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**claranet**  helping our customers do amazing things
Introduction

Dear Reader,

It gives me great pleasure to present to you the findings from our fifth annual Claranet Research Report, in what is a very special year for Claranet. 2016 marks the twentieth anniversary since I started Claranet as a dial-up internet service provider.

The technology sector has changed a lot since then, and so has Claranet, but one thing has remained constant: our commitment to customer service. Keeping that service relevant to our customers is essential - understanding the market matters to us. The Claranet Research Report embodies this.

In surveying 900 senior IT leaders from mid-market businesses (100-2,000 employees) in the six markets that Claranet operates in – Benelux, France, Germany, Portugal, Spain and the UK – our purpose was to understand how European businesses are managing their IT estates and how this may evolve with time.

I hope you find the report insightful. Wishing you and your business every future success.

Best wishes,

Charles Nasser
Founder and Chief Executive Officer, Claranet Group
With every passing year, Western European IT leaders are faced with more opportunities, more complexity and higher expectations.
IT leaders are pivotal members of any organisation: they can add unprecedented value and enable a business to grow, or, if the wrong decisions are made, cause a business to lose competitiveness. Looking at Western Europe presents a picture of a region unified economically and geographically, but the six markets and the organisations that constitute them are at very different stages of a cycle. The goal of the cycle? To move away from reactive, administrative, traditional IT and evolve towards a strategic, progressive and innovative approach.

The research shows that the challenges faced by the IT department have grown since last year, but so too have some progressive and innovative practices. At a high level, the data points to a game of two halves across Europe, with France, Spain and Benelux leading the charge on progressive IT practices and innovation, and the UK, Germany and Portugal somewhat further behind. This may be due to practical considerations, such as regulation or budgetary restrictions that are tying the hands of IT leaders, or cultural and historical factors.

One common theme across the region is in the recognition of security as the top IT challenge. Though security is not likely to change as the number one IT priority any time soon, the ways that it will affect businesses and users most certainly will. Businesses will need to stay alert to changes to legislation and the nature of prevailing threats as more and more data is stored and analysed.

We all know that what end users wanted last year is not what they want this year, and the quicker that businesses adapt to what the customer wants in the moment, the better. This applies to customers both inside and outside of a business, and to be able to accommodate a demand, one must first understand the motives that lie behind it.

Data points are the building blocks of understanding, and our research suggests IT leaders are beginning to grasp the power of data to inform and offer their businesses a competitive advantage. The right data and analysis will lead to better alignment of the business interdepartmentally and with its customer base, but the feedback loop must be as quick as possible to achieve its potential.

Accordingly, IT leaders are increasingly adopting progressive practices with the hosting, management and development of their applications to maximise agility. An application-first approach, in today’s software revolution, will differentiate businesses as more end users will engage with good applications, leading to increased business success. Our research found increasing DevOps adoption and application update frequency to be a trend across Europe as businesses pursue this engagement.

The IT services provider also has an increasingly important role to play in helping businesses succeed. Both through the delivery of innovative services, and by performing a supporting role leaving a business more time to innovate, IT services providers are becoming increasingly popular throughout Europe, with still greater adoption rates predicted in the future.

“We all know that what end users wanted last year is not what they want this year, and the quicker that businesses adapt to what the customer wants in the moment, the better.”
Top 5 IT challenges

1. 

Mobility and the consumerisation of IT
Increasingly business is not conducted on desktops in offices, and employees are choosing to use their own devices.

2. 

Ensuring IT supports a fast-changing business
The success of a business has never been so reliant on its use of IT. IT leaders need to drive and support innovation in a fast-changing business.

3. 

Security
This is the biggest IT challenge faced by European IT decision-makers, and it is set to remain the top challenge in five years’ time.

4. 

Improving/optimising IT
With technology changing more rapidly than ever before, it remains vital that businesses have access to cost-efficient, performant and reliable platforms.

5. 

Increasing complexity
The upkeep of the 24/7 business, more stakeholder pressure, and new technologies and processes ensure that the role of the IT department is increasingly complex.
People and money

**IT department skills**
The skills needed by a European IT professional are set to change by 2021

**IT budgets**
Average increase in organisations’ IT budget

**Understanding between the IT department and the business**
IT understood wider business
Business understood IT role

Benelux  France  Germany  Portugal  Spain  UK

2015: 21%
2016: 28%
2017: 5% 5% 5% 5% 5%
Responding to the opportunity

Innovation

- % of time IT department spends on innovation
- % of innovation in organisation that is driven by IT department
- % of organisations with a culture that supports innovation

Europe
- 11%
  - 39%
  - 44%
  - 38%

Benelux
- 12%
  - 37%
  - 43%
  - 36%

France
- 13%
  - 43%
  - 36%
  - 21%

Germany
- 11%
  - 43%
  - 36%
  - 21%

Portugal
- 11%
  - 38%
  - 42%
  - 9%

Spain
- 44%
  - 49%
  - 49%
  - 49%

UK
- 8%
  - 34%
  - 37%
  - 37%
DevOps

32% of European organisations have implemented a DevOps approach

Benefits
- Better applications: 60%
- Better understanding between employees: 56%
- Greater business agility: 56%
- Increased profitability: 55%

Challenges
- Lack of time to automate all of the tasks we want to: 47%
- Conflict with historic ITIL change control: 44%
- Skills shortage of people experienced in modern DevOps tools: 43%

IT services providers

Budget spent on IT services providers

2015: 13%
2016: 16%
2021: 20%

2016: 96% of European organisations used IT services providers

Applications

Top 5 applications hosted on public cloud
- Corporate website
- Ecommerce
- Mobile applications
- Collaboration and communication
- Extranets/portals

34% of applications are being updated more frequently than a year ago

How are applications developed?
- Internally
- Internally and with an external partner
- External partner

45% say they plan to implement it

2015
- 13% 2015
- 16% 2016

2016
- 20% 2021
- 96% of European organisations used IT services providers

4
The average European business takes four services from its IT services providers

Storage, backup and application management are the services most likely to be procured from an IT services provider

IT leaders feel their IT services providers bring the most value when they act as trusted advisors
IT leaders in the Benelux region are among the most likely in Europe to have adopted progressive and innovative IT and application management practices. Benelux is increasingly innovative and digitally conscious: 98 per cent report having a digital strategy, a significant leap from our 2015 research, in which just 78 per cent had one. Similarly, they are the most likely to feel that their organisations have the willingness to take risks and the patience to support innovation.

Benelux’s IT teams lead the pack in terms of DevOps adoption and are, by far, the most likely to update their applications at least once a week. With this frequency set to increase and DevOps becoming more pervasive, it should come as little surprise that IT leaders from the region place a high premium on application development skills in the IT department. The demand for these skills is likely to rise by 40 per cent by 2021 and demand for code deployment tooling skills is expected to go up by a similar proportion.

The use of IT services providers in the region is widespread and businesses take an average of five services each from their IT services providers. IT leaders from Benelux are the most likely to use an IT services provider for the value that they can add to their businesses, such as improving data analysis and improving efficiency, rather than what they can take away from the bottom line.

But the challenges facing IT leaders from the region are mounting. A year ago, just 26 per cent identified innovation as one of their biggest challenges; a figure that has climbed to 41 per cent today and is expected to climb further still to 52 per cent in five years’ time. A similar trend can be seen with the challenges presented by complexity, skills shortages and optimising IT estates.

Moreover, respondents from Benelux are some of the most likely to report shadow IT as a challenge today and the most likely to expect shadow IT to be a problem in 2021. One possible explanation for this may be that IT departments from the Benelux countries possess some of the poorest levels of understanding of their wider businesses when compared to their European counterparts.

1 Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.90 EUR (01/03/16)
2 Source: Gartner Market Databook, 1Q16 Update 28 March 2016, G00296771, Converted from USD to Selected Output Currency of: Euro on 3/29/2016 11:52:14 AM at rate 1 USD = 0.90 EUR
"IT departments in the Benelux are responding to complexity with innovation. With the region displaying high adoption rates of public cloud, and DevOps, we are increasingly working to help our customers deliver their applications and move forward faster."

Wiebe Nauta, Managing Director, Claranet Benelux

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**TOP 3 IT CHALLENGES**

1. Mobility and the consumerisation of IT
2. Supporting the business 24/7
3. Security and compliance

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**% OF APPLICATIONS UPDATED MORE FREQUENTLY THAN LAST YEAR**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benelux</td>
<td>31%</td>
</tr>
<tr>
<td>Europe</td>
<td>34%</td>
</tr>
</tbody>
</table>

**UNDERSTANDING BETWEEN THE IT DEPARTMENT AND BUSINESS**

- **21%** of IT departments completely understand their businesses
- **19%** of businesses completely understand the IT department

**AVERAGE BUDGET INCREASE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1%</td>
</tr>
<tr>
<td>2016</td>
<td>5%</td>
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</tbody>
</table>

**MOST IN-DEMAND SKILLS**

- Technical expertise
- Code deployment tooling

**DEVOPS ADOPTION RATE**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Benelux</td>
<td>44%</td>
</tr>
<tr>
<td>Europe</td>
<td>32%</td>
</tr>
</tbody>
</table>

**% OF BUSINESSES WORKING WITH AN IT SERVICES PROVIDER**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benelux</td>
<td>99%</td>
</tr>
<tr>
<td>Europe</td>
<td>96%</td>
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</tbody>
</table>
With innovation viewed as a growing challenge, French IT leaders are attempting to tackle it head on, with the highest proportion of time in Europe spent in the pursuit of it (13 per cent). Fortunately, French IT teams are currently in a strong position to turn this challenge into an opportunity. With healthy budgets, French IT departments have been building on their strong performance in our 2015 report, adopting increasingly digital- and application-centric practices to optimise their IT estates.

French IT departments are among the most likely to have adopted an application-first approach. This is demonstrated by the predicted increase in the importance of application development skills: 52 per cent believe they are currently required, while 80 per cent believe they will be key in five years’ time. This anticipated growth can in part be attributed to IT leaders’ preference for developing and customising their own applications, with only a small minority making do with ‘off the shelf’ applications instead. French organisations also report some of the highest rates of DevOps adoption in Europe.

The digital agenda is also quickly gaining ground in France. Respondents report near-universal deployment of digital strategies, more than a fifth of which are led by a dedicated Chief Digital Officer – the highest proportion in Europe. French IT leaders are also increasingly comfortable with both public and private cloud, and outsourcing the management of their IT to third parties, which will ease the burden of IT support and management in the long-term, as well as supporting digital transformation.

The French are the second most prolific users of cloud services in Europe, after the Benelux region. 64 per cent of French applications are hosted on some form of cloud infrastructure, with just 36 per cent hosted internally. Use of IT services providers is also very high: 98 per cent of organisations report using IT services providers, each spending, on average, 17 per cent of their IT budgets with them – a spend that is expected to increase to 20 per cent over the next five years.

It is, however, important to note that not everything is rosy for French IT departments. Beyond the challenges associated with innovation, French organisations are dealing with a broad range of issues. Mobility, complexity and security are all expected to be more of a challenge by 2021 than they are today, and understanding between the IT department and the rest of the business, while not the worst in Europe, could certainly be improved. Addressing these challenges will clearly become a priority in the years to come.
French businesses are increasingly adopting a number of progressive IT practices, particularly in regard to applications. We are seeing more and more customers looking to their IT services provider to help accelerate their businesses through an application-first approach."

Olivier Beaudet, Managing Director, Claranet France

**Top 3 IT Challenges**

1. Security and compliance
2. Improving/optimising IT
3. Supporting the business 24/7

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**How Much Time Does the IT Department Spend on the Following Activities?**

- Innovation
- Business projects
- IT operations projects
- General maintenance
- Responding to user problems
- Changes
- Unplanned work
- Talking to vendors
- Other tasks

**Europe**

- Innovation: 11%
- Business projects: 13%
- IT operations projects: 12%
- General maintenance: 12%
- Responding to user problems: 14%
- Changes: 10%
- Unplanned work: 4%
- Talking to vendors: 11%
- Other tasks: 15%

**France**

- Innovation: 13%
- Business projects: 10%
- IT operations projects: 11%
- General maintenance: 12%
- Responding to user problems: 11%
- Changes: 13%
- Unplanned work: 14%
- Talking to vendors: 15%
- Other tasks: 15%

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**% of Applications Updated More Frequently Than Last Year**

- **France**: 38%
- **Europe**: 34%

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**Understanding Between the IT Department and Business**

- 38% of IT departments completely understand their businesses
- 38% of businesses completely understand the IT department

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**DevOps Adoption Rate**

- **France**: 38%
- **Europe**: 32%

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**% of Businesses Working With an IT Services Provider**

- **France**: 98%
- **Europe**: 96%
Following our findings in last year's report, German IT departments were once again the most security-conscious in Europe. Security and compliance was seen as a bigger challenge than anywhere else in Europe, and data security is seen as the core function of the IT team. Concerns over complexity, control and security mean that German IT departments operate with a considered 'do-it-yourself' attitude. German businesses must however take risks to ensure their applications, and indeed their businesses, are not passed over in favour of more agile competitors.

Despite a slow, steady and security-conscious approach, German IT is certainly not lacking in progressive practices – particularly in relation to how IT works with the wider business, where there appears to be good alignment. Big data analytics was ranked as the second-most important function of the IT team, suggesting the IT department is helping to guide business strategy. The German IT department is also well supported in terms of budget increases, and there are good levels of understanding between the IT department and the business. It is no surprise, then, that the highest proportion of German IT departments' time is spent working on business projects.

German IT departments are some of the most cautious about hosting their applications in the cloud, with concerns over security and ownership seemingly winning out against progressive practice. Accordingly, German IT departments are also the most likely to develop their applications in-house. While application releases have sped up in the past year, with 29 per cent confirming more updates than a year ago, this is still the lowest rate of change in Europe. This slower release rate can be attributed to both a low DevOps uptake and a risk averse approach to operations.

WHERE ARE YOUR APPLICATIONS HOSTED?

- Internally 45%
- Public cloud 27%
- Private cloud 28%

German adoption of IT services providers has traditionally lagged slightly behind the European average, and this year is no exception. However, German businesses do take an average of four services from IT services providers, the most common of which is application management.

Where German IT departments do use IT services providers, they believe the most important role they should play is that of a trusted advisor. Interestingly, the percentage of German IT leaders trusting their IT services providers is much higher than anywhere else in Europe. While German IT leaders may find it difficult to trust third parties in the first place, they appear to commit faithfully to their working relationships, and are pleasantly surprised by the resulting productivity from working with virtual teams.

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1 Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.90 EUR (01/03/16)
2 Source: Gartner Market Databook, 1Q15 Update 26 March 2016, G00296771, Converted from USD to Selected Output Currency of: Euro on 3/29/2016 11:52:14 AM at rate 1 USD = 0.90 EUR
German IT leaders are increasingly aware of the benefits of working in the cloud, but also attach great importance to data security. By working with trusted IT services providers, German businesses can enjoy both the business transformational benefits and highly compliant security protocols.”

Olaf Fischer, Managing Director, Claranet Germany

**TOP 3 IT CHALLENGES**

1. Security and compliance
2. Increasing complexity
3. Improving/optimising IT

**HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?**

Europe

- Innovation
- Business projects
- IT operations projects
- General maintenance
- Responding to user problems
- Changes
- Unplanned work
- Talking to vendors
- Other tasks

Germany

- Security and compliance
- Business projects
- IT operations projects
- General maintenance
- Responding to user problems
- Changes
- Unplanned work
- Talking to vendors
- Other tasks

**% OF APPLICATIONS UPDATED MORE FREQUENTLY THAN LAST YEAR**

- Germany: 29%
- Europe: 34%

**UNDERSTANDING BETWEEN THE IT DEPARTMENT AND BUSINESS**

- 35% of IT departments completely understand their businesses
- 31% of businesses completely understand the IT department

**AVERAGE BUDGET INCREASE**

- 2015: 4%
- 2016: 5%

**MOST IN-DEMAND SKILLS**

- Security and compliance/vendor management

**DEVOPS ADOPTION RATE**

- Germany: 28%
- Europe: 32%

**% OF BUSINESSES WORKING WITH AN IT SERVICES PROVIDER**

- Germany: 96%
- Europe: 96%
The Portuguese IT department is one of the most challenged in Europe, but there are some causes for optimism. Lisbon is building a reputation as a startup and development hub, and disruptive practices adopted by these younger businesses are likely to affect the wider ecosystem. The country’s IT leaders said their biggest challenge is supporting a fast-changing business, the net result being that IT teams are feeling pressure to adapt to new, more innovative ways of working. This pressure is compounded by their struggles with application management, mobility and the consumerisation of IT, and skills shortages, each of which was ranked significantly higher than the European average.

Suggestions that Portugal’s businesses are starting to change how they operate, asking more of their IT departments, are supported by the shifting fortunes of the country’s IT budgets. With a 2 per cent increase reported this year, and the same predicted for next year, this represents a dramatic turnaround from last year’s report, where the IT budget actually decreased. However, in spite of this change, it is worth noting that Portugal is still suffering from significantly lower budget increases than the rest of the countries surveyed.

Portuguese IT teams were the most likely to consider data analytics as a core function, as well as the most likely to view this as a core function in five years’ time, which suggests an understanding and a willingness to adopt progressive practices. However, without improving understanding in the business, it will be difficult to achieve effective outcomes – and it is clear that there is much room for improvement on that front. Portuguese respondents report by far the lowest levels of understanding between the IT department and the business in Europe.
“The increasing complexity of IT and the ever-growing demand for skilled professionals leave Portuguese IT leaders facing many challenges. I believe this will lead to the accelerated adoption of IT services providers in the next three to five years as Portugal catches up with the rest of Europe in this respect.”

António Miguel Ferreira, Managing Director, Claranet Portugal

HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?

- Innovation
- Business projects
- IT operations projects
- General maintenance
- Responding to user problems
- Changes
- Unplanned work
- Talking to vendors
- Other tasks

TOP 3 IT CHALLENGES

1. Ensuring IT can support a fast-changing business
2. Mobility and the consumerisation of IT
3. Increasing complexity

% OF APPLICATIONS UPDATED MORE FREQUENTLY THAN LAST YEAR

- Portugal: 43%
- Europe: 34%

UNDERSTANDING BETWEEN THE IT DEPARTMENT AND BUSINESS

- 7% of IT departments completely understand their businesses
- 5% of businesses completely understand the IT department

MOST IN-DEMAND SKILLS

- Technical expertise
- Security and compliance

DEVOPS ADOPTION RATE

- Portugal: 28%
- Europe: 32%

% OF BUSINESSES WORKING WITH AN IT SERVICES PROVIDER

- Portugal: 83%
- Europe: 96%
Spanish IT departments have plenty to be content about, with good alignment between IT and business strategy, the strongest budget increases in Europe, an increasingly application-first culture and the adoption of innovative practices.

Decision-makers are facing challenges in ensuring that their IT department can support a fast-changing business – and support it 24/7 – suggesting that there is a high reliance on the IT team to enable business strategy in Spain. Both are expected to become less of a challenge in the next five years as the IT department and the business become even more strongly aligned: compared with the rest of Europe, bar France, Spain reports the highest levels of understanding between the IT department and the rest of the business at present.

Spanish businesses recorded the joint highest rate of in-house application development in Europe, as well as the second-highest proportion of updates to its applications every week. These points reflect the application-first approach that Spanish IT teams are adopting, so it comes as some surprise that they do not align their approach to DevOps to the extent of some other European countries. Interestingly, Spanish businesses who have implemented DevOps were the most likely to report a conflict with historic ITIL change control, a view that may be affecting DevOps adoption rates in Spain.

Innovation appears to be firmly on the agenda of Spanish businesses, with around half of decision-makers stating that their organisation has a culture that supports innovation and takes risks – the highest percentage of those countries surveyed. Moreover, 11 per cent of IT department time is devoted to innovation, though Spanish decision-makers feel that more innovation could or should be led by the IT department.

Spanish IT teams spend 17 per cent of their budgets on IT services providers, a figure that is likely to increase to 20 per cent by 2021 as more businesses look to offload supportive activities to third parties. Tellingly, Spanish IT decision-makers look to their IT services provider for innovation but there appears to be a slight disparity between their expectations and reality, with many falling short of expectations.

Assuming that they can partner correctly, in the long-term, this practice of outsourcing certain functions should lead to more strategic, innovative IT departments that enable Spanish businesses to differentiate themselves.

EUROPEAN SUMMARIES

Spain

WHERE ARE YOUR APPLICATIONS HOSTED?

- Internally
- Public cloud
- Private cloud

31%
41%
28%
“Focused on reducing their time-to-market, Spanish IT departments are accelerating the pace at which they update their applications, as well as effectively aligning themselves with their businesses. Specialised IT partners will be highly important throughout the innovation process, which is both technological and cultural.”
Carles Acero, Managing Director, Claranet Spain

**HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?**

- Innovation
- Business projects
- IT operations projects
- General maintenance
- Responding to user problems
- Changes
- Unplanned work
- Talking to vendors
- Other tasks

**TOP 3 IT CHALLENGES**
1. Ensuring IT can support a fast-changing business
2. Supporting the business 24/7
3. Security and compliance

**% OF APPLICATIONS UPDATED MORE FREQUENTLY THAN LAST YEAR**

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45%</td>
<td>34%</td>
</tr>
</tbody>
</table>

**UNDERSTANDING BETWEEN THE IT DEPARTMENT AND BUSINESS**

- 37% of IT departments completely understand their businesses
- 35% of businesses completely understand the IT department

**AVERAGE BUDGET INCREASE**

- 5% 2015
- 6% 2016

**MOST IN-DEMAND SKILLS**

<table>
<thead>
<tr>
<th>Project management</th>
<th>Application development</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2021</td>
</tr>
</tbody>
</table>

**DEVOPS ADOPTION RATE**

- 31% Spain
- 32% Europe

**% OF BUSINESSES WORKING WITH AN IT SERVICES PROVIDER**

- 99% Spain
- 96% Europe
Last year the UK reported the most challenging IT landscape in Europe, and it is the same this year. While UK IT leaders expect all of their challenges to decrease over the next five years, this will only be possible through the strategic use of IT services providers, as well as the adoption of innovative and application-centric methodologies.

Tasked with serving their mature services sector and facing mounting complexity and a wider range of challenges than many of their European counterparts, it seems as if UK IT leaders have largely adopted a conservative approach: prioritising keeping the lights on and the business ticking over, rather than trying to innovate and differentiate.

Of all the countries we surveyed, UK IT departments devote the lowest proportion of time to innovation, and the highest proportion of time on project work, both for the business and operationally. We also witnessed this in last year’s report, supporting the theory that IT departments in the UK are being tasked with doing a lot for the business, to the detriment of innovation. It is clear that IT leaders need to be stronger in nurturing innovation from within the IT department and, in the process, changing attitudes within the business.

Despite healthy budget increases, UK IT departments are relatively slow on the uptake of progressive practices which, if used effectively, would lead to business benefits. UK IT departments, for example, are some of the lowest adopters of public cloud, with more applications hosted on internal infrastructure than almost anywhere else in Europe bar Portugal. In a related vein, IT leaders from the UK report the lowest DevOps adoption rates in Europe, and are some of the least likely to be increasing the frequency of their application updates.

With the UK looking to their IT services providers to enable cost savings and only half as likely as French businesses to look to them to drive innovation, it is clear that IT services providers and customers need to do more to develop trusted relationships, which will in turn enable innovative practices.

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**EUROPEAN SUMMARIES**

**UK**

WHERE ARE YOUR APPLICATIONS HOSTED?

- Internally: 50%
- Public cloud: 27%
- Private cloud: 23%

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**GDP (2015)**

€2691bn

**IT market spend (2015)**

€174bn

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1 Source: www.tradingeconomics.com. Conversion rate: 1 USD = 0.90 EUR (01/09/18)

2 Source: Gartner Market Databook, 1Q16 Update 26 March 2016, G00296771, Converted from USD to Selected Output Currency of: Euro on 3/29/2016 11:52:14 AM at rate 1 USD = 0.90 EUR.
“The pressure on IT departments to support business innovation remains high, but the ability to find time to make it happen is a big issue. This year’s report reinforces the need for UK businesses and their service provider partners to work more closely to tackle this innovation challenge.”
Michel Robert, Managing Director, Claranet UK

**HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING ACTIVITIES?**

- Innovation 9%
- Business projects 10%
- IT operations projects 9%
- General maintenance 11%
- Responding to user problems 13%
- Changes 12%
- Unplanned work 12%
- Talking to vendors 13%
- Other tasks 15%

**TOP 3 IT CHALLENGES**

1. Security and compliance
2. Ensuring IT can support a fast-changing business
3. Improving/optimising IT

**% OF APPLICATIONS UPDATED MORE FREQUENTLY THAN LAST YEAR**

- **UK**: 30%
- **Europe**: 34%

**UNDERSTANDING BETWEEN THE IT DEPARTMENT AND BUSINESS**

- **UK**: 28% of IT departments completely understand their businesses
- **Europe**: 21% of businesses completely understand the IT department

**AVERAGE BUDGET INCREASE**

- **2015**: 5%
- **2016**: 5%

**MOST IN-DEMAND SKILLS**

- **Technical expertise**: 2016
- **Project management**: 2021

**DEVOPS ADOPTION RATE**

- **UK**: 26%
- **Europe**: 32%

**% OF BUSINESSES WORKING WITH AN IT SERVICES PROVIDER**

- **UK**: 97%
- **Europe**: 96%
“The IT department of 2016 is undergoing a period of accelerating change. Where IT formerly played a supporting role to business strategy, increasingly it has the opportunity to drive it. Businesses need to empower their IT departments to capitalise on the huge opportunity that lies before them.”

Charles Nasser
Chief Executive Officer, Claranet Group
1.1 IT challenges

The list of IT challenges faced by European businesses is topped by security and compliance, selected by 50 per cent, and keeping pace with the rate of business change, selected by 46 per cent. But it is clear that the average IT department is struggling with a broad range of issues – issues that have not lessened since the last time this research project was conducted.

The average IT department seems to be more challenged now than it was in 2015, perhaps owing to the increasing criticality and complexity of their work. In particular, this holds true for shadow IT, skills shortages and ensuring IT can support a fast-changing business, all of which have seen large increases.

The Portuguese are the most likely to struggle to manage both their internal and external applications, while those from the UK and Germany struggle the most with security and compliance. IT decision-makers across Europe largely expect their challenges to lessen over the course of the next five years, albeit with some minor deviations. There are, however, more substantial differences at national level. In time IT leaders in the Benelux expect complexity, innovation and collaboration across the enterprise to become significantly more problematic. We can observe similar trends in France, Spain and Portugal.

By contrast, the UK’s IT decision-makers expect all of the challenges listed in this research to lessen over the next five years – the only country where this is expected to be the case. This optimism may be linked to the expected increases in the use of IT services providers by UK-based organisations by 2021, and the extra expertise this would likely bring.

Darker figures opposite show each country’s top three challenges
### 1.1 What are the biggest IT challenges your organisation is currently facing?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data storage and analytics</td>
<td>33%</td>
<td>44%</td>
<td>38%</td>
<td>35%</td>
<td>17%</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Enabling collaboration across the organisation</td>
<td>31%</td>
<td>34%</td>
<td>34%</td>
<td>33%</td>
<td>28%</td>
<td>29%</td>
<td>27%</td>
</tr>
<tr>
<td>Ensuring IT can support a fast-changing business</td>
<td>46%</td>
<td>35%</td>
<td>41%</td>
<td>39%</td>
<td>63%</td>
<td>54%</td>
<td>54%</td>
</tr>
<tr>
<td>Improving/optimising IT</td>
<td>41%</td>
<td>42%</td>
<td>45%</td>
<td>44%</td>
<td>25%</td>
<td>38%</td>
<td>44%</td>
</tr>
<tr>
<td>Increasing complexity</td>
<td>39%</td>
<td>38%</td>
<td>26%</td>
<td>52%</td>
<td>56%</td>
<td>26%</td>
<td>39%</td>
</tr>
<tr>
<td>Innovation</td>
<td>29%</td>
<td>41%</td>
<td>31%</td>
<td>32%</td>
<td>22%</td>
<td>32%</td>
<td>19%</td>
</tr>
<tr>
<td>Maintaining availability of customer-facing applications</td>
<td>23%</td>
<td>23%</td>
<td>20%</td>
<td>21%</td>
<td>42%</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>Maintaining availability of internal-facing applications</td>
<td>14%</td>
<td>5%</td>
<td>11%</td>
<td>13%</td>
<td>35%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Mobility and the consumerisation of IT</td>
<td>40%</td>
<td>50%</td>
<td>36%</td>
<td>41%</td>
<td>58%</td>
<td>32%</td>
<td>33%</td>
</tr>
<tr>
<td>Security and compliance</td>
<td>50%</td>
<td>45%</td>
<td>47%</td>
<td>57%</td>
<td>44%</td>
<td>44%</td>
<td>57%</td>
</tr>
<tr>
<td>Shadow IT</td>
<td>24%</td>
<td>30%</td>
<td>30%</td>
<td>15%</td>
<td>38%</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Skill shortages in-house</td>
<td>28%</td>
<td>36%</td>
<td>18%</td>
<td>33%</td>
<td>41%</td>
<td>14%</td>
<td>31%</td>
</tr>
<tr>
<td>Supporting the business 24/7</td>
<td>39%</td>
<td>49%</td>
<td>42%</td>
<td>25%</td>
<td>34%</td>
<td>48%</td>
<td>42%</td>
</tr>
</tbody>
</table>

### 1.1a What do you anticipate to be the biggest IT challenges your organisation will face in five years’ time?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data storage and analytics</td>
<td>35%</td>
<td>43%</td>
<td>39%</td>
<td>37%</td>
<td>25%</td>
<td>34%</td>
<td>30%</td>
</tr>
<tr>
<td>Enabling collaboration across the organisation</td>
<td>29%</td>
<td>42%</td>
<td>31%</td>
<td>24%</td>
<td>40%</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>Ensuring IT can support a fast-changing business</td>
<td>40%</td>
<td>32%</td>
<td>33%</td>
<td>33%</td>
<td>63%</td>
<td>42%</td>
<td>48%</td>
</tr>
<tr>
<td>Improving/optimising IT</td>
<td>39%</td>
<td>52%</td>
<td>45%</td>
<td>37%</td>
<td>33%</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Increasing complexity</td>
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<td>47%</td>
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</tr>
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<td>52%</td>
<td>41%</td>
<td>36%</td>
<td>27%</td>
<td>35%</td>
<td>18%</td>
</tr>
<tr>
<td>Maintaining availability of customer-facing applications</td>
<td>20%</td>
<td>9%</td>
<td>22%</td>
<td>16%</td>
<td>45%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Maintaining availability of internal-facing applications</td>
<td>12%</td>
<td>6%</td>
<td>11%</td>
<td>10%</td>
<td>34%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>Mobility and the consumerisation of IT</td>
<td>37%</td>
<td>42%</td>
<td>43%</td>
<td>32%</td>
<td>53%</td>
<td>38%</td>
<td>28%</td>
</tr>
<tr>
<td>Security and compliance</td>
<td>46%</td>
<td>44%</td>
<td>48%</td>
<td>48%</td>
<td>47%</td>
<td>36%</td>
<td>49%</td>
</tr>
<tr>
<td>Shadow IT</td>
<td>22%</td>
<td>37%</td>
<td>29%</td>
<td>15%</td>
<td>27%</td>
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<td>19%</td>
<td>32%</td>
<td>49%</td>
<td>17%</td>
<td>27%</td>
</tr>
<tr>
<td>Supporting the business 24/7</td>
<td>34%</td>
<td>47%</td>
<td>37%</td>
<td>23%</td>
<td>32%</td>
<td>39%</td>
<td>37%</td>
</tr>
</tbody>
</table>
1.2 The role of the IT department

1.2.1 What are considered to be the three core functions of the IT department at present and in 2021?

- Accelerating the introduction of new products and services
- Acquiring new technologies
- Application development
- Application management
- Big data analytics
- Cost reduction
- Data security
- Technical support of employees

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benelux</td>
<td>56%</td>
<td>54%</td>
</tr>
<tr>
<td>France</td>
<td>47%</td>
<td>50%</td>
</tr>
<tr>
<td>Germany</td>
<td>43%</td>
<td>56%</td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td>64%</td>
</tr>
<tr>
<td>Spain</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>UK</td>
<td>48%</td>
<td>50%</td>
</tr>
</tbody>
</table>

1st | 2nd | 3rd

- 61% | 60% | 69%
- 74% | 90% | 69%
- 71% | 56% | 69%
- 63% | 86% | 57%
- 64% | 64% | 48%
- 56% | 49% | 65%
IT budgets are on the up across Europe and appear to be in a much healthier state than they were a year ago. Some 94 per cent of organisations have seen their budgets increase in 2016, with an average rise of just under 5 per cent.

This compares positively to last year’s data when just three-quarters (75 per cent) of organisations had their budgets increased, by an average of 3 per cent. Moreover, IT budgets are expected to increase by a further 5 per cent in 2017, demonstrating that businesses are generally prioritising the IT function.

The picture across Europe is, however, far from uniform and it is clear that Portugal is, much like last year, still lagging behind the rest of Western Europe where IT budgets are concerned. Although Portuguese IT departments appear to have successfully reversed the decline of their budgets, they rose on average by just 2 per cent in this year, and 44 per cent either saw their budgets remain static or decrease.

At the other end of the scale, Spanish IT budgets appear to be the most bountiful, having increased by 6 per cent last year, with further strong increases expected in the year ahead.

### 1.3 HOW HAS YOUR ORGANISATION’S IT BUDGET CHANGED THIS YEAR AND HOW WILL IT CHANGE NEXT YEAR?

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2016</th>
<th>2017 (predicted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benelux</td>
<td>1%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>France</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Germany</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Portugal</td>
<td>2%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>UK</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>
1.4 Understanding between the IT department and the business

Understanding between the IT department and the wider business has increased since last year, although it is still the minority of respondents who feel that both completely understand each other.

28 per cent of IT leaders believe that their IT department completely understands the IT needs of every department within their respective organisations, an increase from 26 per cent last year.

Lower still is the number of respondents who say there is an understanding of the role of the IT department by the wider business (26 per cent), suggesting that more communication is required. However, this has seen a significant leap from 21 per cent last year, indicating that businesses are taking steps to understand the role their IT team plays.

Typically, where there is a good understanding on one side, there is a good understanding on the other. At a national level, French, German and Spanish IT departments appear to be the most familiar with the needs of other departments within their respective organisations and vice versa.

The Benelux and Portugal, by contrast, reported low levels of interdepartmental understanding; just 4 per cent of Portuguese respondents state that they have a full understanding of the operations team, while only 13 per cent of those from Benelux fully understand legal/compliance departments. Correspondingly there are low levels of understanding of the IT departments’ role in these countries.

Although it may be fair to assume that smaller businesses would possess a better understanding between their composite parts, the data indicates otherwise. There is no discernible difference between size of organisation, suggesting that IT departments in organisations of all sizes struggle to fully grasp the needs of other departments within their organisations.

Not-for-profit and public sector organisations both reported low understanding of the business and vice versa, compounding, or perhaps explaining, the low IT budget increases in both sectors.

Addressing these knowledge gaps should be a priority in the years to come. Good understanding between the IT department and the rest of the business is critical to the smooth running of any business – for without that, it is near impossible to devise an IT estate that will fully support business objectives and drive business transformation.

28% of European IT departments fully understand the needs of the wider business

26% of European businesses fully understand the role of the IT department
1.4
DOES YOUR IT DEPARTMENT HAVE COMPLETE UNDERSTANDING OF THE IT NEEDS OF THE REST OF THE BUSINESS?

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>30%</td>
<td>16%</td>
<td>31%</td>
<td>44%</td>
<td>4%</td>
<td>39%</td>
<td>34%</td>
</tr>
<tr>
<td>Finance</td>
<td>30%</td>
<td>26%</td>
<td>37%</td>
<td>34%</td>
<td>8%</td>
<td>39%</td>
<td>30%</td>
</tr>
<tr>
<td>Sales</td>
<td>29%</td>
<td>19%</td>
<td>44%</td>
<td>33%</td>
<td>4%</td>
<td>39%</td>
<td>28%</td>
</tr>
<tr>
<td>Marketing</td>
<td>25%</td>
<td>23%</td>
<td>36%</td>
<td>29%</td>
<td>7%</td>
<td>29%</td>
<td>22%</td>
</tr>
<tr>
<td>Legal/compliance</td>
<td>25%</td>
<td>13%</td>
<td>34%</td>
<td>30%</td>
<td>15%</td>
<td>36%</td>
<td>22%</td>
</tr>
<tr>
<td>HR</td>
<td>27%</td>
<td>23%</td>
<td>36%</td>
<td>31%</td>
<td>4%</td>
<td>34%</td>
<td>23%</td>
</tr>
<tr>
<td>Product</td>
<td>35%</td>
<td>30%</td>
<td>45%</td>
<td>44%</td>
<td>9%</td>
<td>44%</td>
<td>34%</td>
</tr>
</tbody>
</table>

1.4a
DOES THE REST OF THE BUSINESS HAVE COMPLETE UNDERSTANDING OF THE ROLE OF YOUR IT DEPARTMENT?

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>24%</td>
<td>15%</td>
<td>30%</td>
<td>30%</td>
<td>5%</td>
<td>35%</td>
<td>24%</td>
</tr>
<tr>
<td>Finance</td>
<td>27%</td>
<td>26%</td>
<td>34%</td>
<td>33%</td>
<td>10%</td>
<td>32%</td>
<td>22%</td>
</tr>
<tr>
<td>Sales</td>
<td>26%</td>
<td>13%</td>
<td>36%</td>
<td>33%</td>
<td>2%</td>
<td>48%</td>
<td>20%</td>
</tr>
<tr>
<td>Marketing</td>
<td>27%</td>
<td>21%</td>
<td>41%</td>
<td>32%</td>
<td>8%</td>
<td>41%</td>
<td>19%</td>
</tr>
<tr>
<td>Legal/compliance</td>
<td>23%</td>
<td>15%</td>
<td>40%</td>
<td>25%</td>
<td>3%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>HR</td>
<td>24%</td>
<td>22%</td>
<td>42%</td>
<td>26%</td>
<td>2%</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td>Product</td>
<td>29%</td>
<td>23%</td>
<td>43%</td>
<td>38%</td>
<td>8%</td>
<td>35%</td>
<td>26%</td>
</tr>
</tbody>
</table>
European IT departments are expected to require many of the same skills in five years’ time as are required today, although there are some slight fluctuations. The most notable changes can be seen in the demand for application development skills, which is expected to increase by 9 per cent, and the demand for data analysis skills, which is set for an increase of 7 per cent. The biggest declines will be found in technical expertise and support-desk skills (demand for which will drop by 10 per cent and 11 per cent respectively).

These data points confirm our belief that IT departments are assuming more strategically important roles within their organisations that are more closely aligned with business objectives, with less time spent troubleshooting for employees. This shift can likely be, at least in part, attributed to an expected increase in the use of IT services providers.

However, it is clear that there is little consensus on the core skills currently required, and those likely to be required in the future, between countries examined in this report. The Portuguese, for example, see demand for application development skills declining by roughly half in five years’ time, in stark contrast to Benelux, Spain and France, where demand for these skills is expected to increase sharply.

78% rank technical expertise as the most important skill for an IT professional.
1.5 TAKING INTO ACCOUNT CURRENT TECHNOLOGY TRENDS, WHAT SKILLS DO YOU ANTICIPATE BEING REQUIRED BY IT DEPARTMENTS IN FIVE YEARS' TIME?

- Required in 2016
- Required in 2021

- Application development
  - Vendor management
    - 70% in 2016
    - 67% in 2021
  - Code deployment
    - 70% in 2016
    - 68% in 2021

- Project management
  - Support desk
    - Business analysis
      - 70% in 2016
      - 68% in 2021
    - Data analysis
      - 70% in 2016
      - 67% in 2021

- Technical expertise
  - 74% in 2016
  - 66% in 2021

- Security and compliance
  - 75% in 2016
  - 69% in 2021
Innovation
“IT departments have both the right and the opportunity to drive innovation and build a business that does things better, faster. Those businesses that empower their IT team will enable their wider business to succeed.”

Charles Nasser
Chief Executive Officer, Claranet Group

2.1 IT departments’ time 34
2.2 Innovation in the business 35
2.3 The IT department and innovation 36
2.4 Digital strategy 37
2.1 IT departments’ time

Business innovation is intrinsically linked to and enabled by technology, yet the average European IT department spends just 11 per cent of its time on innovation — with much of the remaining time consumed by general maintenance, keeping the existing systems running and responding to user problems — in other words, keeping the lights on.

The time spent on innovation is an increase from the figure of 9 per cent reported last year, but it is clear that IT decision-makers feel that the IT department can be contributing more in the way of innovation, and that optimal levels have not yet been reached.

British IT departments spend the least amount of their time on innovation (8 per cent), while those from France and Benelux spend the most (13 per cent and 12 per cent respectively).

Other notable differences can be seen in Portugal, and the amount of time that the country’s IT departments spend on general maintenance when compared to their European neighbours. Portugal’s IT teams spend 32 per cent of their time keeping systems running and responding to user problems, significantly more time than the time spent on these activities in Spain (23 per cent), France (23 per cent) or Germany (22 per cent). It is, however, highly encouraging to see that the amount of time Portuguese IT departments devote to innovation has increased fourfold. Last year, they spent just 2 per cent of their time on innovation, compared with 9 per cent today.

It goes without saying that the smooth running of IT is important, but it is critical that IT departments can redress this balance to allow them to devote more of their time to innovation and those activities that will add value to their respective businesses.

2.1 HOW MUCH TIME DOES THE IT DEPARTMENT SPEND ON THE FOLLOWING?

- Innovation
- Business projects
- IT operations projects
- General maintenance
- Responding to user problems
- Changes
- Unplanned work
- Talking to vendors
- Other tasks

Europe

- 11%
- 15%
- 15%
- 12%
- 12%
- 10%
- 9%
- 5%
- 11%

of IT department time is spent on innovation
2.2 Innovation in the business

European businesses are becoming increasingly attuned to the need for innovation in order to differentiate themselves, but as our data shows, this is still a work in progress, and businesses must look at every available channel to succeed.

Risk and innovation go hand in hand and organisations must have some sort of an appetite for risk if they are to be successful innovators, yet this is only felt to be true in 38 per cent of European businesses – and in just 21 per cent of Portuguese businesses.

For innovation to take a higher priority for a business, a clear ROI is needed. Currently only 24 per cent of European businesses are able to measure this ROI, with Benelux and France reporting slightly higher rates of 30 per cent.

Perhaps due to a lack of time or the nature of the organisational culture, just short of half of European IT leaders feel management in their organisation has the patience to support and advance ideas along the innovation cycle.

Organisations from France and Benelux appear to be most adept at working with third parties to fuel innovation, with more than half of respondents from these countries stating that they actively work with customers, suppliers and vendors to support their innovation efforts. This compares to just 28 per cent in both the UK and Portugal.

2.2 WHICH OF THE FOLLOWING STATEMENTS ARE TRUE OF YOUR ORGANISATION?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management in my organisation has the patience to support and advance ideas along the innovation cycle</td>
<td>47%</td>
<td>63%</td>
<td>51%</td>
<td>50%</td>
<td>28%</td>
<td>52%</td>
<td>38%</td>
</tr>
<tr>
<td>My organisation reaches out to customers, suppliers, vendors and other third-party suppliers to aid innovation</td>
<td>41%</td>
<td>53%</td>
<td>52%</td>
<td>41%</td>
<td>28%</td>
<td>43%</td>
<td>28%</td>
</tr>
<tr>
<td>Employees in my organisation know where to go with an innovative idea</td>
<td>40%</td>
<td>45%</td>
<td>47%</td>
<td>46%</td>
<td>17%</td>
<td>43%</td>
<td>34%</td>
</tr>
<tr>
<td>My organisation has a culture that supports innovation and takes risks</td>
<td>38%</td>
<td>44%</td>
<td>43%</td>
<td>36%</td>
<td>21%</td>
<td>49%</td>
<td>37%</td>
</tr>
<tr>
<td>Suppliers of my organisation are successful in helping my organisation to innovate</td>
<td>28%</td>
<td>32%</td>
<td>32%</td>
<td>27%</td>
<td>17%</td>
<td>44%</td>
<td>23%</td>
</tr>
<tr>
<td>My organisation can measure the ROI on innovation</td>
<td>24%</td>
<td>30%</td>
<td>30%</td>
<td>20%</td>
<td>14%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>None of the above</td>
<td>7%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>39%</td>
<td>3%</td>
<td>9%</td>
</tr>
</tbody>
</table>
By their own admission, IT leaders in Europe are not driving as much innovation in their organisations as they should be.

39 per cent of innovation in the average European business is driven by the IT department, though it is clear that IT leaders feel they should be driving a greater share than they currently are – ideally, around half (49 per cent) of all the organisation’s innovation.

UK IT departments drive the smallest share of innovation in their businesses today (just 34 per cent), which may be accounted for by the fact that they spend the least time of all countries on innovation. Their aspirations are similarly low and in an ideal world, they would be responsible for just 44 per cent of innovation. By contrast, IT leaders in Portugal appear to be the most aspirational, believing that they should drive 61 per cent of innovation within their organisations.

It is clear there are many in the business, outside of IT, driving innovation without the involvement of the IT department. But with IT being such a critical enabler of business innovation, businesses will do well to be more inclusive of their IT leaders, while IT leaders must assert the value they can add more loudly.

**2.3 The IT department and innovation**

It is clear there are many in the business, outside of IT, driving innovation without the involvement of the IT department. But with IT being such a critical enabler of business innovation, businesses will do well to be more inclusive of their IT leaders, while IT leaders must assert the value they can add more loudly.

### 39%
39% of innovation in the average European business is driven by the IT department

---

**2.3**

**WHAT PERCENTAGE OF INNOVATION IN YOUR ORGANISATION DOES YOUR IT DEPARTMENT CURRENTLY DRIVE, AND WHAT PERCENTAGE SHOULD BE DRIVEN BY YOUR IT DEPARTMENT IDEALLY?**

- Current percentage of innovation driven by IT department
- Ideal percentage of innovation driven by IT department

<table>
<thead>
<tr>
<th>Region</th>
<th>Current</th>
<th>Ideal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>39%</td>
<td>49%</td>
</tr>
<tr>
<td>Benelux</td>
<td>37%</td>
<td>49%</td>
</tr>
<tr>
<td>France</td>
<td>43%</td>
<td>51%</td>
</tr>
<tr>
<td>Germany</td>
<td>38%</td>
<td>46%</td>
</tr>
<tr>
<td>Portugal</td>
<td>42%</td>
<td>61%</td>
</tr>
<tr>
<td>Spain</td>
<td>44%</td>
<td>52%</td>
</tr>
<tr>
<td>UK</td>
<td>34%</td>
<td>44%</td>
</tr>
</tbody>
</table>
2.4 Digital strategy

Fully 95 per cent of European organisations have a digital strategy, up from 89 per cent in the previous year. France, Benelux and Spain are leading the way with near universal deployment of digital strategies, but it is clear that Portugal has some room for improvement – more than one in five (22 per cent) of Portuguese organisations are yet to develop a digital strategy.

There is a direct correlation between the size of business and the likelihood that they will have a digital strategy, with 91 per cent of organisations with fewer than 250 employees reporting having one, compared to 98 per cent of organisations with more than 1,000 employees.

The stakeholders most likely to be responsible for driving digital strategies are the Chief Technology Officer, Chief Information Officer and, perhaps unsurprisingly, the Chief Digital Officer, although digital strategies are not the preserve of the IT department across Europe. In Germany, for example, the CEO is responsible for leading digital strategy in 18 per cent of cases, while a similar proportion of CMOs drive digital strategy in Portugal.

### 2.4 WHICH PERSON IS RESPONSIBLE FOR YOUR ORGANISATION’S DIGITAL STRATEGY?

<table>
<thead>
<tr>
<th>Option</th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>My organisation does not have a digital strategy</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Chief Marketing Officer</td>
<td>15%</td>
<td>26%</td>
<td>19%</td>
<td>25%</td>
<td>39%</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>11%</td>
<td>39%</td>
<td>19%</td>
<td>39%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Chief Digital Officer</td>
<td>3%</td>
<td>9%</td>
<td>18%</td>
<td>20%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Chief Information Officer</td>
<td>9%</td>
<td>20%</td>
<td>18%</td>
<td>44%</td>
<td>44%</td>
<td>44%</td>
<td>44%</td>
</tr>
<tr>
<td>Chief Technology Officer</td>
<td>13%</td>
<td>18%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

95% of European organisations have a digital strategy.
“In today’s software revolution, the organisations with the best applications will win. By increasing the speed at which an application can adapt to market pressures and by working to ensure its availability, performance and security, organisations will differentiate their offering. We call this an application-first approach.”

Charles Nasser
Chief Executive Officer, Claranet Group
3.1 Application hosting
3.2 Application development
3.3 Application update frequency
3.4 DevOps adoption
3.5 DevOps benefits
3.6 DevOps challenges
Applications are most likely to be hosted and managed internally compared with public or private cloud. However, applications are more likely to be hosted in third party clouds of any kind than hosted internally.

These findings demonstrate that European businesses are becoming increasingly comfortable using public and private cloud services to host their applications, along with in-house hosting, in a hybrid configuration.

The applications most likely to be kept in-house today are those traditionally associated with highly sensitive data; finance/ERP/HR (hosted internally by 53 per cent of respondents), databases (49 per cent), and authentication and security applications (48 per cent). However, a sizeable proportion of European businesses deploy public and private cloud services to host these applications, indicating that, if managed and maintained correctly, these delivery models are suitable for even the most sensitive data.

Respondents from the UK, Germany and Portugal appear to be the most reticent about using cloud services and are, on average, more likely to keep their applications in-house than their European neighbours. For example, around 60 per cent of organisations in these countries look after their finance applications in-house, compared to just 38 per cent in France and Benelux. This can be attributed to long-prevailing attitudes towards cloud security and data ownership, as well as slower adoption of newer technologies.

The most prolific public cloud users hail from Benelux, with France and Portugal some way behind in second place.

### 3.1 Application hosting

<table>
<thead>
<tr>
<th>How does your organisation host its applications?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internally</td>
</tr>
<tr>
<td>Public cloud</td>
</tr>
<tr>
<td>Private cloud</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ecommerce</th>
<th>Corporate website</th>
<th>Mobile applications</th>
<th>Extranets/portals</th>
<th>Databases</th>
<th>Finance/ERP/HR</th>
<th>CRM</th>
<th>Collaboration and communication</th>
<th>Authentication and security</th>
<th>Industry specific applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>42%</td>
<td>38%</td>
<td>33%</td>
<td>49%</td>
<td>53%</td>
<td>43%</td>
<td>39%</td>
<td>48%</td>
<td>46%</td>
<td>27%</td>
</tr>
</tbody>
</table>
3.2 Application development

In all but three of the categories listed in the research, applications are more likely to be developed internally than they are externally. This finding especially holds true for collaboration and communication applications, CRM applications, and authentication and security applications.

However, Ecommerce applications are, by some margin, most likely to be developed solely by external partners. On the other hand, mobile applications are, in more cases than not, the result of joint internal and external efforts.

Broken down by country, it is clear that German and Spanish organisations engage in the most in-house application development, and Portuguese the least, where applications are significantly more likely to be bought off the shelf. Ecommerce applications, for example, are more than ten times more likely to be bought off the shelf in Portugal than they are in France or Spain. The same holds true for corporate websites and finance applications.

3.2 HOW DOES YOUR ORGANISATION DEVELOP ITS APPLICATIONS?

- Developed internally
- Developed both internally and by an external partner (who works to our specification)
- Developed by an external partner (who works to our specification)
- We do not develop this type of application; we use one that is off the shelf
With user needs and businesses evolving all the time, the speed at which applications can be updated will have an effect on how good an application can be, and how well organisations can perform.

Roughly half of European businesses make updates to their various applications at least once a week. Authentication and security applications, Ecommerce applications and databases are updated most often, with, respectively, 28, 27 and 27 per cent of IT departments releasing at least one update a day to these applications.

IT leaders from Benelux update their applications most regularly, and those from Portugal and the UK, the least, a finding which correlates with the high and low rates of DevOps adoption in these markets. For example, two-thirds (67 per cent) of Benelux businesses update their corporate websites at least once every week; almost double the number of their Portuguese counterparts (35 per cent). This difference is largely reflected across all of the applications listed in this research.

### On average, how frequently does your organisation release updates to its applications?

<table>
<thead>
<tr>
<th>Application Type</th>
<th>More than once a day</th>
<th>Every day</th>
<th>Every week</th>
<th>Every month</th>
<th>Every quarter</th>
<th>Less frequently than every quarter</th>
<th>We do not release any updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce</td>
<td>11%</td>
<td>16%</td>
<td>27%</td>
<td>22%</td>
<td>14%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Corporate website</td>
<td>9%</td>
<td>17%</td>
<td>25%</td>
<td>21%</td>
<td>17%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Mobile applications</td>
<td>8%</td>
<td>14%</td>
<td>23%</td>
<td>25%</td>
<td>17%</td>
<td>12%</td>
<td>1%</td>
</tr>
<tr>
<td>Extranets/portals</td>
<td>8%</td>
<td>15%</td>
<td>20%</td>
<td>24%</td>
<td>19%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>Databases</td>
<td>11%</td>
<td>16%</td>
<td>20%</td>
<td>23%</td>
<td>17%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>Finance/ERP/HR</td>
<td>9%</td>
<td>15%</td>
<td>24%</td>
<td>20%</td>
<td>17%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>CRM</td>
<td>7%</td>
<td>17%</td>
<td>22%</td>
<td>23%</td>
<td>18%</td>
<td>11%</td>
<td>2%</td>
</tr>
<tr>
<td>Collaboration and communication</td>
<td>8%</td>
<td>15%</td>
<td>23%</td>
<td>22%</td>
<td>17%</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Authentication and security</td>
<td>12%</td>
<td>16%</td>
<td>25%</td>
<td>23%</td>
<td>14%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Industry specific applications</td>
<td>8%</td>
<td>13%</td>
<td>23%</td>
<td>24%</td>
<td>18%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td>European average</td>
<td>9%</td>
<td>15%</td>
<td>23%</td>
<td>23%</td>
<td>17%</td>
<td>11%</td>
<td>2%</td>
</tr>
</tbody>
</table>
3.3a
WHAT PERCENTAGE OF APPLICATIONS ARE UPDATED AT LEAST ONCE A WEEK?
3.3 Application update frequency continued

A good number of organisations across Europe are ramping up the frequency of their application updates, compared with last year. Those applications most likely to be updated more frequently than last year are Ecommerce, and authentication and security.

Portugal and Spain are the countries most likely to have increased the pace of their updates, with Benelux, Germany and the UK the least likely. Indeed, organisations in Portugal are twice as likely to be updating their security applications more regularly than their Benelux counterparts.

On the other hand, IT departments in France and Benelux are most likely to have reduced the rate at which they update applications, compared with a year ago.

### 3.3b
IS YOUR ORGANISATION UPDATING ITS APPLICATIONS MORE FREQUENTLY, AT THE SAME FREQUENCY OR LESS FREQUENTLY THAN A YEAR AGO?

<table>
<thead>
<tr>
<th>Category</th>
<th>More frequently</th>
<th>The same frequency</th>
<th>Less frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce</td>
<td>44%</td>
<td>35%</td>
<td>21%</td>
</tr>
<tr>
<td>Corporate website</td>
<td>38%</td>
<td>37%</td>
<td>25%</td>
</tr>
<tr>
<td>Mobile applications</td>
<td>30%</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>Extranets/portals</td>
<td>30%</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>Databases</td>
<td>33%</td>
<td>30%</td>
<td>37%</td>
</tr>
<tr>
<td>Finance/ERP/HR</td>
<td>31%</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td>CRM</td>
<td>34%</td>
<td>31%</td>
<td>44%</td>
</tr>
<tr>
<td>Collaboration and communication</td>
<td>29%</td>
<td>21%</td>
<td>34%</td>
</tr>
<tr>
<td>Authentication and security</td>
<td>41%</td>
<td>27%</td>
<td>47%</td>
</tr>
<tr>
<td>Industry specific applications</td>
<td>29%</td>
<td>22%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Europe

<table>
<thead>
<tr>
<th>Continent</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecommerce</td>
<td>44%</td>
<td>44%</td>
<td>49%</td>
<td>31%</td>
<td>64%</td>
<td>55%</td>
</tr>
<tr>
<td>Corporate website</td>
<td>35%</td>
<td>42%</td>
<td>31%</td>
<td>30%</td>
<td>44%</td>
<td>42%</td>
</tr>
<tr>
<td>Mobile applications</td>
<td>38%</td>
<td>33%</td>
<td>37%</td>
<td>36%</td>
<td>61%</td>
<td>41%</td>
</tr>
<tr>
<td>Extranets/portals</td>
<td>30%</td>
<td>23%</td>
<td>25%</td>
<td>28%</td>
<td>40%</td>
<td>53%</td>
</tr>
<tr>
<td>Databases</td>
<td>33%</td>
<td>40%</td>
<td>42%</td>
<td>25%</td>
<td>33%</td>
<td>43%</td>
</tr>
<tr>
<td>Finance/ERP/HR</td>
<td>31%</td>
<td>30%</td>
<td>32%</td>
<td>25%</td>
<td>32%</td>
<td>38%</td>
</tr>
<tr>
<td>CRM</td>
<td>34%</td>
<td>31%</td>
<td>44%</td>
<td>31%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>Collaboration and communication</td>
<td>29%</td>
<td>21%</td>
<td>34%</td>
<td>25%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Authentication and security</td>
<td>41%</td>
<td>27%</td>
<td>47%</td>
<td>35%</td>
<td>31%</td>
<td>55%</td>
</tr>
<tr>
<td>Industry specific applications</td>
<td>29%</td>
<td>22%</td>
<td>34%</td>
<td>21%</td>
<td>39%</td>
<td>48%</td>
</tr>
</tbody>
</table>

3.3c
WHAT PERCENTAGE OF YOUR APPLICATIONS ARE BEING UPDATED MORE FREQUENTLY THAN A YEAR AGO?
3.4 DevOps adoption

DevOps, the software development philosophy which sees development and operations teams more closely integrated, is quickly taking hold in European businesses, with 32 per cent having already implemented a DevOps approach (up from 26 per cent in 2015) and a further 45 per cent intending to in the future. In the battle to make applications better, and in less time, DevOps can play a crucial role, as it can speed up update times.

When it comes to DevOps, the UK is trailing its European counterparts – just over a quarter (26 per cent) of British organisations have developed a DevOps approach today, compared to 38 per cent of French organisations and 44 per cent of those from Benelux – though it is Portugal that has the largest proportion of organisations not planning to go down the DevOps route. It is easy to see the correlation between the high frequency of weekly updates and the adoption of DevOps in Benelux, France and Spain.

Although there is no discernible trend between the size of business and the likelihood that they will have a DevOps approach today, it is likely that the largest organisations will race ahead of their smaller counterparts in future; 81 per cent of organisations with more than 500 employees reported that they have plans to develop a DevOps approach in future, compared to just 66 per cent of those with fewer than 250 employees.

32% of European businesses have implemented a DevOps approach

### 3.4 HAVE YOU IMPLEMENTED A DEVOPS APPROACH AT YOUR ORGANISATION?

- Yes
- No, but we are planning to in the next two years
- No, but we are planning to beyond the next two years
- No, and we are not planning to
- I don’t know

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes</th>
<th>No Future in Two Years</th>
<th>Beyond Two Years</th>
<th>Never Plan</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>32%</td>
<td>28%</td>
<td>20%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Benelux</td>
<td>44%</td>
<td>20%</td>
<td>17%</td>
<td>10%</td>
<td>2%</td>
</tr>
<tr>
<td>France</td>
<td>38%</td>
<td>20%</td>
<td>19%</td>
<td>10%</td>
<td>2%</td>
</tr>
<tr>
<td>Germany</td>
<td>28%</td>
<td>20%</td>
<td>18%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Portugal</td>
<td>28%</td>
<td>20%</td>
<td>13%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Spain</td>
<td>31%</td>
<td>28%</td>
<td>17%</td>
<td>19%</td>
<td>2%</td>
</tr>
<tr>
<td>UK</td>
<td>26%</td>
<td>20%</td>
<td>23%</td>
<td>19%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Organisations that have already implemented a DevOps approach universally deem it beneficial, with the most likely improvements being better applications (in 60 per cent of cases), greater business agility (56 per cent) and increased profitability (55 per cent).

IT departments from France and Benelux appear to be deploying DevOps to the greatest effect, reporting, on average, the most benefits, with UK IT departments reporting the least. Spanish DevOps users are the most likely to report improvements in understanding between employees, while the French are the most likely to experience better levels of customer satisfaction.

3.5 WHAT DO YOU PERCEIVE AS THE BENEFITS OF A DEVOPS APPROACH IN YOUR ORGANISATION?

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better applications</td>
<td>60%</td>
<td>59%</td>
<td>57%</td>
<td>61%</td>
<td>64%</td>
<td>55%</td>
<td>63%</td>
</tr>
<tr>
<td>Better understanding between employees</td>
<td>56%</td>
<td>66%</td>
<td>57%</td>
<td>52%</td>
<td>54%</td>
<td>68%</td>
<td>46%</td>
</tr>
<tr>
<td>Greater business agility</td>
<td>56%</td>
<td>66%</td>
<td>56%</td>
<td>54%</td>
<td>50%</td>
<td>55%</td>
<td>56%</td>
</tr>
<tr>
<td>Increased profitability</td>
<td>55%</td>
<td>66%</td>
<td>55%</td>
<td>54%</td>
<td>39%</td>
<td>61%</td>
<td>54%</td>
</tr>
<tr>
<td>Improved levels of customer satisfaction</td>
<td>52%</td>
<td>41%</td>
<td>61%</td>
<td>54%</td>
<td>54%</td>
<td>48%</td>
<td>46%</td>
</tr>
<tr>
<td>Greater operational efficiency</td>
<td>50%</td>
<td>57%</td>
<td>53%</td>
<td>50%</td>
<td>50%</td>
<td>39%</td>
<td>48%</td>
</tr>
<tr>
<td>Decreased risk of application instability</td>
<td>31%</td>
<td>20%</td>
<td>36%</td>
<td>34%</td>
<td>39%</td>
<td>29%</td>
<td>25%</td>
</tr>
</tbody>
</table>
3.6 DevOps challenges

Despite the wide range of benefits achieved, for the vast majority, implementing a DevOps approach has not been without its challenges. In total, 92 per cent of DevOps users have encountered an issue of some sort, with a shortage of time to automate tasks, conflict with ITIL change control and a lack of skills the most likely to be problematic.

Many of the challenges associated with DevOps stem from organisational set-up and culture, and are therefore not easily remedied. There are, however, others – such as unstable infrastructure – that are more easily overcome with the correct partners in place. UK IT departments are the least likely to report this as a challenge (23 per cent, compared to the European average of 36 per cent), suggesting that they are the most successful at partnering with infrastructure providers correctly.

UK-based organisations that have already implemented DevOps are significantly less likely to report challenges associated with it; just 13 per cent cite a lack of clear business objectives and leadership, and just 23 per cent report problems with operations teams. This indicates that when DevOps has been adopted in the UK, it has, by and large, been adopted carefully and purposefully.

### WHAT ARE THE CHALLENGES YOUR ORGANISATION FACES AS A RESULT OF IMPLEMENTING A DEVOPS APPROACH?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>A lack of time to automate all of the tasks we want to</td>
<td>47%</td>
<td>48%</td>
<td>40%</td>
<td>50%</td>
<td>54%</td>
<td>65%</td>
<td>37%</td>
</tr>
<tr>
<td>Conflict with historic ITIL change control</td>
<td>44%</td>
<td>52%</td>
<td>41%</td>
<td>36%</td>
<td>57%</td>
<td>58%</td>
<td>35%</td>
</tr>
<tr>
<td>Skills shortage of people experienced in modern DevOps tools</td>
<td>43%</td>
<td>41%</td>
<td>41%</td>
<td>36%</td>
<td>64%</td>
<td>48%</td>
<td>38%</td>
</tr>
<tr>
<td>The business lacks an understanding of how to leverage DevOps strategically</td>
<td>40%</td>
<td>52%</td>
<td>35%</td>
<td>41%</td>
<td>39%</td>
<td>52%</td>
<td>29%</td>
</tr>
<tr>
<td>Operations teams limiting the potential of DevOps projects</td>
<td>36%</td>
<td>61%</td>
<td>33%</td>
<td>30%</td>
<td>29%</td>
<td>48%</td>
<td>23%</td>
</tr>
<tr>
<td>Unstable infrastructure</td>
<td>36%</td>
<td>43%</td>
<td>41%</td>
<td>38%</td>
<td>29%</td>
<td>39%</td>
<td>23%</td>
</tr>
<tr>
<td>Lack of clear business objectives and leadership within management</td>
<td>30%</td>
<td>43%</td>
<td>32%</td>
<td>32%</td>
<td>32%</td>
<td>29%</td>
<td>13%</td>
</tr>
<tr>
<td>Unstable applications</td>
<td>29%</td>
<td>41%</td>
<td>23%</td>
<td>21%</td>
<td>43%</td>
<td>35%</td>
<td>23%</td>
</tr>
<tr>
<td>Cultural resistance to change</td>
<td>24%</td>
<td>36%</td>
<td>21%</td>
<td>18%</td>
<td>29%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>A silo mentality between different units in the organisation</td>
<td>9%</td>
<td>2%</td>
<td>4%</td>
<td>13%</td>
<td>14%</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>My organisation does not face any challenges as a result of implementing a DevOps approach</td>
<td>8%</td>
<td>0%</td>
<td>15%</td>
<td>5%</td>
<td>0%</td>
<td>3%</td>
<td>13%</td>
</tr>
</tbody>
</table>
IT services providers
“The right IT services provider can help you drive innovation and better customer service. Increasingly, businesses are realising that concentrating on their core business and working with a trusted partner can create a considerable competitive advantage.”

Charles Nasser
Chief Executive Officer, Claranet Group
4.1 IT services provider usage

IT services providers are being used to some extent by 96 per cent of European organisations, spending on average 16 per cent of their budgets with these third parties. The figures suggest that IT leaders’ engagement with IT services providers has experienced a healthy increase since 2015, when just 86 per cent used IT services providers and 13 per cent of the IT estate was managed by them.

The UK, France and Spain lead the way here, spending more than 17 per cent of their IT budgets in this way, though it is clear that Portuguese IT leaders are somewhat less enmeshed with their IT services providers, with just 72 per cent of Portuguese organisations using one at all. Although their use of third parties has increased since 2015, today they spend just over 10 per cent of their IT budgets with IT services providers; the smallest amount in Europe by some margin.

Encouragingly, this margin does look likely to decrease with time, and by 2021, Portuguese IT spend on IT services providers will be comparable to that of their German counterparts (18 per cent, compared to 19 per cent in Germany).
European businesses procure an average of four services each from IT services providers, up from three services a year ago, with the most popular identified as storage (selected by 40 per cent of respondents), backup (38 per cent) and application management (37 per cent).

It is interesting that these services are significantly more likely to be delivered by IT services providers than they were the last time this research was carried out, demonstrating healthy momentum in these sections of the market.

It is important to note that all the services listed are currently more likely to be managed in-house than outsourced to an IT services provider, and this is expected to remain the case in 2021. That being said, all the services listed are more likely to be managed by IT services providers in five years’ time than they are today, with many set for increases of 10 per cent or more.

4.2 Services taken from IT services providers

4 services are taken from IT services providers on average

**4.2** WHICH OF THE FOLLOWING SERVICES DOES YOUR ORGANISATION CURRENTLY PROCURE/EXPECT TO PROCURE FROM IT SERVICES PROVIDERS?  

<table>
<thead>
<tr>
<th>Service</th>
<th>2016</th>
<th>2021</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application management</td>
<td>37%</td>
<td>38%</td>
<td>+11%</td>
</tr>
<tr>
<td>Backup</td>
<td>29%</td>
<td>33%</td>
<td>+14%</td>
</tr>
<tr>
<td>Business continuity and disaster recovery</td>
<td>21%</td>
<td>23%</td>
<td>+10%</td>
</tr>
<tr>
<td>Consultancy/professional services</td>
<td>34%</td>
<td>37%</td>
<td>+12%</td>
</tr>
<tr>
<td>Infrastructure hosting</td>
<td>21%</td>
<td>23%</td>
<td>+10%</td>
</tr>
<tr>
<td>Intrusion detection and prevention</td>
<td>24%</td>
<td>27%</td>
<td>+13%</td>
</tr>
<tr>
<td>Monitoring and reporting</td>
<td>12%</td>
<td>13%</td>
<td>+5%</td>
</tr>
<tr>
<td>Storage</td>
<td>40%</td>
<td>40%</td>
<td>+2%</td>
</tr>
<tr>
<td>Systems integration</td>
<td>24%</td>
<td>28%</td>
<td>+17%</td>
</tr>
<tr>
<td>Unified/communications/collaboration</td>
<td>24%</td>
<td>28%</td>
<td>+17%</td>
</tr>
<tr>
<td>Telephony (other)</td>
<td>35%</td>
<td>36%</td>
<td>+6%</td>
</tr>
<tr>
<td>VoIP</td>
<td>34%</td>
<td>34%</td>
<td>+6%</td>
</tr>
</tbody>
</table>
European IT leaders reported a wide range of reasons for using IT services providers, the main ones being to increase efficiency, to improve the core business, a shortage of internal IT resources, a shortage of the required skills and to drive innovation.

Internal skills shortages were a factor in over a third (36 per cent) of decisions to use IT services providers, indicating that third parties play an important role in plugging the technology skills gap currently being experienced by businesses across Europe. This holds particularly true in Portugal and Benelux, where more than half of decisions to use an IT services provider were informed in part by internal skills shortages.

French IT decision-makers are twice as likely to look to IT services providers to drive innovation as the British (46 per cent compared to just 23 per cent). However, Benelux businesses tend to focus on more strategic considerations, using IT services providers to improve data analysis and the core business, and to free up resources to work on strategic initiatives.

**4.3 Why use an IT services provider?**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Europe</th>
<th>Benelux</th>
<th>France</th>
<th>Germany</th>
<th>Portugal</th>
<th>Spain</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase efficiency</td>
<td>40%</td>
<td>51%</td>
<td>43%</td>
<td>38%</td>
<td>31%</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>To improve the core business</td>
<td>37%</td>
<td>55%</td>
<td>43%</td>
<td>28%</td>
<td>31%</td>
<td>45%</td>
<td>27%</td>
</tr>
<tr>
<td>A shortage of internal IT resources</td>
<td>36%</td>
<td>31%</td>
<td>29%</td>
<td>38%</td>
<td>53%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>A shortage of the required skills</td>
<td>36%</td>
<td>51%</td>
<td>27%</td>
<td>42%</td>
<td>54%</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>To drive innovation</td>
<td>35%</td>
<td>41%</td>
<td>46%</td>
<td>35%</td>
<td>29%</td>
<td>40%</td>
<td>23%</td>
</tr>
<tr>
<td>To improve data analysis</td>
<td>35%</td>
<td>57%</td>
<td>39%</td>
<td>31%</td>
<td>35%</td>
<td>36%</td>
<td>23%</td>
</tr>
<tr>
<td>To improve infrastructure efficiencies for data delivery</td>
<td>34%</td>
<td>54%</td>
<td>41%</td>
<td>22%</td>
<td>30%</td>
<td>41%</td>
<td>24%</td>
</tr>
<tr>
<td>To free resources to work on strategic initiatives</td>
<td>30%</td>
<td>53%</td>
<td>30%</td>
<td>23%</td>
<td>34%</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>To access new technology/tools/best practices</td>
<td>27%</td>
<td>47%</td>
<td>25%</td>
<td>22%</td>
<td>27%</td>
<td>22%</td>
<td>27%</td>
</tr>
<tr>
<td>To gain access to advice and expertise</td>
<td>23%</td>
<td>29%</td>
<td>23%</td>
<td>21%</td>
<td>34%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Cost savings</td>
<td>20%</td>
<td>17%</td>
<td>20%</td>
<td>14%</td>
<td>17%</td>
<td>21%</td>
<td>28%</td>
</tr>
<tr>
<td>The convenience of the cost model offered by the IT services provider</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
<td>7%</td>
<td>0%</td>
<td>6%</td>
<td>12%</td>
</tr>
</tbody>
</table>
4.4 How do IT services providers match up to expectations?

While IT services providers have evidently listened to the demands of IT decision-makers in the past year, in many places catching up with or surpassing their customer expectations, 2016 brings new challenges as IT decision-makers place new demands on their relationships.

European businesses favour IT services providers that actively engage with and support them, rather than ones that are passive and transactional, indicating that they are relying on IT services providers to move their businesses forward. This holds especially true in France, Spain and Benelux, where IT leaders are the most likely to look to their IT services providers to help drive innovation.

Although IT services providers largely match up to the expectations of end users, it appears that they are falling short in several key areas: influence, innovation and trust. The research found that 58 per cent of respondents believed IT services providers should be trusted advisors, but just under half (47 per cent) actually view their IT services providers as such. Similarly, 51 per cent want their IT services providers to help to drive innovation, but this is only considered to be the case in 42 per cent of cases.

As businesses’ engagement with IT services providers deepens, such shortfalls are not trivial and could make the difference between a business objective being met and being missed. Plainly, greater alignment between end user and service provider is needed.

WHAT SHOULD THE ROLE OF AN IT SERVICES PROVIDER BE? HOW DO YOU VIEW YOUR IT SERVICES PROVIDER(S)?

- Ideal
- Reality

47% of respondents believe their IT services provider is a trusted advisor
CASE STUDY

Claranet gives Unicef UK the support to extend its charitable reach

Unicef UK

Unicef is the world’s leading organisation for children, promoting the rights and wellbeing of every child in everything they do. Unicef UK is a registered charity supported entirely by voluntary donations, which it relies upon to protect children in danger, transform their lives and build a safer world for tomorrow’s children. The charity’s digital channels are central to all its activities and its websites are key to its fundraising efforts. However, the path to digital success has not been without its challenges and with some big campaigns on the horizon, for which website performance and support were essential, Unicef UK called on Claranet to migrate its online presence to its secure and flexible Managed Hosting solution.

The challenge

Many of the charity’s campaigns are digital, helping it to gain exposure and share the amazing work it does with the public. Donations are generated through its websites, which in turn allow Unicef to protect children in danger.

However, digital technology poses significant challenges because website traffic can vary, particularly if there is a big campaign being executed, which can put pressure on its hosting arrangements. Any downtime can seriously impact Unicef’s ability to drive support for its causes and accept donations, so the charity’s digital team set about finding a more secure and reliable platform on which to host its websites.

Joanne Di Rosa, Digital Technology Manager at Unicef UK, explained: “We had outgrown the infrastructure we were using and were experiencing significant performance issues with our websites. 2014 was a busy year for us, with two significant fundraising events – Soccer Aid and the Glasgow Commonwealth Games – so it was important to have reliable hosting in place.”

The solution

“That’s when we turned to Claranet for a Managed Hosting solution. They designed a more reliable and resilient infrastructure for our websites to sit on, and streamlined the management of the environment to a single point of contact, allowing us to dedicate more of our time to campaigning.”

The Managed Hosting solution, which is underpinned by Claranet’s private MPLS network, supports the majority of Unicef UK’s web presence, including the main website, donations funnel and other transactional applications. The infrastructure includes load balancers and Claranet’s Web Acceleration service, which caches the applications and diverts traffic away from the servers themselves. This allows the sites to perform effectively during crucial times and when Unicef UK needs its websites most.

During the Commonwealth Games, for example, its websites saw peaks of 18,000 visitors, but in spite of the pressure that this level of traffic entails, the hosting went off without a hitch.

“…”

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“…”
The result

As a charity, Unicef UK doesn’t have the resources to dedicate to being experts in hosting, so according to Joanne, one key benefit of the solution has been the support structures offered by Claranet: “We wanted a provider that could lead us in the right direction and give us the help we needed to get on with our fundraising efforts. Claranet immediately understood the way we work and how the internet supports our outreach. We really value the service they offer. It’s nice to have someone looking at our business impartially who cares about us and proactively looks at ways to help. We have a great relationship with the Service Management team – they just ‘get things done’ when we need them to."

“A good example of what it is like working with Claranet was ahead of Soccer Aid, our high-profile sporting event,” Joanne continued. “Unicef worked with Claranet’s dedicated Service Management team in order to migrate and load test the website on the newly commissioned hosting environment. After load testing, it became clear that we needed to increase the scope of the solution and Claranet were quick to add dedicated load balancers and more bandwidth at short notice. This meant that, on the night itself, Claranet’s solution played its part in helping us raise an amazing £6.5 million for children all over the world.”

The future

Unicef UK’s future aspirations are to use its digital channels to engage more supporters for the work that it does for children. Joanne concluded: “When an emergency hits, it’s vital to have the right technical solution in place to support our digital estate and engage the public. Unicef UK’s relationship with Claranet is that of a trusted partner, and we know that we can rely on them to help us drive digital innovation so we can maximise funds to support children in danger around the world.”