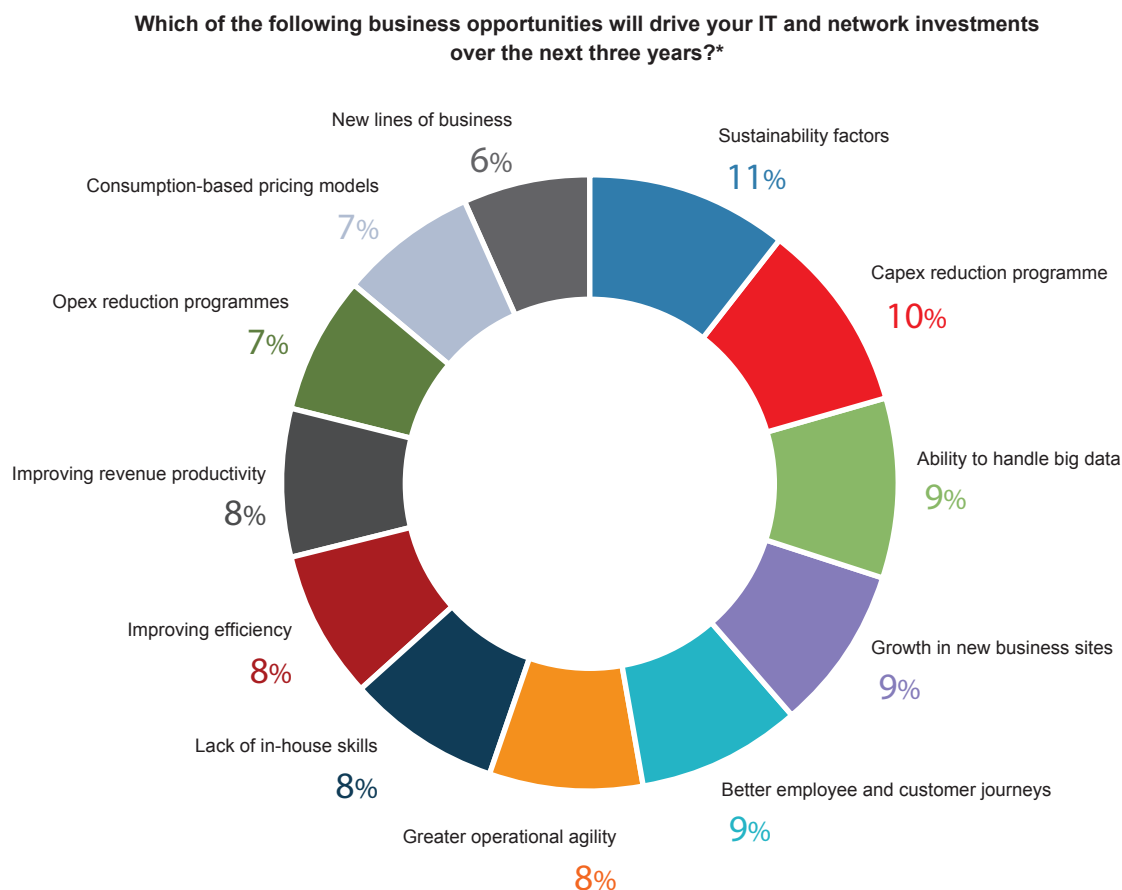
- As businesses embark on digital transformation, they are accelerating their IT and network investment programmes across a number of operational requirements. With several complex projects underway, they say that shortage of IT skills is the biggest issue they face; this is driving a need for managed and professional services support.
- As digitisation takes a deeper hold, businesses are finding that running separate infrastructures for digital and traditional activities no longer makes sense; convergence will ensure the network doesn't become a constraint to business agility. A flexible network is a priority for the digital business – it underpins the transformation and enablement of next-generation ICT.
- IT leaders see that software-defined networking services will give them more visibility and control of the growing and sometimes complex range of connectivity options they have in their estates. Next-generation network technologies, such as SD-WAN, will help them improve operational efficiency and meet their digital transformation objectives.
- Organisations are already making many changes to adapt to and encourage changing work styles, and they are investing in tools to help employees work more effectively and productively. Managed services support will be important here too. Building the new workspace is not simply about introducing new tools, but about encouraging and enabling employees to make the best use of new technology and avoiding the disruption that it can bring. Change management will be key.
- Our research shows that enterprises have the budgets in place to invest, but that they will spend wisely in order to meet their key business transformation objectives. Two-thirds of the large businesses and public-sector organisations that we spoke to in our research have budgets of more than £5m per year, a sum that includes the full range of ICT connectivity, workspace/mobility, and IT services. Overall, there is optimism among IT heads about the direction in which budgets are moving. A majority see growing budgets for connectivity, workspace, and managed and professional services. But connectivity is the priority for investment now.
- MSPs will be key partners for enterprises addressing major business challenges. Managed services are moving beyond enabling cost savings; they are becoming embedded as the backbone of transformation programmes. Enterprise IT heads already expect MSPs to be responsible for mission-critical technologies that form the backbone of the systems that keep the business up and running. Increasingly, they also see MSPs as the go-to experts to advise on transformation.
- Enterprises expect managed service providers to deliver business outcomes and demonstrate clear added value. Those that can offer flexible and outcome-based pricing, and show a willingness to form a risk-reward partnership, are highly valued by enterprises.

Businesses are accelerating their IT and network investment programmes

As enterprises embark on transformation programmes that include deploying analytics for customer engagement and risk mitigation, improving collaboration, and migrating workloads to the cloud, the pressure on in-house ICT resources grows. Significantly, shortage of IT skills is the biggest issue identified by IT leaders in our research; it is evident that this shortage is leading to a greater need for consultancy and professional services support.

IT leaders are accelerating IT and network investment across a number of operational requirements. Figure 1 identifies the drivers and shows that many issues are at play. It is perhaps surprising that overall, considering the top three issues cited by each respondent, sustainability is the biggest driver. While UK businesses are certainly striving to meet environmental targets, it is also clear that there is a financial side to sustainability – for example, reducing travel typically comes with an expectation of reduced costs. Capex reduction is also a significant driver for many, informing activities such as the disposal of data centre assets, the implementation of less expensive network technology, and a move to opex-based services. Analytics tools to handle big data are also high on the list of priorities. Companies understand the value of data, as well as their responsibilities around the handling of data and the potential risks to the business.

Figure 1: There are many drivers of IT and network investment



*Uses each respondent's top three answers

Source: Ovum UK Enterprise Survey

A flexible network underpins delivery of business transformation goals

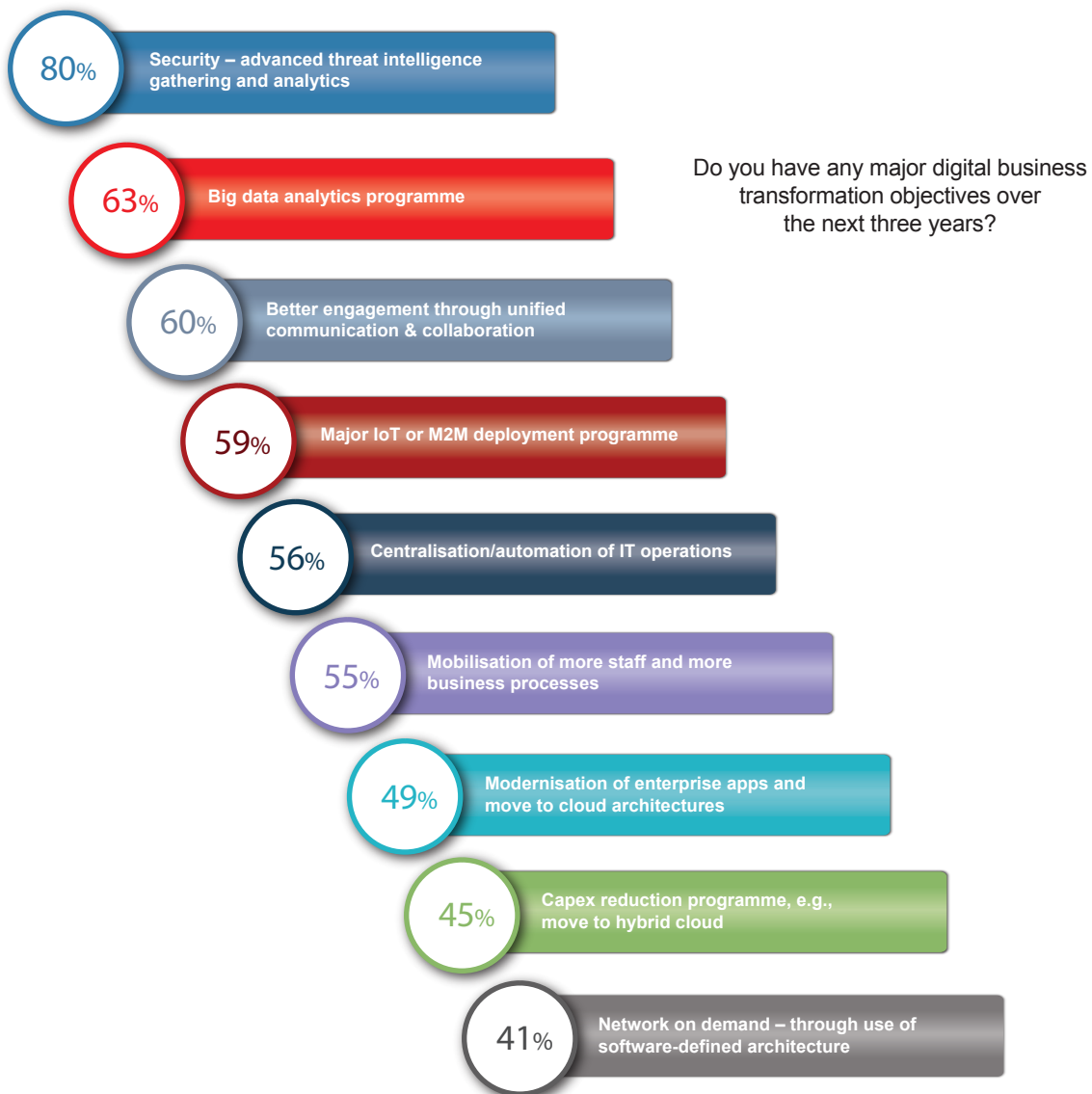
Businesses need to address a set of complex objectives as digitisation proceeds and takes a deeper hold. In the initial wave, organisations started to build out a digital infrastructure but continued to run the business across two separate infrastructures. But as the need for agility becomes more important, they must look at how to converge these into one. They must ensure the network doesn't become a constraint. A flexible network is a priority for the digital business: it underpins the transformation and enablement of next-generation ICT.

We asked the UK IT leaders what their major digital business transformation objectives are for the next three years. Clearly, with so much technological change taking place, including the need to support access from and to multiple devices, including employee-owned smartphones, wearables, and sensors, it is no surprise that security remains firmly top of mind (see Figure 2). Close behind

is a group of customer- and employee-centric activities, including the use of analytics to improve the customer experience or enable businesses to get closer to their customers; improving collaboration both internally between employees and externally with customers; and IoT deployment projects, many of which are aimed at enabling new business models. These objectives are closely followed by the centralisation and automation of IT operations and/or synchronous policy implementation across the network through orchestration; mobilisation of staff business processes to create a work-anywhere environment; and modernisation of enterprise applications and migration to cloud architectures.

It is, perhaps, too simplistic to think about priorities here. What is evident is that IT leaders are trying to get their arms around a lot of next-generation technologies at the same time; all these objectives are judged important because they are interdependent. Network and cloud infrastructures are an important part of the story, but the real benefits to business come with what can be done over them, in customer data analytics, workforce collaboration, and systems automation.

Figure 2: Cybersecurity dominates network transformation objectives



Source: Ovum UK Enterprise Survey

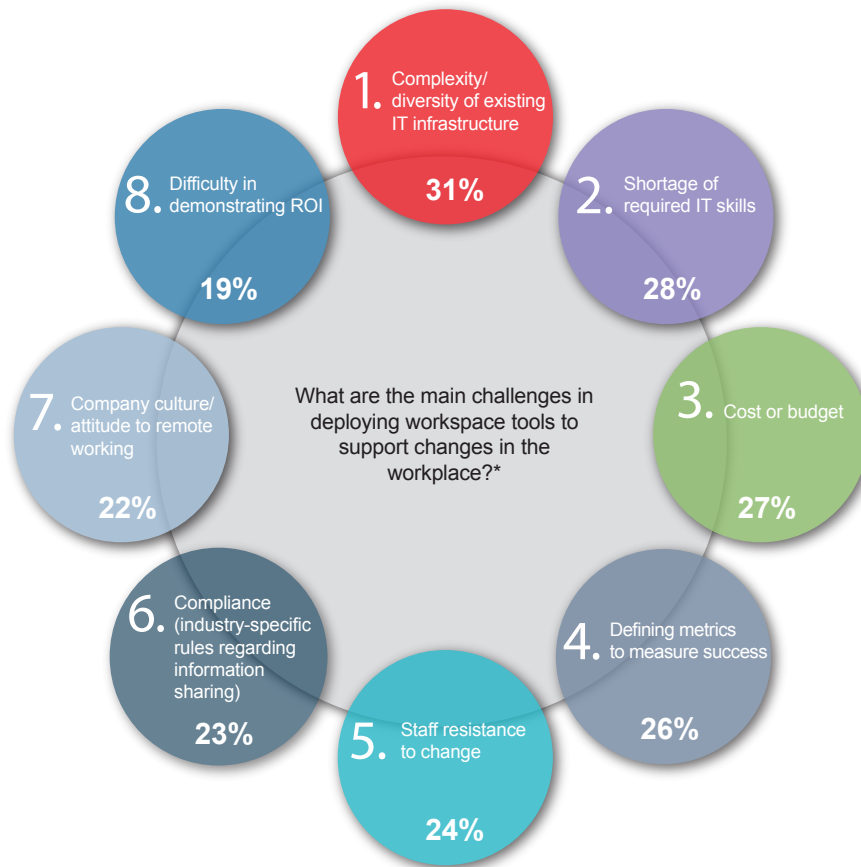
Delivering the future workplace

The way people work is changing. Employees typically want a more flexible approach to work; employers want to foster a culture of innovation, which means they need to attract and retain the best talent; and businesses need to see productivity improvements and need to build a collaborative and multigenerational workforce. Organisations are already making many changes to adapt to and encourage changing work styles, and they are investing in tools to help employees work more effectively and productively. Investment to date has focused on modernising enterprise voice and contact centres as well as adding new communication and collaboration applications and managed mobile services. At the top of the workspace investment list for the coming year are cloud-based productivity apps, enterprise social networking, and new collaboration tools. Mobility remains a constant business imperative.

Managed services support will be important as enterprises work to overcome the challenges of modernising the workplace, including integration with complex and legacy IT infrastructures (see Figure 3). Enterprise leaders understand that building the new workspace is not simply about introducing new technologies. Most are aware that the introduction of new technology can be disruptive and recognise that people must be at the heart of any modernisation effort. They must invest in training and support and continue to pay attention to the management of cultural change.

Businesses should look to work with partners that not only offer capable technology and services, but also show an understanding of their unique needs and the business outcomes they wish to achieve.

Figure 3: Organisations are facing many challenges when deploying workspace tools



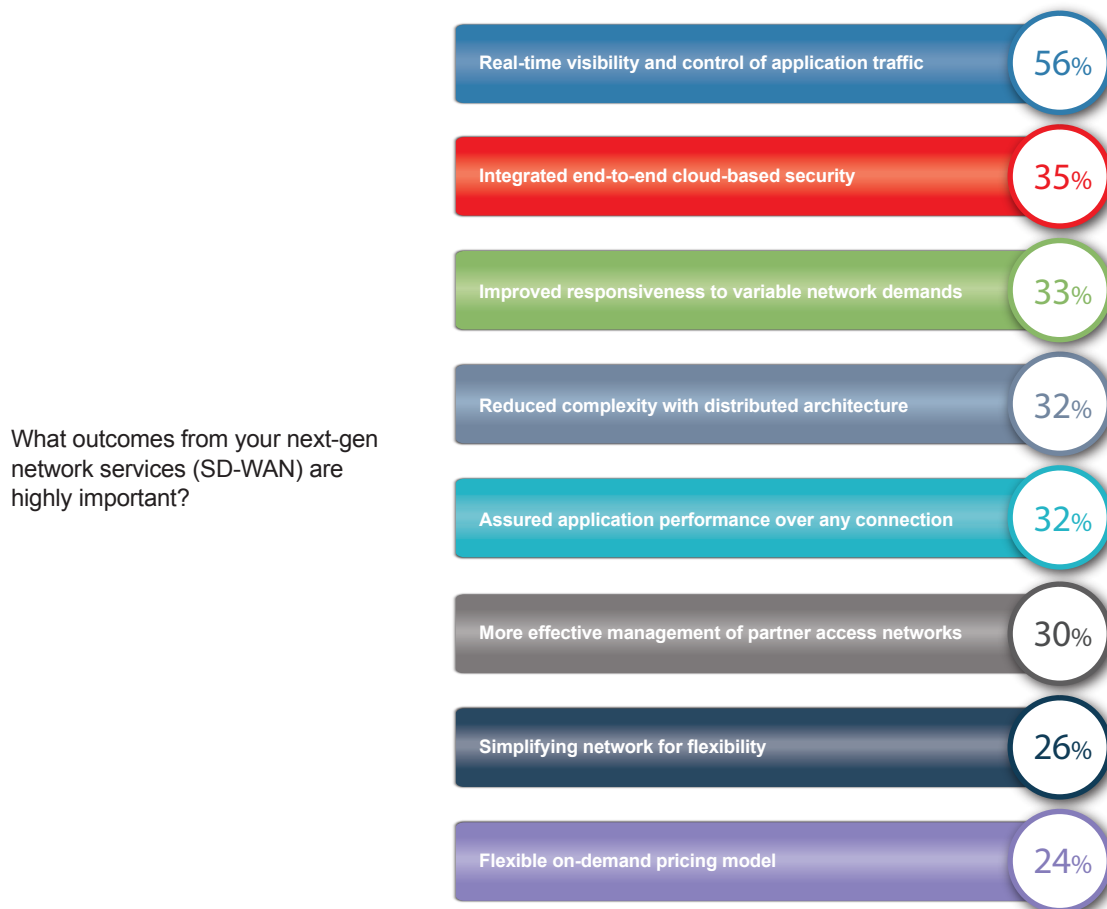
*Top 1 and 2 reasons combined

Source: Ovum UK Enterprise Survey

Navigating the path to software-defined networking

IT leaders in enterprise and public-sector organisations are increasingly challenged by the inflexibility of their current network connectivity options. They see that software-defined networking services will give them more visibility and control of the growing and sometimes complex range of connectivity options they have in their estates, from fixed networks to Wi-Fi. Next-generation network technologies, such as SD-WAN, will help them improve operational efficiency (see Figure 4). They will also help them meet their digital transformation objectives, whether they are looking for a deeper level of engagement with customers or improved collaboration among employees, for example. SD-WAN will enable improved provisioning of network connections and implementation of new digital services based on integrated voice, video, and data services for employees and customers.

Figure 4: SD-WAN brings visibility and control



Source: Ovum Next-Gen Network Enterprise Survey

UK IT leaders have laid out their demands. They want better performance to support their business and to deliver on their technical needs. They want their service provider to step up from fixed network to agile network, and from network supply to managed services. They are increasingly looking for a managed service provider that can help them take advantage of these new supercharged technologies and support their integration with their existing network estate. They want a managed service provider that will help design and build the best network for the business; help plan network and applications expansion; provide a technology roadmap, especially in cloud services; help manage partners in an end-to-end service; and even help with the organisational transition to a digital business.

Enterprises are ready to spend, but will do so wisely

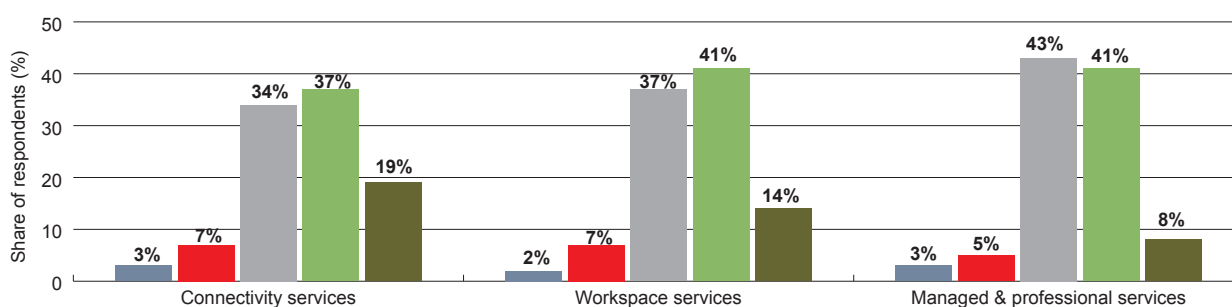
Our research shows that enterprises do have the budgets in place to invest, but that they will spend wisely in order to meet their key business transformation objectives. Two-thirds of the large businesses and public-sector organisations that we spoke to in our research have budgets of more than £5m per year, a sum that includes the full range of ICT connectivity, workspace/mobility, and IT services.

Overall, there is optimism among IT heads about the direction in which budgets are moving. Over half of the respondents in our research expected budgets to increase by over 1% across all three areas we looked at: connectivity, workspace, and managed and professional services (see Figure 5). Connectivity is a priority for investment, with almost 20% of respondents anticipating a budget increase of over 5% in this area. For the workspace category, 14% of respondents anticipated a growth in investment of over 5%; and for managed services, 8% of respondents expected that level of growth. This finding is consistent with findings from Ovum's broader annual ICT Enterprise Insights research, which also shows significant growth in the number of UK organisations looking to accelerate investment (over 6% growth) in ICT in the coming year.

Figure 5: Enterprises are ready to invest

How do you expect your services spend to change in the coming year?

■ Decrease >5% ■ Decrease 1–5% ■ No change ■ Increase 1–5% ■ Increase >5%



Source: Ovum UK Enterprise Survey

Service providers looking to capture their share of ICT spend as enterprises invest in transformation must ensure they meet enterprises' expectations and priorities. In connectivity, this means demonstrating that they are easy to do business with, have excellent account management, and can achieve consistent performance to SLAs. In workspace, they must demonstrate that they can bring best-in-class technology partners to the table, are able to support end users through workplace transformation, and are willing to customise the solution where required. And in managed services, they should provide a transparent programme for in-house skills development, be able to facilitate transformation, and work seamlessly with existing providers.

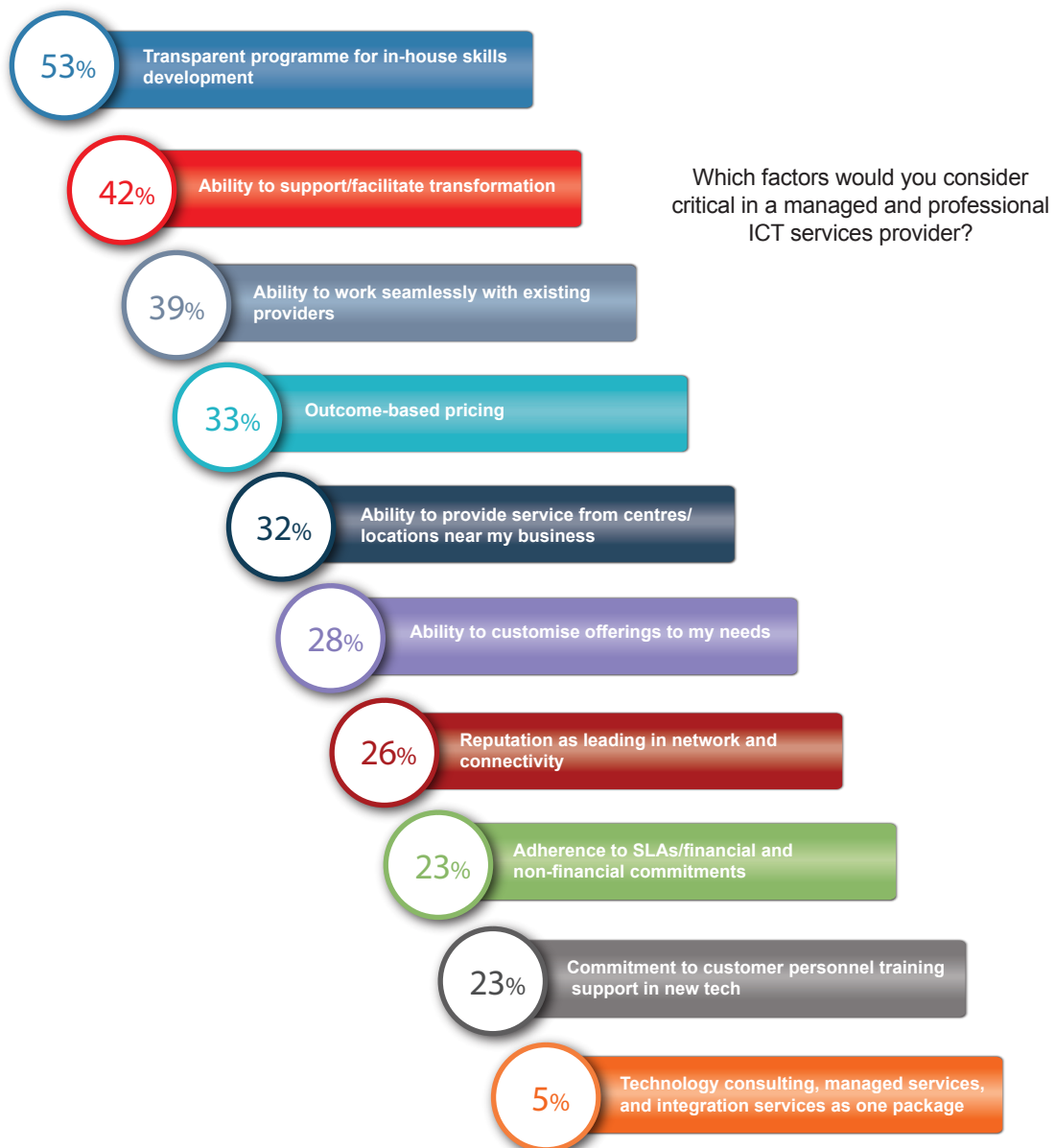
MSPs are partners for enterprises addressing major business challenges

As digital transformation accelerates, businesses must also look at how they can differentiate themselves and deal with the constant need to pursue new sources of revenue and growth. The ability to make rapid adjustments and course corrections to adapt to changing market conditions is critical for success, but internal IT teams often cannot realign and retool fast enough to support these changes. Managed service providers can support enterprise innovation and transformation agendas; at the same time, they can help optimise existing systems and processes and bring cost efficiencies so that investment can be diverted to such programmes.

Managed services are moving beyond enabling cost savings; they are becoming embedded as the backbone of transformation programmes. Enterprise IT heads increasingly expect MSPs to be responsible for mission-critical technologies that form the backbone of the systems that keep the business up and running.

Enterprise IT leaders expect managed service providers to deliver business outcomes and demonstrate clear added value, as they struggle to articulate return on investment (see Figure 6). Managed service providers that can offer flexible and outcome-based pricing models while providing cutting-edge technology at competitive price points, along with the willingness to form a risk-reward partnership, are highly valued by enterprises.

Figure 6: Managed service providers must deliver business outcomes



Source: Ovum UK Enterprise Survey

Professional services and support will be particularly important to the many enterprises that are struggling with the challenge of integrating complex legacy technologies with modern ones. But even so, they must focus on more than just technology (and cost) when selecting a service provider; they must look at the entire capability. Managed service providers must be able to leverage a larger technology ecosystem and bring these together to provide a robust and end-to-end ICT services offering. Managed service providers are partners for businesses delivering on transformation agendas – this is a position of great trust.

Appendix

Methodology

This white paper was sponsored by Virgin Media Business, and it includes results from an extensive telephone-based primary research survey comprising responses from 250 senior decision-makers in the UK to understand the "voice of the customer." The views expressed in this white paper are based on Ovum's ongoing research into the managed services, workspace, and network technology markets, which considers the opinions of vendors and retailers.

Ovum conducted research with ICT decision-makers in 250 companies across the UK during 4Q17.



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