Midsize Companies Embrace the Cloud and SaaS in 2021

TECHNOLOGY INVESTMENTS BOOST EFFICIENCY, PROFITABILITY, AND SECURITY.

Midsize companies have navigated an era of unprecedented change with the help of cloud technologies, according to new IDG research. That's because the cloud offers vital flexibility for organizational transformation amid rapidly evolving business goals. And that flexibility will remain critical into the foreseeable future as many people continue working from home.

To get a handle on exactly how companies are adapting (specifically, midsize companies with 100-999 employees), IDG and Cisco polled business leaders responsible for IT purchases on what they plan to purchase and why, what challenges they face for procurement, and how recent events have impacted their plans. This paper reports on those findings.
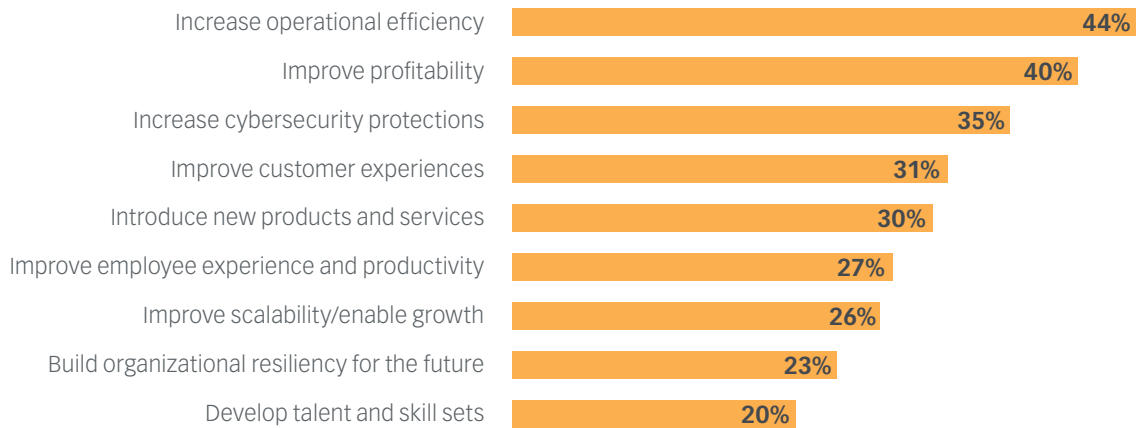
WHAT DRIVES INVESTMENT

Overall, the survey found, midsize companies need greater operational efficiency—and that efficiency must drive improved profitability. They also need more robust security than ever before. And technology holds promise for realizing all three goals.

Ironically, however, technology is also the #1 obstacle to achieving efficiency and profitability. It hinders security upgrades. Nearly half of the companies surveyed remain challenged by legacy and siloed systems. The challenges also span multiple locations, since two-thirds of the companies

FIGURE 1 **Top Business Goals for 2021 and Beyond**

Business Goal	Percentage
Increase operational efficiency	44%
Improve profitability	40%
Increase cybersecurity protections	35%
Improve customer experiences	31%
Introduce new products and services	30%
Improve employee experience and productivity	27%
Improve scalability/enable growth	26%
Build organizational resiliency for the future	23%
Develop talent and skill sets	20%

SOURCE: IDG

surveyed reported having to support more than one office.

Reflecting where companies perceive the greatest potential bang for their buck, respondents say they plan to prioritize investments in cybersecurity, the cloud, and hardware. And it all starts with goal #1: operating more efficiently in a time of disruption (cited by 44% of leaders at midsize companies).

Hand-in-hand with that goal was improving profitability (40%), since efficiency improves the bottom line. *(See Figure 1.)*

"Reducing costs and increasing productivity is fundamental to every business," points out Nick Chrissos, Global CTO for Small and Commercial Segments at Cisco. And cybersecurity risks are rising for midsize businesses, Chrissos explains. "In general, security is critical in every business, but we have seen midsize companies becoming more and more of a target in the last years."

One reason, according to Chrissos, is that cyber criminals now specifically target smaller organizations, with the help of a kind of malignant malware economy. This underworld now includes syndicates selling weaponized software tools to attackers. For example, ransomware-as-a-service lets developers license malware to even technically unsophisticated crooks who want to get into the extortion racket by hitting potentially less secure victims.

Once companies take care of the foundational needs— efficiency, profitability, and security—31% of companies then look to IT investments to improve the customer experience. As McKinsey reports, exceptional customer experi-ences can contribute to efficiency and profitability goals by driving significant revenue gains and cost reductions.
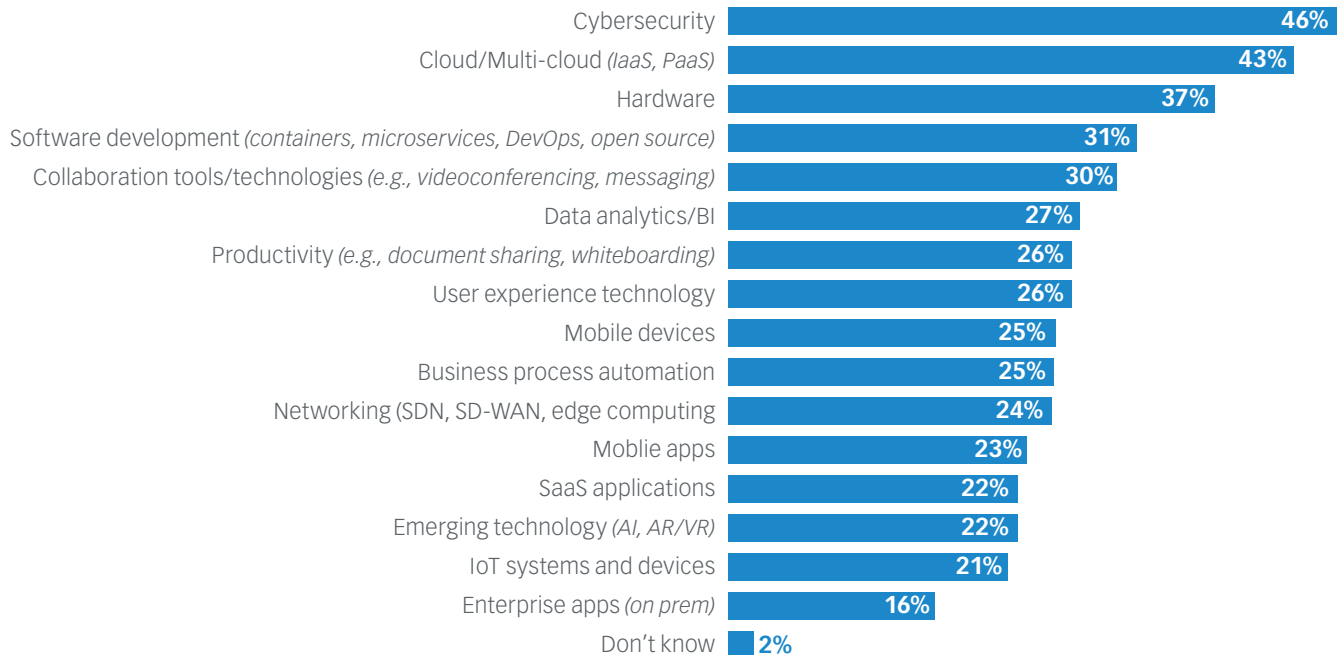
SPEED BUMPS

Companies face significant obstacles on the road to technology adoption, starting with older systems and difficult-to-access data. When striving to meet their business goals, 49% of companies said their biggest obstacle is legacy systems that keep data siloed.

Not surprising in such a tumultuous time, the next-biggest obstacle to technology adoption was external forces such as the pandemic and the political and economic climate, cited by 38% of respondents. Not far behind: budgets and financial limitations (36%) and human resource challenges (30%).

The latter challenge includes a skills gap. Acute before the pandemic, personnel and skill shortages will remain as a limiting factor for companies worldwide for the foreseeable future, a recent World Economic Forum report notes. The employees, too, suffer disruption as their jobs change due to technology advances.

The skills shortage impacts midsize companies as much as any other. Accordingly, midsize companies reported that skills gaps hinder their progress in meeting their business goals. The IDG survey found that the average IT organization numbers fewer than 25 IT staffers. Nearly half (43%) reported having fewer than ten IT employees. A few (5%) reported not having a stand-alone IT department at all.

FIGURE 2 **Top Technology Investment Areas**

Cybersecurity — **46%**
Cloud/Multi-cloud *(IaaS, PaaS)* — **43%**
Hardware — **37%**
Software development *(containers, microservices, DevOps, open source)* — **31%**
Collaboration tools/technologies *(e.g., videoconferencing, messaging)* — **30%**
Data analytics/BI — **27%**
Productivity *(e.g., document sharing, whiteboarding)* — **26%**
User experience technology — **26%**
Mobile devices — **25%**
Business process automation — **25%**
Networking (SDN, SD-WAN, edge computing — **24%**
Moblie apps — **23%**
SaaS applications — **22%**
Emerging technology *(AI, AR/VR)* — **22%**
IoT systems and devices — **21%**
Enterprise apps *(on prem)* — **16%**
Don't know — **2%**

SOURCE: IDG

It should come as no surprise, then, that 41% of midsize companies depend on outside parties to handle technology implementations.

TECHNOLOGY PRIORITIES

Coming out of 2020, 68% of IT and business leaders at midsize companies reported that the use of applications and data in the cloud had gone up during the pandemic. Only 10% said cloud use had gone down. As might be expected during a period of extended lockdowns and work-at-home orders, the increases took place across all industries, geographies, and company sizes surveyed.

The pandemic also influenced the types of cloud purchases companies made at 78% of companies surveyed. Again, the impact spread across industries, regions, and company sizes. More than half of companies surveyed (56%) said they planned to increase software investments during the pandemic.

Looking to the future, industry observers expect many of the shifts the pandemic caused to remain in place, including a more distributed workforce. With that clearly in mind, midsize company leaders detailed the types of technology their organizations plan to purchase in 2021.

The top three areas of planned investment over the coming year, as revealed by the survey, were security (46%), the cloud, including multi-cloud setups and software-as-a-service (SaaS) (43%), and hardware (37%). *(See Figure 2.)*

Nearly all midsize organizations (95%) said they would leverage one or more cloud deployment models over the coming year.

- 57% of midsize company leaders plan to implement one or more private clouds.
- 51% will use public clouds.
- 33% will deploy a hybrid public-and-private cloud strategy.

Nearly a third (30%) of applications in use at companies relying on the cloud in 2020 follow a SaaS model.

FOCUS ON CLOUD SECURITY

Improved data security came in at number one on the list of expected cloud software benefits, cited by more than half (51%) of respondents. Increased productivity came close behind, cited by 49% of respondents as a benefit of the cloud.

> "Cloud as a consumption model means you don't have to invest in hardware or install software to deploy it. This kind of rapid deployment is a beautiful thing." — Nick Chrissos, *Global CTO for Small and Commercial Segments at Cisco*

Respondents named improved application performance (38%) and lower costs (35%) at the next-highest levels.

Confirming their commitment to the cloud, 53% of survey respondents planned to prioritize cloud-based security investments in the coming year—more than any other SaaS category.

The next-highest priorities for SaaS investments came in far behind. For example, plans to deploy web apps and storage (both cited by 35% of respondents) tied for the number-two position on the list of SaaS priorities. Productivity apps such as documents and spreadsheets (33%) came in third, followed by collaboration tools (29%) in fourth place. When it comes to security, nearly half (48%) of IT and business managers at midsize companies prefer bundled SaaS solutions—including those that come with built-in security features—over individual solutions that require them to make separate purchases. Only 31% said they preferred to deploy stand-alone SaaS solutions.

According to survey respondents, the benefits of software bundled with integrated security include:

- Easier maintenance and troubleshooting
- Easier configuration
- Improved user experience

In line with the challenges posed by legacy systems, most organizations (56%) purchase SaaS solutions with the intention of retrofitting them into the existing environment rather than making changes to the environment to support them.

THE BOTTOM LINE

Midsize companies have spent the last year rising to meet unprecedented challenges in their quest to improve efficiency, productivity, and security. In doing so, they have turned to one of the most powerful tools in their technology arsenals: the cloud and SaaS deployments, cited by 95% of IT and business leaders as an investment priority over the coming year.

"The cloud as an architecture provides amazing benefits," says Chrissos. "The cloud immediately provides location-independence. And the cloud as a consumption model means you don't have to invest in hardware or install software to deploy it. This kind of rapid deployment is a beautiful thing."

Of course, Chrissos cautions, the cloud requires a different approach to security. "When everybody is in the office, and there are applications in a data center, you can build a wall around everything to protect it." But as teams work from anywhere, Chrissos says, companies need cloud-centric security designed for the remote workforce. SaaS applications with integrated security can help—and midsize companies are planning investments accordingly.

Explore how the cloud can do more to drive profitability at your organization. Visit Cisco's [Midsize Business Solutions.](#)

About the Survey

IDG surveyed 650 technology and business leaders responsible for IT purchases at private sector companies with 100-999 employees between November 12 and November 23, 2020.

Industries represented included financial services, manufacturing, retail, and professional services.

Respondents represented companies in the Americas (200 in the US, 50 in Canada, 50 in Brazil, and 50 in Mexico), Europe (50 in the UK, 50 in Germany, and 50 in France), and the Asia-Pacific region (50 in Australia, 50 in India, and 50 in Japan).