The Register

Tech Barometer

A review of tech industry activity

October 2007

in association with

FREEFORM DYNAMICS

The most important technologies and imperatives to organisations now and in the next 6 months

Overall Buyer Top 10

1. General Infrastructure optimisiation
2. Custom application development
3. Mobile and remote access
4. Enhancement of external web presence
5. Desktop upgrade/modernisation
6. Implementation of new packaged applications
7. Workforce communication and collaboration
8. Storage and/or information lifestyle management
9. Policy-based security and indentity management
10. Governance, compliance and risk managament

All buyer organisations

Enterprise Buyer Top 10

1. General Infrastructure optimisiation
2. Custom application development
3. Governance, compliance and risk managament
4. Policy-based security and indentity management
5. Mobile and remote access
6. Implementation of new packaged applications
7. IT best practice delivery (ITIL, COBIT, etc)
8. Desktop upgrade/modernisation
9. Packaged application consolidation/re-platforming
10. Storage and/or information lifestyle management

Buyer organisations with >5000 employees

Midmarket Buyer Top 10

1. General Infrastructure optimisiation
2. Custom application development
3. Desktop upgrade/modernisation
4. Mobile and remote access
5. Enhancement of external web presence
6. Implementation of new packaged applications
7. Storage and/or information lifestyle management
8. Governance, compliance and risk managament
9. Workforce communication and collaboration
10. Packaged application consolidation/re-platforming

Buyer organisations with 250-5000 employees

SMB Buyer Top 10

1. General Infrastructure optimisiation
2. Enhancement of external web presence
3. Custom application development
4. Mobile and remote access
5. Desktop upgrade/modernisation
6. Workforce communication and collaboration
7. Implementation of new packaged applications
8. Storage and/or information lifestyle management
9. Policy-based security and indentity management
10. Content management, workflow and BPM

Buyer organisations with <250 employees

Introduction

Welcome to the 2007 Tech Barometer from *The Register*, put together in association with Freeform Dynamics to help us, and our readers, track the action in some of the important areas of the IT industry. The barometer is based purely on reader feedback, gathered via an online questionnaire hosted on the *The Register* site (www.theregister.co.uk).

Within the questionnaire, we listed 21 emerging or fast developing areas of technology and asked respondents to rate the current and short term (6 months ahead) importance of each to their business. Overall, we gathered over 1900 responses. For analysis purposes, we segmented these in the following way:

Enterprise buyers

Within this group, we have end user organisations with greater than 5000 employees. This is one of the most interesting segments when looking at both emerging technologies and the overall range of projects on the go, as these organisations tend to have a superset of everyone else's challenges and are more likely to have the resources to investigate, evaluate and pilot new concepts and solutions. For these reasons, most of our detailed analysis has been focused on responses from within this segment.

Midmarket buyers

This group consists of the organisations we can consider as the mainstream business segment. For ease of presentation, we have defined the mainstream simply as organisations with between 250-5000 employees to illustrate some of the differences between enterprises that typically have one or more data centres supporting a complex IT infrastructure and companies with a more modest landscape.

SMB buyers

The SMB group is defined by organisations of less than 250 employees. It is dangerously easy to patronise this group by assumption of it 'not needing' some of the perceived higher end technologies that enterprise sized organisations would explore by default.

However, as Freeform Dynamics research has shown, the threshold at which IT departmental burden begins to impact overall business efficiencies is remarkably low, and while the scale of challenges may not match the enterprise group, the need to find innovative ways to remain competitive and agile is the same.

The split between these groups was approximately 23% / 25 % / 52% across the Enterprise, Midmarket and SMB segments respectively. Geographical splits were UK (46%), US (21%) ROW (33%).

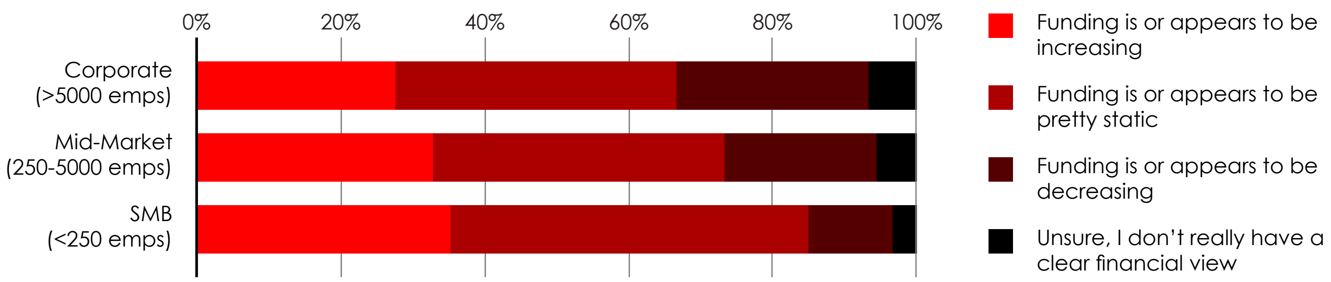
Structure of this report

For the reasons mentioned above, we have focussed Part 1 of this report, within which we provide analyst commentary on key technology areas, on feedback from the enterprise sector. This then sets the scene for the comparisons we present in Part 2 in which we contrast the enterprise view with that from the mainstream and small business communities. A break down of respondents may be seen in *Appendix A*.

Part 1: Background state of play in the Overall buying market

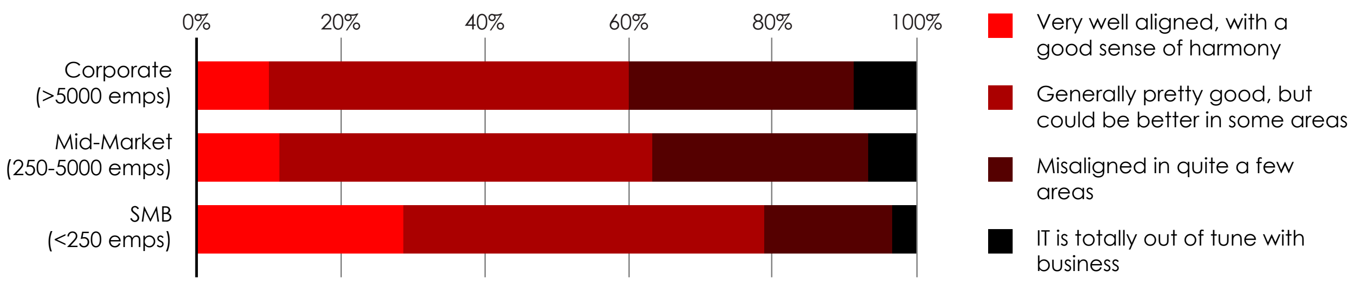
Looking across the IT market as a whole, we see a solid core of ongoing activity driving 'run-rate' spending, with funding in place within many organisations to deliver incremental improvements in key business and technology areas.

Is the funding of IT in your organisation generally on the way up or down?



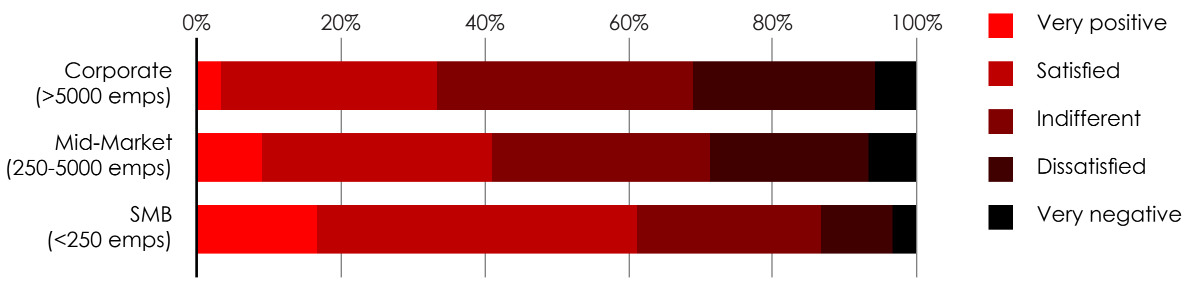
Its encouraging to see that nearly a third of organizations will enjoy increasing IT budgets with which to address their designated hot topics for 2007/8. The challenge for others though is to deliver the right improvements on the same or smaller budgets. That means making sure that the effort and investment is targeted carefully with specific business goals in mind.

How well aligned would you say the activities of the IT department are with business priorities and objectves?



With alignment critical to making the most from limited resources, making the right decisions will be a test for those that consider their IT activities to be well tuned into business requirements, and an obvious but high priority challenge for those that need to focus on changing the mindset from 'IT investment' to 'business improvement'.

How do you think users generally feel about IT in your organisation?

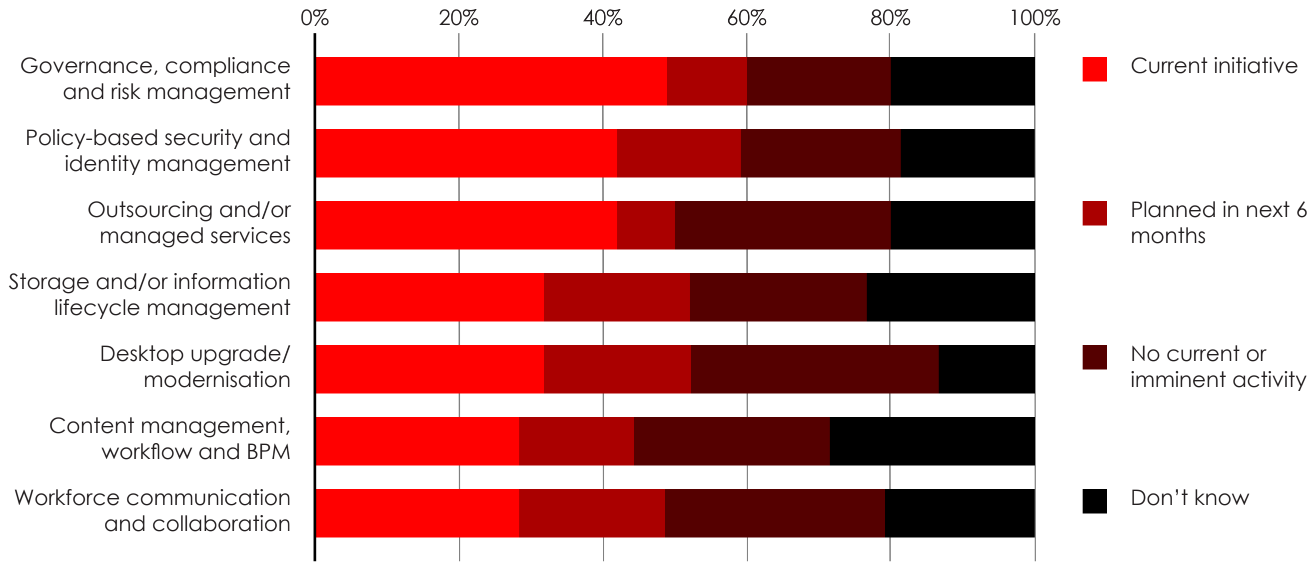


Small organizations have a head start over larger ones when it comes to the balance between user satisfaction and IT activity. Obvious perhaps in that there is less technology serving less people but more worrying is the level of indifference and dissatisfaction we have captured in the larger organizations. Interestingly though, the mix of hot topics and imperatives measured in this barometer balance business objectives with user experience.

Strategic and policy led imperatives
AKA: 'Things that will affect everyone'

Top of the list are the two areas that for many companies are like two sides of the same coin – governance, compliance and risk on the one side, and policy-based security and identity management on the other. Governance and compliance offer the carrot and stick, and both benefit from an understanding of risk that runs across the organisation. Meanwhile, a broader understanding of risk that takes into account both business and IT issues can be used to support the delivery of policy-based security that actually takes into account the needs of the business. While not every organisation will be doing all of the above, it still means that corporate IT is going through a goodly phase of navel gazing, as it works out how best to deliver on improving how it deals with such broad-based matters.

Enterprise strategy & policy led imperatives ("things that will affect everyone")

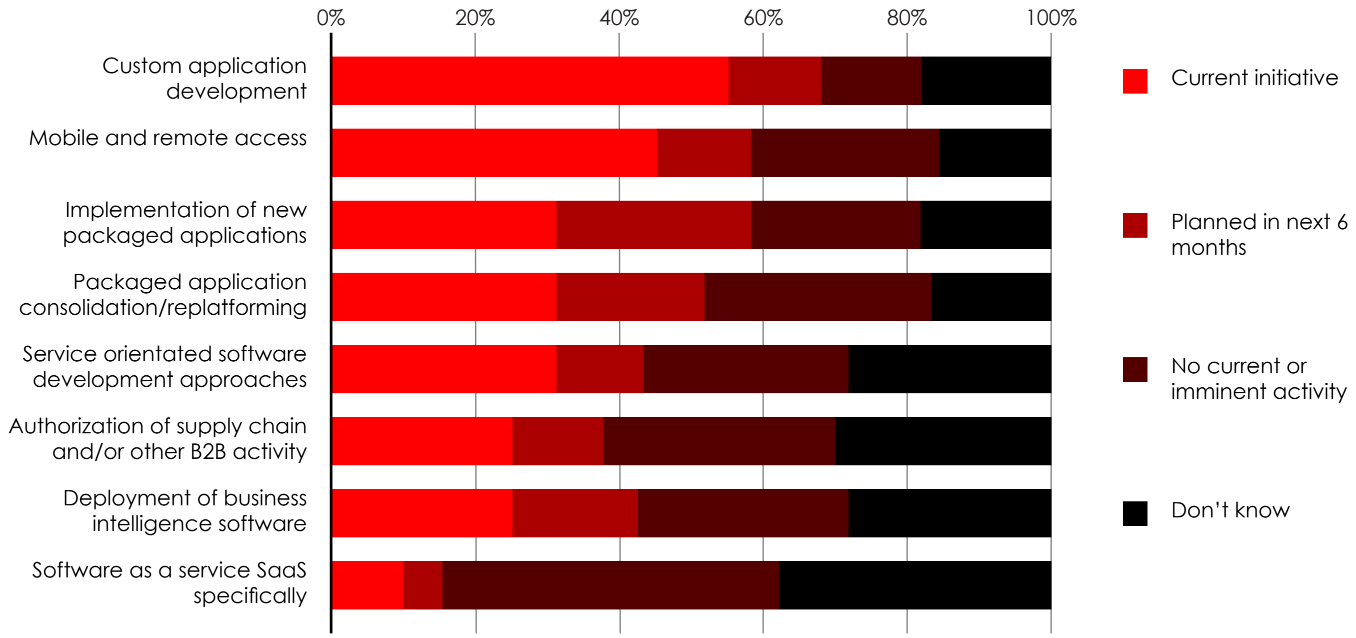


Skirting over outsourcing (important, but we knew that already) it looks like hardware initiatives are beating software initiatives by a short head (but see the next section for a more software heavy view). Storage and desktop upgrades are, according to our respondents, marginally more important than enterprise wide software initiatives, where we're particularly thinking about such areas as content management and collaboration technologies. That's a hearty nod to addressing some of the more negative perceptions of IT we captured in the previous section. Given the interest in the initiatives at the top of the list, which require better understanding of how business takes place, there may well be some knock-on benefits onto such areas as workflow and BPM, for example.

Line of business imperatives
AKA: "things that will only affect specific lines of business

Sensible and surprising is our reaction to this set of findings. Business driven imperatives are very much in line with expectations but in a couple of areas, namely custom application development and in apparent contradiction, implementation of new packaged applications, the responses are eye catching.

Enterprise line of business imperatives ("things which will affect LOBs or people")



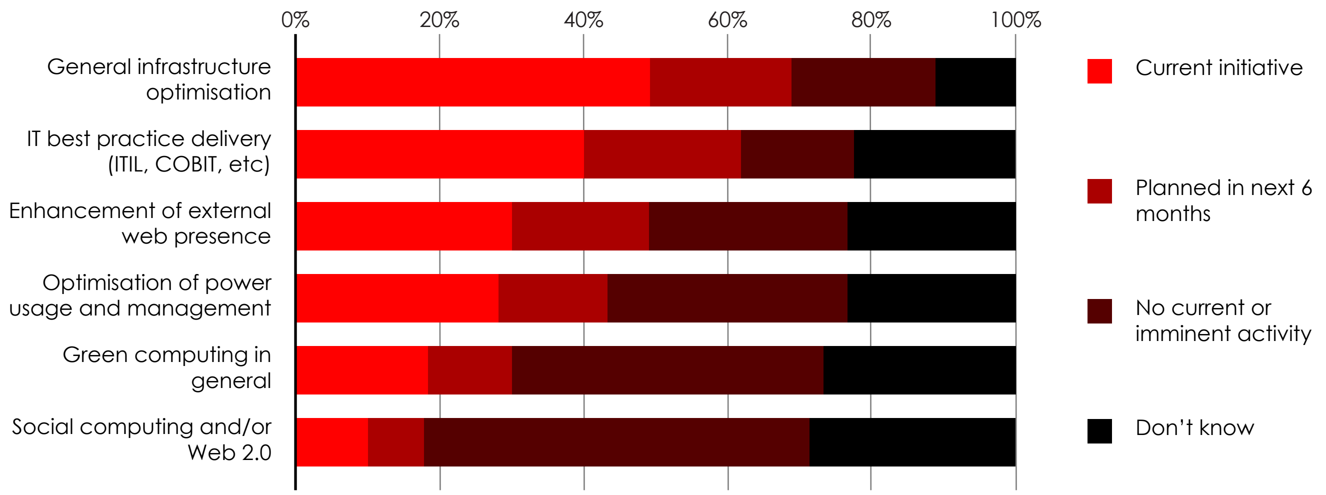
The level of activity In custom application development indicates clearly that it is unrealistic for enterprises to expect packaged applications to meet the needs of all their operational requirements. In line with this, it is interesting to note that simultaneously, packaged application consolidation / replatforming initiatives and implementation of new packaged applications illustrate that businesses are very actively trying to get the best they can from whatever source is appropriate, internal or external.

The lack of Software as a Service (SaaS) initiatives either underway planned shows that it's yet to reach a significant tipping point – but that early exploration is indeed underway. It's interesting to note that while this question garnered the highest number of 'no current or planned interest' responses it simultaneously attracted the largest number of don't knows. The fact that the very term "SaaS" can be used in a variety of scenarios highlights that this area, perhaps more so than others in this section, is not well understood. A simple definition of 'a newer way of paying for software currently paid for via a traditional licensing deal' could help, but already the waters are getting muddy.

Piloting and emerging imperatives
AKA: Things that might affect everyone, but it's too early to tell

'General infrastructure optimisation' gets almost seventy percent of the positive vote. What is there to disagree with? In fairness it hides a multitude of non-specific, background activity which certainly crosses over into topics we have measured more specifically (figs 5 and 6) as well as spanning anything from advanced security to virtualisation, via blade servers, composite applications and SOA.

Enterprise new/emerging imperatives ("Things that might affect everyone but it's quite early to tell")



The growth in adoption and implementation of IT service delivery best practice, and ITIL specifically, is maintaining the momentum we have been following for the last 12 months. ITIL v 3 is starting to assist those ready enough to explore a more business and service lifecycle oriented approach to service delivery, although it is fair to say that the majority of organisations will not 'reach v3' for some time to come, which could cause trouble if the training industry ignores this.

Activity around external web presence enhancement is a relatively hot topic. The question arises, "what are they going to do with it?" The sensible thing is to improve the willingness of customers and prospects to engage in profitable transactions, whether by better informing them through ultra-responsive, Web 2.0 style, interactions or by making self-service applications easy and enjoyable to use.

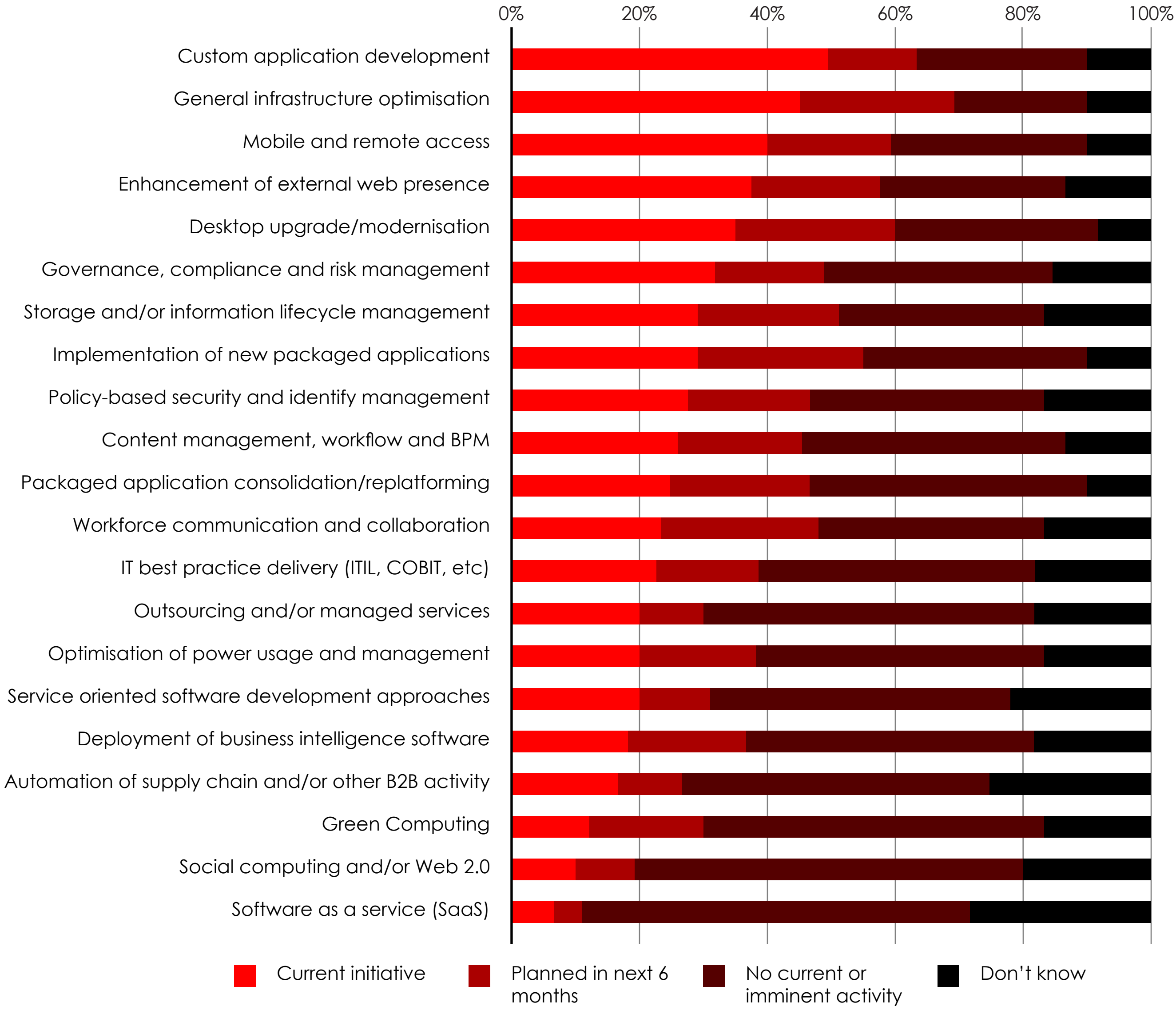
Not so many organisations are currently concerned about optimising power usage and management. While it should be a concern for all organisations, those with large datacentres are probably where the pain is focused at present. Expect this and the green agenda to intertwine. Mostly, actions are taken for financial reasons, but it's always good to show off about an environmental payoff. Customers and staff are increasingly taking a company's green credentials into account before doing business with them or working for them.

Finally, social computing and Web 2.0 are not quite grabbing enterprise attention with a vengeance just yet. Web 2.0 in general makes the internet a snappy two-way interaction while social computing links people of common interest and relevant information sources together, potentially improving the quality, and accelerates delivery, of projects and innovation.

Midmarket

What is quite interesting to note here is the overall similarity in priorities to the enterprise sector. On the one hand our broad definition of the midmarket means that many large organisations of several thousand employees will naturally show many of the same characteristics as their even larger cousins, and this is bourne out by the high ranking of areas such as custom application development, packaged application investment and consolidation, and mobile solutions.

Do you or are you planning to begin initiatives over the next 6 months in any of the following areas?



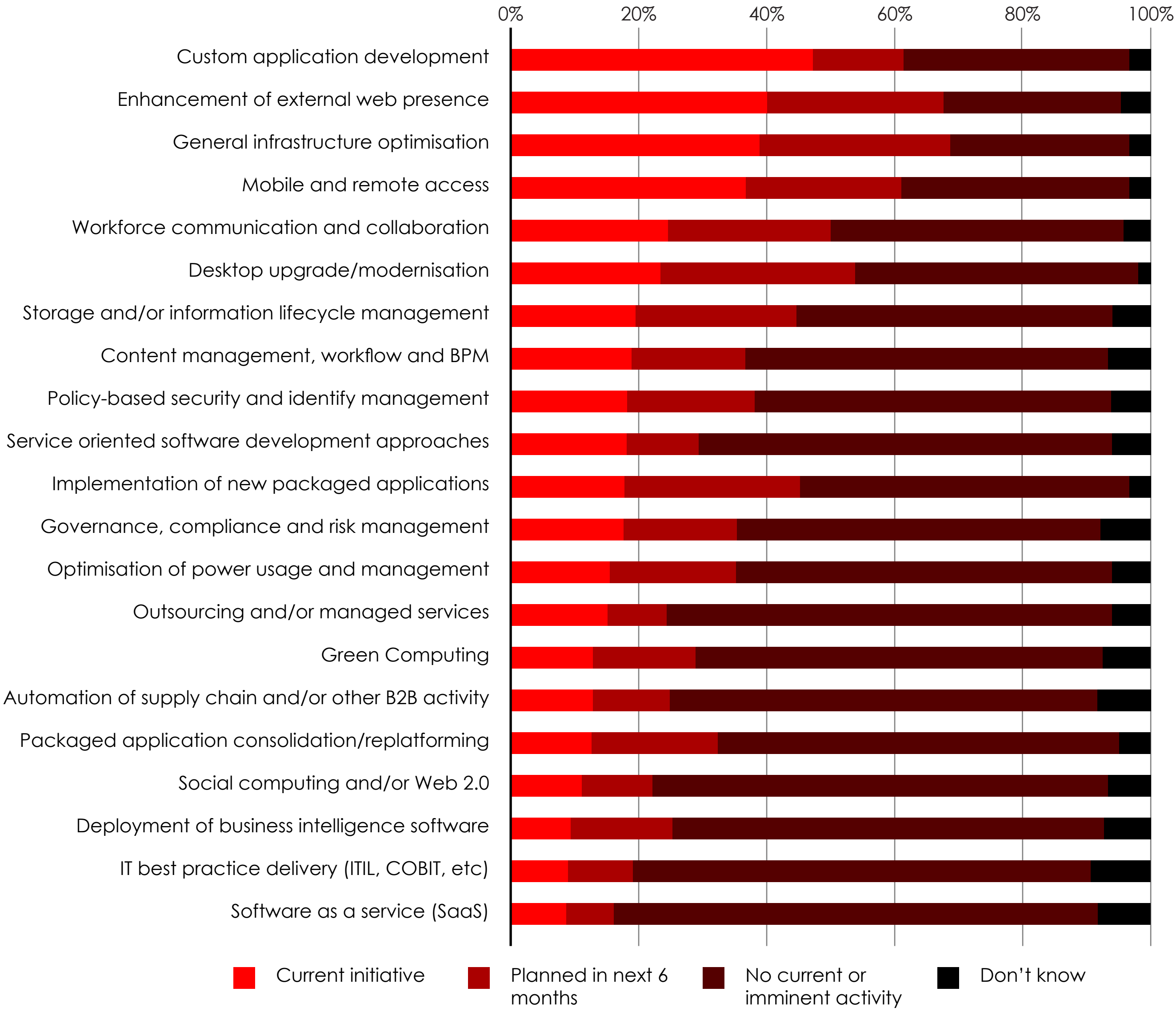
Of interest also is the acknowledgement that governance risk and compliance is not just an issue to address for all but the largest organisations.

Characteristics that we might naturally expect from smaller organisations are also apparent – enhancement of external web presence and addressing workforce communicaiton and collaboration are two areas that are perhaps not addressed as ongoing measures in the midmarket. However, right now they certainly are, and while web 2.0 and social computing are not specifically cited as being of major importance rightr now, if would be suprising not to see their influences making themselves felt more strongly by default over the next 6 months or so.

SMB

There are certainly some strong similarities across the board with the SME sector also acknowledging its thirst for the most appropriate functionality – whether it be in activity around investment and consolidation of new and existing packaged application software, or via this surveys biggest surprise in terms of the apparantly volume of activity, custom application software development.

Do you or are you planning to begin initiatives over the next 6 months in any of the following areas?

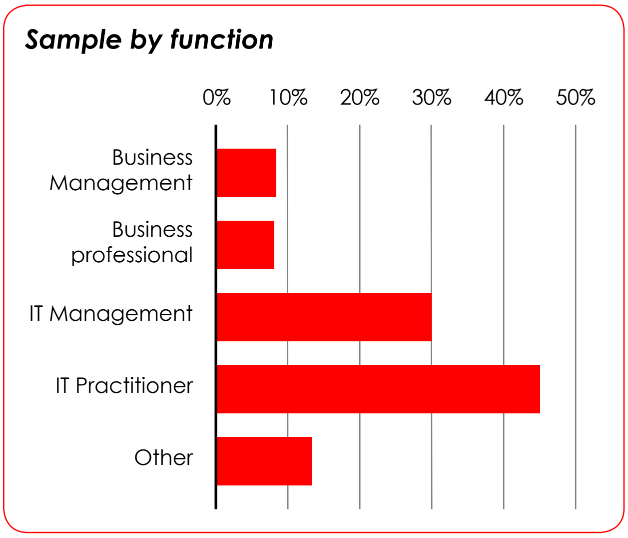


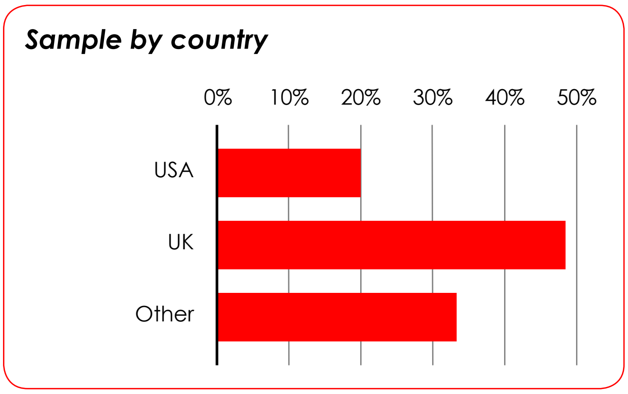
We can tell from the charts that the biggest differentiator between the three buying groups this time around is not so much the focus of their activity – which is strikingly uniform give or take a few areas, but the level of intensity of activity – it is natural for there to be a sharper tail-off in activity once we get away from the top 4 or 5 topics.

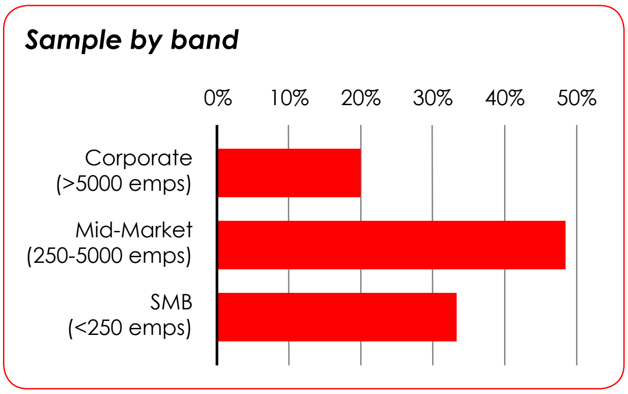
It is interesting to note then that the SMB and Midmarket sectors are almost indistinguishable from each other in their top 5 activities with enhancement of external web presence, mobile technology and desktop upgrades all sitting alongside the categories which are ackowledged across all our buying groups – infrastructure optimisation and customer application development.

What message this could send to IT vendors is potentially exciting – and perhaps something the customer side has known for a long time – its not so much whats being done that's any different, its more about the purchasing decision cycles and buying patterns.

Sample Demographics







1906 Total Respodents

About

The Register

The Register started life as a daily news operation on the web in May 1998. On the first day, 300 readers visited; in 2007 more than 5 million unique readers visit the site every month.

The Registers' blend of breaking news, strong personalities – and its accessible online execution – has made it one of the most popular, authorities on the IT industry.

With an international team of journalists and columnists, The Register reports on the IT industry from the inside out – covering everything from enterprise software, to chip developments.

Freeform Dynamics

The Register barometer study was designed, analysed and reported by Freeform Dynamics.

Freeform Dynamics is a research and analysis firm that tracks and reports on the business impact developments in the IT and communications sectors.

As part of this, it uses an innovative research methodology to gather feedback directly from those involved in ITC strategy, planning, procurement and implementation. Freeform Dynamics' output is therefore grounded in real-world practicality for use by mainstream IT professionals.

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