

REPORT

Australian Hybrid IT Adoption

Index 2015



TECH TRENDS

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A Message From CenturyLink

As organisations become increasingly IT-centric, regardless of industry, it has become almost impossible for in-house IT teams to satisfy all of the organisation's needs. Those who try often find themselves scrambling just to keep systems up and running, and can't make time for innovation and proactive development.

This has led to the rise of managed services, where businesses outsource certain IT functions to lower expenses and free up the internal IT team for strategic projects. Increased cloud adoption has made it easier for organisations to outsource everything from infrastructure to application management.

According to IDC, "The data centre must serve as the primary point of engagement and information exchange with employees, partners, and customers in today's interconnected world. The data centre is also the foundation for new business models where leveraging large volumes of data and highly elastic compute resources are critical to delivering better insights and a superior product/user experience."¹

Strategic outsourcing is not an all-or-nothing proposition. Businesses can choose to keep some mission-critical infrastructure or functions in-house while outsourcing others for a mix-and-match approach that delivers maximum benefits.

Hybrid IT takes the concept of outsourcing one step further. It is any infrastructure mix that includes at least one external option beyond on-premise data centre deployments. It can include data centre colocation, managed services, and cloud offerings.

Hybrid IT is rapidly emerging as the architecture of choice for organisations that have already invested in on-premise or data centre infrastructure, and want to leverage cloud technology to lower costs and increase efficiency. This approach lets users assemble a custom infrastructure,

service, and delivery model for their business, and then change it at any time to meet changing market and business conditions.

The Australian Hybrid IT Adoption Index found that 66 per cent of companies are already using managed services. It is, therefore, logical for them to take the next step to a hybrid IT model. This model reduces IT obsolescence risks, and can create a powerful and highly responsive infrastructure capability mix.

The CenturyLink index revealed that companies tend to be concerned about security when it comes to moving to a hybrid IT model. The right hybrid IT provider can overcome these concerns by incorporating a portfolio of security measures. A hybrid IT solution can actually be more secure than traditional IT, since the provider works with the customer to design a security strategy that matches the business needs and can be managed or unmanaged according to the customer's preferences.

As companies begin their hybrid IT journey, they should start by first establishing their core business strategies and goals. Once an organisation knows the 'why' of its decision to try the hybrid IT model, it can better determine the 'who, what, and where' involved in the outsourcing of external infrastructure and services involved.

The benefits of outsourcing IT functions can include increased reliability, cost savings, higher service levels, and access to new technologies, capabilities, and skills.

I hope you enjoy reading the findings of our CenturyLink Australian Hybrid IT Adoption Index.



Stuart Mills
Regional Director ANZ

¹ *IDC Finds Growth, Consolidation, and Changing Ownership Patterns in Worldwide Datacenter Forecast*, IDC Press Release, November 10, 2014. <http://www.idc.com/getdoc.jsp?containerId=prUS25237514>.

Methodology

What

The Australian Hybrid IT Adoption Index provides a snapshot of how Australian organisations approach managed IT services and hybrid IT, including strategies, approaches, and barriers to moving to managed services and hybrid IT.

Why

Hybrid IT is a relatively new concept driven by the increased flexibility in infrastructure and delivery mechanisms offered by the cloud. While some companies have already adopted a managed services approach, hybrid IT is the next evolutionary step for many businesses of all sizes.

With this survey, CenturyLink wanted to assess:

- Where Australian organisations are in relation to managed services and hybrid IT adoption.
- What the main barriers to adoption are.
- What these organisations aim to achieve through adopting managed services or hybrid IT.

How

Outsource, a third-party marketing company, conducted the research on behalf of CenturyLink. This survey was completed by 150 senior IT staff and management decision-makers based in Australia, via outbound telemarketing and email. Respondents represented a variety of industries, including banking and financial services, other professional services, education, government, retail, transport, insurance, utilities, resources and entertainment.

When

The survey was conducted during August and September 2015.

Executive Summary

The results of the Australian Hybrid IT Adoption Index found that most companies in Australia are already using a managed service provider, and many others plan to move to a hybrid IT environment in the next 12 months. This demonstrates the growing popularity of hybrid IT services, which involve outsourcing some or all of an organisation's IT needs.

A hybrid IT approach makes sense for organisations looking to leverage their investment in existing technologies while taking advantage of new approaches that meet emerging business needs. Optimising the IT infrastructure in this way can save costs and fuel business initiatives.

The study found that, of those who use managed services, more than half (53 per cent) outsource less than 10 per cent of their infrastructure. This is unlikely to change over the next 12 months and could be because hybrid IT is still a relatively new concept, so many organisations still have legacy systems in place that are not ready to be replaced yet. For example, 82 per cent of organisations still have their own data centre. Of those organisations, 25 per cent plan to outsource some of their workloads in the next six to 12 months.

Successful hybrid IT planning needs to begin with a clear understanding of the organisation's existing IT capabilities, business objectives and workloads. The key is to identify which areas are not performing optimally and decide whether the organisation needs to supplement in-house capabilities in those areas with external expertise.

The most popular types of applications being run on outsourced infrastructure are production online applications like websites and e-commerce (52 per cent), production back office applications like finance and enterprise resource planning (ERP) (45 per cent), and disaster recovery/business continuity planning (41 per cent).

This trend is likely to continue over the next 12 months with 53 per cent outsourcing production online applications, 50 per cent outsourcing production back office applications, and 46 per cent outsourcing disaster recovery/business continuity planning.

This reflects the most common path toward hybrid IT. Many organisations prefer to sample individual outsourced services before bundling more together or moving to an Infrastructure-as-a-Service or Platform-as-a-Service model. CIOs agree that there is a best execution venue for every workload: the trick is to find that venue and maximise its value.

The survey found that organisations are currently using a managed service provider for data centre colocation (48 per cent), managed hosting (37 per cent), and cloud IaaS, PaaS and SaaS (35 per cent). This is followed by hybrid cloud (29 per cent), network solutions (27 per cent), and private cloud (25 per cent). The least popular services are security solutions (22 per cent), business continuity (16 per cent) and migration services (15 per cent).

Security and availability remain top of mind

When looking for data centre colocation and outsourcing, the main considerations are reliability and uptime (79 per cent), security (78 per cent) and lower overall cost of IT infrastructure (74 per cent). Organisations are also looking for vendor reputation (65 per cent), scalability both nationally and globally (65 per cent), and range of services (43 per cent).

Security is also rated as extremely important when it comes to choosing a managed services provider by 63 per cent. Next was total cost, with 39 per cent rating it extremely important, followed by a local presence, with 37 per cent rating it extremely important.

Security remains a hot-button issue for organisations due to the increasing number, variety and sophistication of cyber-attacks. Companies considering a hybrid IT approach are looking for providers that can deliver a full spectrum of security products and services that fit their business and technology needs perfectly. This includes outsourced experts that can act as an internal security team, and the ability to deliver comprehensive protection inside the company's offices, the data centre (on-premise, outsourced or third-party) or in the cloud.

When asked about their reasons for moving IT infrastructure into a hybrid IT model, availability was the most important reason for

52 per cent of respondents. Partnering with the right hybrid IT solution provider can guarantee 100 per cent uptime availability and extend the reach of the organisation globally, helping to support and accelerate business expansion into new markets.

Perceived barriers, benefits and risks of moving to a hybrid IT model

The main barriers to moving infrastructure into a hybrid IT model are data security concerns (29 per cent), legacy systems in place that won't integrate with new technology (22 per cent), and either management belief that IT should be run internally or fears about lack of control over data and resources, with 15 per cent of respondents rating each of these as the most important barrier.

The benefits of moving to a managed services provider are varied. Improved disaster recovery was rated as extremely important by 14 per cent of respondents. Improved security was rated as extremely important by 11 per cent, and lower IT managed costs was rated as extremely important by 9 per cent.

In terms of risks, data privacy issues rank as the most important with 55 per cent rating it at five out of five. A potential security breach was second most important at 54 per cent, followed by system downtime at 45 per cent.

Concerns about using cloud-based infrastructure/solutions

When asked to rank their concerns about using cloud-based infrastructure/solutions, a third of organisations (33 per cent) rated security issues as extremely important. Cloud performance and reliability was rated extremely important for 29 per cent, while 19 per cent rated billing issues and hidden costs as extremely important.

Skills required

The most important skills needed to acquire or engage outside resources in the next 12 months were security expertise (21 per cent), IT architecture/infrastructure planning (13 per cent), cloud migration capabilities (11 per cent) and cloud operating expertise (7 per cent).

What does this mean for organisations?

When outsourcing first became a viable option, some experts suggested it would spell the demise of the in-house IT team, putting CIOs and in-house IT professionals at risk. However, the results of this survey suggest that IT teams and CIOs are just as necessary as ever as organisations continue to use a mix of on-premise and outsourced infrastructure. As more organisations move to a hybrid IT approach, internal IT teams will be able to spend more time adding value to the business rather than maintaining and operating IT. They will not be replaced; instead they will become a more strategic, valuable part of the organisation.

As with any fundamental shift, the move to hybrid IT is likely to happen slowly as organisations work to get every last bit of value from legacy and on-premise systems. Additionally, until providers can sufficiently allay customers' security concerns, hybrid IT adoption will continue to be slow.

That said, organisations continue to experiment with colocation, managed services and outsourced cloud services. Colocation is likely to be the first step to a hybrid IT strategy for many organisations, as companies are increasingly comfortable handing over management of (but not control over) their data centres.

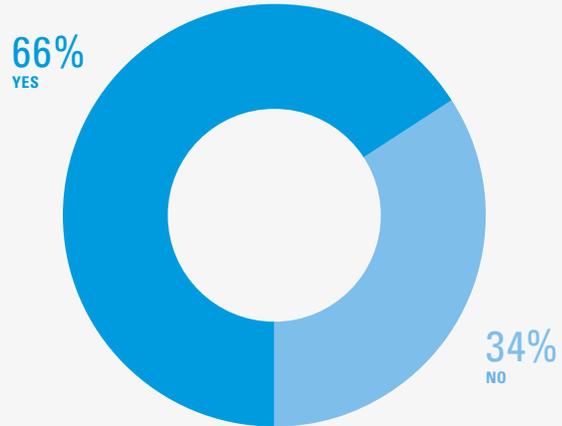
By 2018, cloud services are likely to become more prevalent, and by 2023 cloud computing is likely to be the most prevalent IT model by a wide margin.²

² *Hybrid IT: The Best of All Worlds*, CenturyLink White Paper.

Results

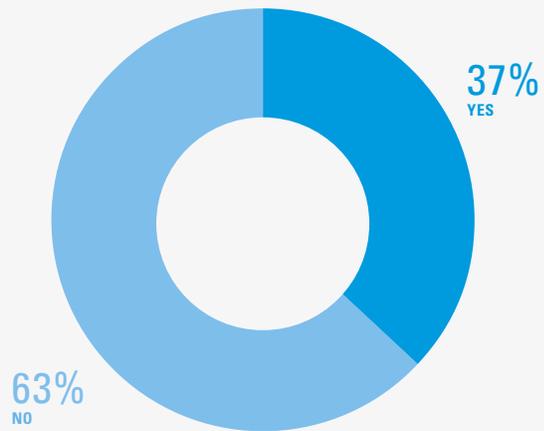
1. Is your company currently using a managed service provider?

66 per cent of companies are using a managed service provider.



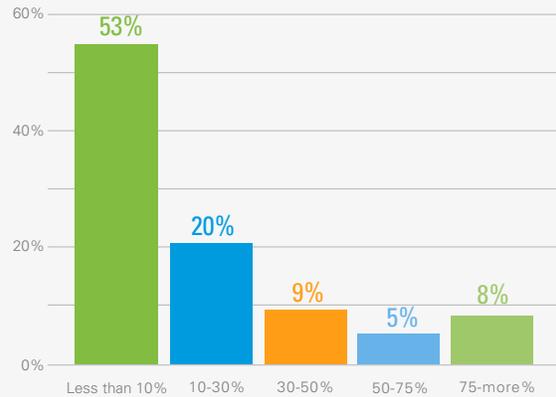
2. If no, are you planning to move to a hybrid IT environment in the next 12 months?

Of those who haven't already, 37 per cent plan to move to a hybrid IT environment in the next 12 months.



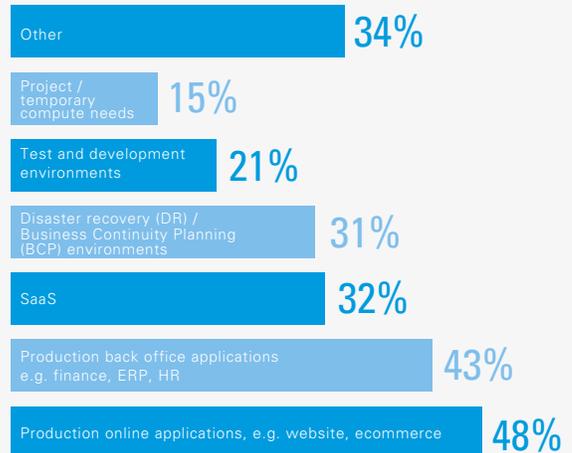
3. If yes, as a percentage, how much of your IT infrastructure is outsourced or supported by an external IT services company?

Of those who are using a managed services provider, more than half (53 per cent) outsource less than 10 per cent of their infrastructure. 20 per cent currently outsource between 10-30 per cent of their infrastructure. Just 8 per cent outsource 75 per cent or more of their infrastructure.



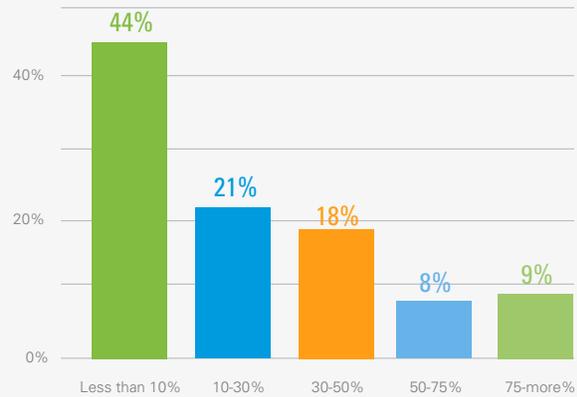
3a. What are the types of applications that are being run on outsourced infrastructure?

The most popular types of applications being run on outsourced infrastructure are production online apps like websites and e-commerce (48 per cent), production back office apps like finance and ERP (43 per cent), and Software-as-a-Service (32 per cent).



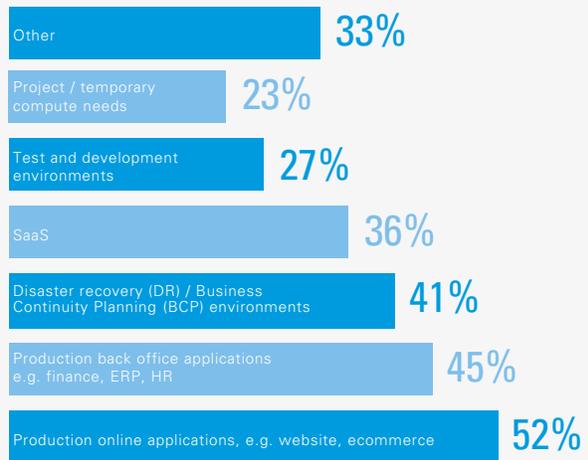
4. Forward looking, how much of your IT infrastructure do you think will be outsourced and supported by an external IT services company in the next 12 months?

Trends in outsourcing are likely to remain stable in the near future. Forty-four per cent of respondents expect to outsource less than 10 per cent of their infrastructure in the next 12 months. 21 per cent plan to outsource 10-30 per cent. Nine per cent plan to outsource 75 per cent or more in the next 12 months.



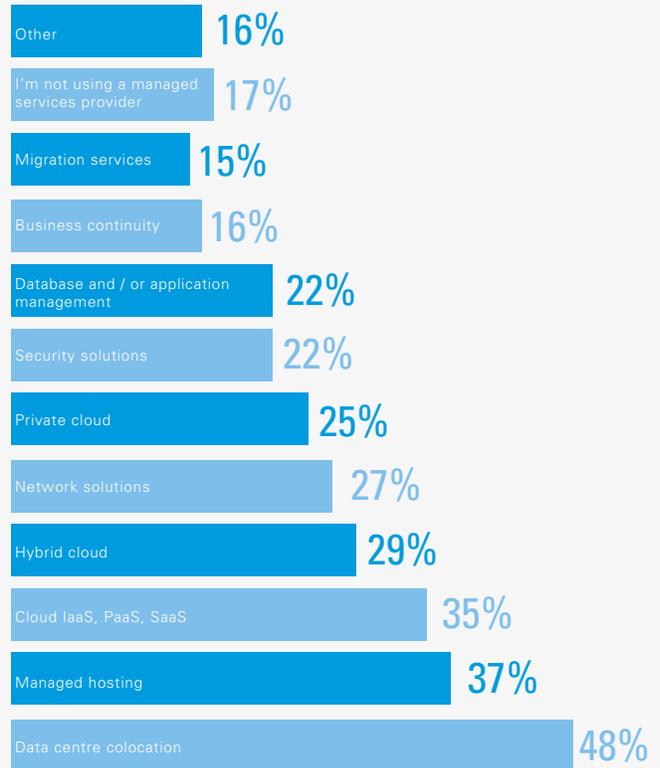
4a. What types of applications would likely be run on outsourced infrastructure?

Fifty-two per cent will outsource production online applications, 45 per cent will outsource production back office applications, and 41 per cent will outsource disaster recovery/business continuity planning.



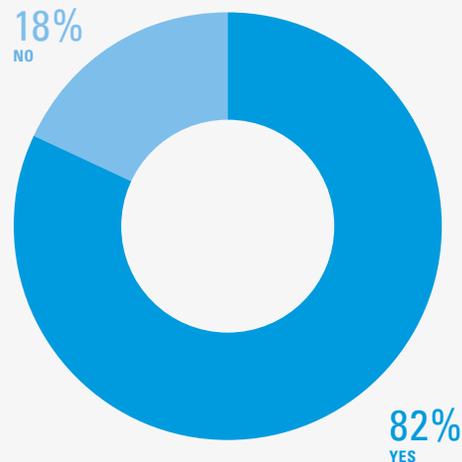
5. What are you currently using a managed service provider for? Select all.

Organisations are currently using a managed service provider for data centre colocation (48 per cent), managed hosting (37 per cent), and cloud IaaS, PaaS and SaaS (35 per cent). This is followed by hybrid cloud (29 per cent), network solutions (27 per cent) and private cloud (25 per cent). The least popular services are security solutions (22 per cent), business continuity (16 per cent) and migration services (15 per cent).



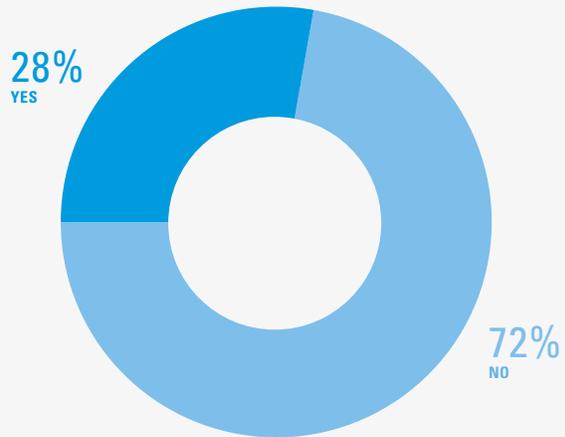
6. Does your organisation have its own data centre? (Not managed through a third party provider)

Eighty-two per cent of organisations have their own data centre.



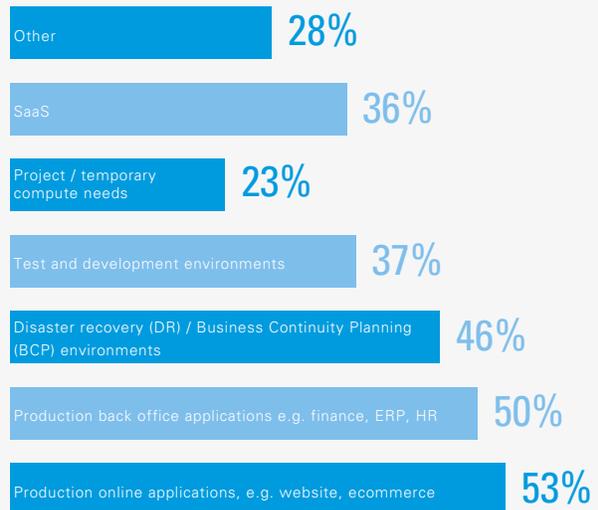
7. If yes, are you planning to outsource some of the workload (keep a mix of on-premise, off-premise model) in the next six to 12 months?

Twenty eight per cent plan to outsource some of the workload in the next six to 12 months.



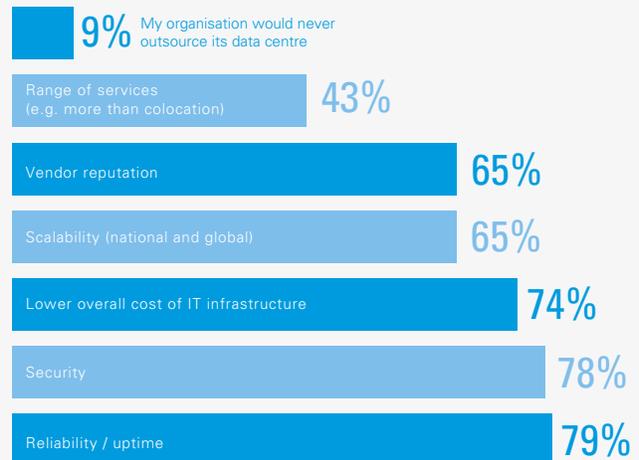
7a. And what type of business apps/workloads would you outsource?

The types of workloads they would outsource include production online applications like websites and e-commerce (53 per cent), production back office applications like finance and ERP (50 per cent), and disaster recovery/business continuity (46 per cent). The workloads less likely to be outsourced include test and development environments (37 per cent), SaaS (36 per cent) and project/temporary compute needs (23 per cent).



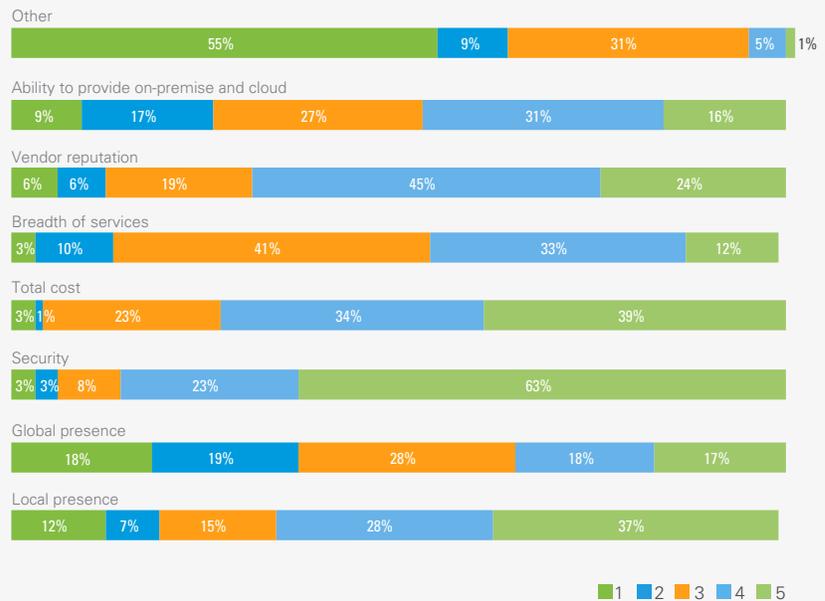
8. What are the main considerations when looking at data centre colocation/outsourcing?

When looking for data centre colocation and outsourcing, the main considerations are reliability and uptime (79 per cent), security (78 per cent) and lower overall cost of IT infrastructure (74 per cent). Organisations are also looking for vendor reputation (65 per cent), scalability both nationally and globally (65 per cent), and range of services (43 per cent).



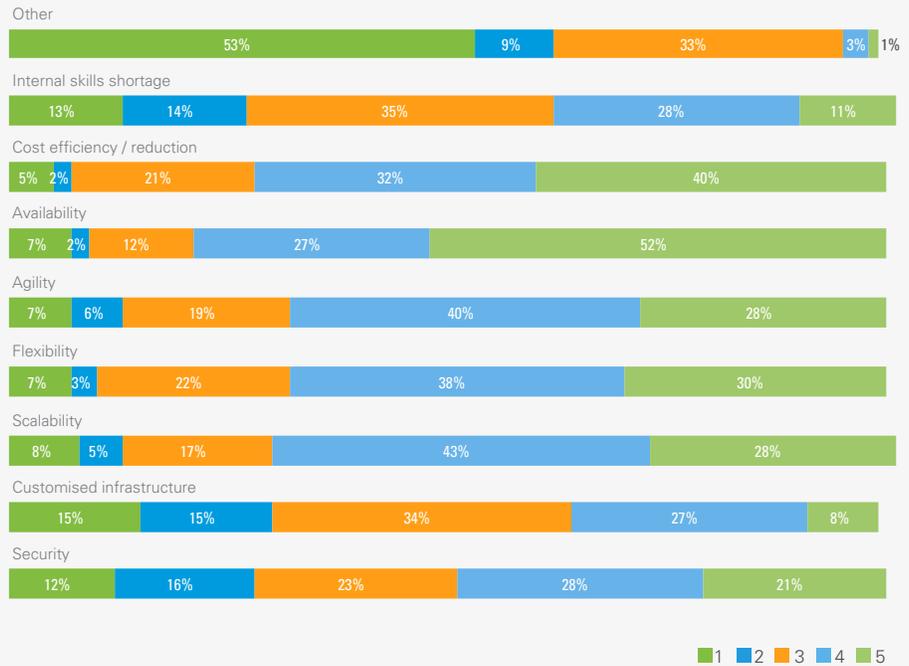
9. What is the key consideration when looking for a managed services provider? Rank on a scale of 1-5 (5 being most important).

The most important key consideration when looking for a managed services providers is security, with 63 per cent rating it as extremely important. Next was total cost, with 39 per cent rating it extremely important, followed by a local presence, with 37 per cent rating it extremely important.



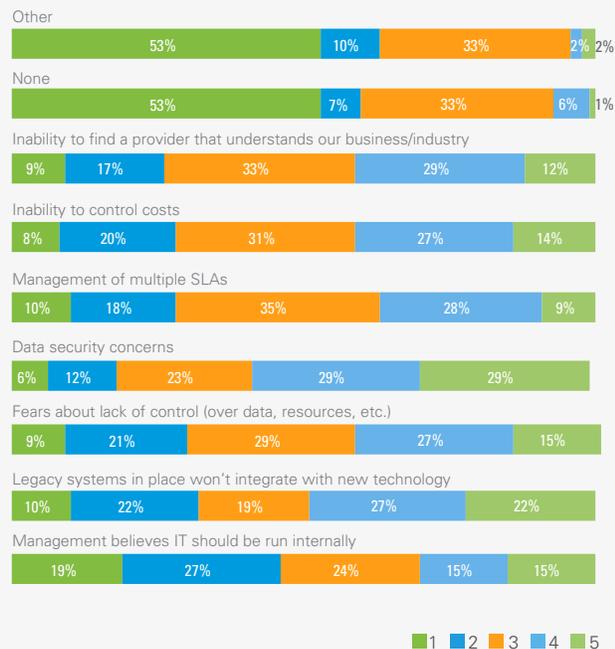
10. Rank on a scale of 1-5 (5 being most important), the main reasons for moving IT infrastructure into a managed IT model.

When asked about their reasons for moving IT infrastructure into a managed IT model, availability was the most important reason for 52 per cent of respondents. Forty per cent said cost efficiency was the most important reason, 30 per cent said it was flexibility, and 28 per cent said it was agility. Just 8 per cent said it was customised infrastructure, while 11 per cent said an internal skills shortage was the most important reason for moving to a managed IT model. Other reasons for moving IT infrastructure to a managed IT model included security, risk management and the ability for contractors to bypass certain corporate regulations.



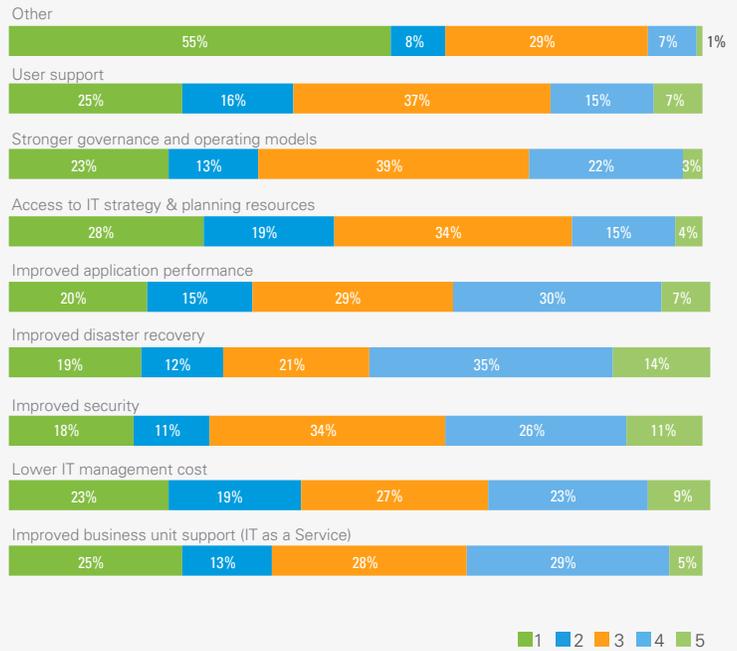
11. Rank on a scale of 1-5 (5 being most important) the main barriers to moving infrastructure into managed IT model.

The main barriers to moving infrastructure into a managed IT model are data security concerns (29 per cent), legacy systems in place that won't integrate with new technology (22 per cent), and either management belief that IT should be run internally or fears about lack of control over data and resources, with 15 per cent of respondents rating each of these as the most important barrier.



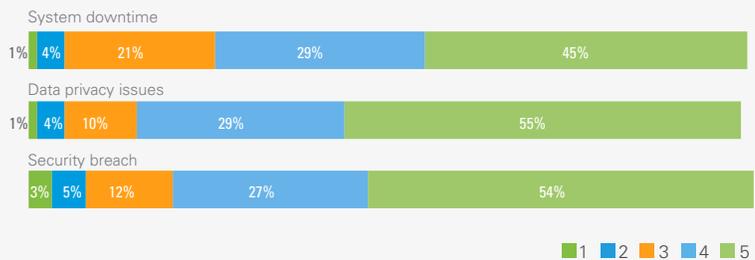
12. Rank on a scale of 1-5 (5 being most important) which of these benefits have you found from moving your IT infrastructure to a managed services provider.

The benefits of moving to a managed services provider are varied. Improved disaster recovery was rated as extremely important by 14 per cent of respondents. Improved security was rated as extremely important by 11 per cent, and lower IT managed costs was rated as extremely important by 9 per cent.



13. On a scale of 1-5 (5 being most important), rank the below risks to your business from an IT perspective.

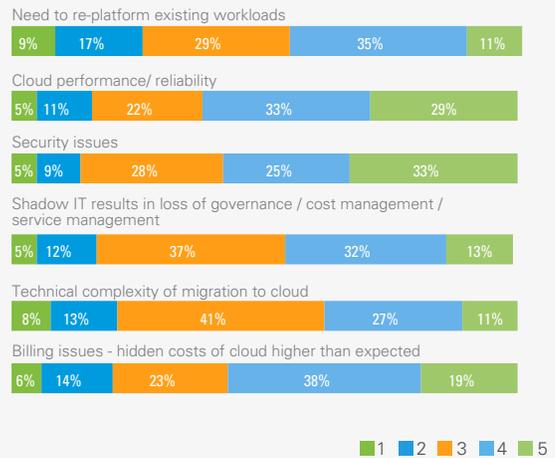
In terms of risks, data privacy issues rank as the most important with 55 per cent rating it at five out of five. Potential security breach was second most important at 54 per cent, followed by system downtime at 45 per cent.



14. On a scale of 1-5 (5 being most important), rank the below concerns when it comes to using cloud-based infrastructure/solutions.

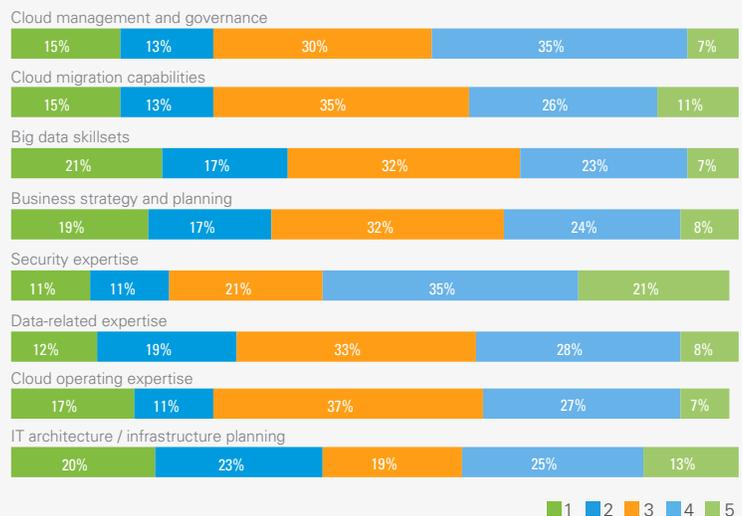
When asked to rank their concerns about using cloud-based infrastructure/solutions on a scale of one to five, a third of organisations (33 per cent) rated security issues as extremely important. Cloud performance and reliability was rated extremely important for 29 per cent, while 19 per cent rated billing issues and hidden costs as extremely important.

The least important concerns were the fact that shadow IT results in loss of governance/cost management/service management with 13 per cent rating it as extremely important. The need to re-platform existing workloads was rated extremely important for 11 per cent, while technical complexity of migrating to the cloud was rated extremely important for 11 per cent.



15. Rank in terms of importance from 1-5 the skills your IT organisation most needs to acquire or engage outside resources for over the next 12 months.

The most important skills needed to acquire or engage outside resources for in the next 12 months were security expertise (21 per cent), IT architecture/infrastructure planning (13 per cent), cloud migration capabilities (11 per cent), and business strategy and planning (8 per cent).



Five reasons to choose Hybrid IT

Organisations that partner with the right hybrid IT solutions provider will benefit from tailored solutions that align with business goals. A comprehensive hybrid IT strategy considers how to integrate outsourced technologies with existing infrastructure. CenturyLink has identified five reasons to adopt a hybrid IT approach:

- 1. Data protection.** A hybrid IT solutions provider can offer security operation centres, multi-level technology, and enforced compliance with data retention policies and procedures to ensure the organisation's data is protected from ongoing threats and attack vectors.
- 2. Customised infrastructure.** A hybrid IT model lets organisations customise their infrastructure and solutions to meet specific data, security and regulatory, scalability, and capacity needs. This is achieved by balancing on-premise and off-premise compute, networking and storage resources.
- 3. End-to-end solutions.** A hybrid IT solutions provider can deliver end-to-end IT solutions. This includes assessment and planning, delivery, and management and optimisation of the organisation's IT to ensure ongoing alignment with business goals.
- 4. Scalability, flexibility and agility.** Elasticity and agility are considered at every stage of the outsourcing and application lifecycles. By moving IT workloads to optimal platforms throughout their lifecycles, organisations experience better service. The ability to scale services over time as required means the organisation only pays for what is needed.
- 5. 100 per cent availability.** Partnering with the right hybrid IT solution provider can guarantee 100 per cent uptime availability and extend the reach of the organisation globally, helping to support and accelerate business expansion into new markets.

Appendix - Methodology

Outsource, a third-party marketing company, conducted research for this index on behalf CenturyLink via an outbound telemarketing and email campaign.

The survey was conducted in August and September 2015. One-hundred-and-fifty senior IT and business decision makers participated in this survey on the current and planned hybrid IT services strategies and approaches by Australian organisations.

The questions asked for this report were:

1. Is your company currently using a managed service provider?

- a. Yes
- b. No

2. If no, are you planning to move to a hybrid IT environment in the next 12 months?

- a. Yes
- b. No

Define 'hybrid IT' – a Hybrid IT environment means any mix of outsourced and in-house IT services, including data centre colocation, managed hosting, managed services, network and managed cloud, for critical business needs.

3. If yes, as a percentage, how much of your IT infrastructure is outsourced or supported by an external IT services company?

- a. Less than 10%
- b. 10-30%
- c. 30-50%
- d. 50-75%
- e. 75-more%

3a. What are the types of applications that are being run on outsourced infrastructure?

- a. Production online applications, e.g. website, ecommerce
- b. Production back office applications e.g. finance, ERP, HR
- c. Disaster recovery (DR) / Business Continuity Planning (BCP) environments
- d. Test and development environments
- e. Project / temporary compute needs
- f. SaaS
- g. Other - please specify

4. Forward looking, how much of your IT infrastructure do you think will be outsourced and supported by an external IT services company in the next 12 months?

- a. Less than 10%
- b. 10-30%
- c. 30-50%
- d. 50-75%
- e. 75-more%

4a. What types of applications would likely be run on outsourced infrastructure?

- a. Production online applications, e.g. website, ecommerce
- b. Production back office applications e.g. finance, ERP, HR
- c. Disaster recovery (DR) / Business Continuity (BCP) environments
- d. Test and development environments
- e. Project / temporary compute needs
- f. SaaS
- g. Other - please specify

5. What are you currently using a managed service provider for? Select all.

- a. Cloud IaaS, PaaS, SaaS
- b. Private cloud
- c. Hybrid cloud
- d. Data centre co-location
- e. Managed hosting
- f. Network solutions
- g. Security solutions
- h. Migration services
- i. Business continuity
- j. Database and / or application management
- k. I'm not using managed services provider
- l. Other - please specify

6. Does your organisation have its own data centre? (Not managed through a third party provider)

- a. Yes
- b. No

7. If yes, are you planning to outsource some of the workload (keep a mix of on-premise, off-premise model) in the next 6-12 months?

- a. Yes
- b. No

7a. And what type of business apps / workloads would you outsource?

- a. Production online applications, e.g. website, ecommerce
- b. Production back office applications e.g. finance, ERP, HR
- c. Disaster recovery (DR) / Business Continuity (BCP) environments
- d. Test and development environments
- e. Project / temporary compute needs
- f. SaaS
- g. Other - please specify

8. What are the main considerations when looking at data centre colocation / outsourcing? Select all.

- a. Lower overall cost of IT infrastructure
- b. Reliability / uptime
- c. Security
- d. Scalability (national and global)
- e. Vendor reputation
- f. Range of services (e.g. more than co-location)
- g. My organisation would never outsource its data centre

9. What is the key consideration when looking for a managed services provider? Rank on a scale of 1-5 (5 being most important).

- a. Local presence
- b. Global presence
- c. Security
- d. Total cost
- e. Breadth of services
- f. Vendor reputation
- g. Ability to provide on premise and cloud
- h. Other - please specify

10. Rank on a scale of 1-5 (5 being most important), the main reasons for moving IT infra-structure into a managed IT model?

- a. Security
- b. Customised infrastructure
- c. Scalability
- d. Flexibility
- e. Agility
- f. Availability
- g. Cost efficiency / reduction
- h. Internal skills shortage
- i. Other - please specify

11. Rank on a scale of 1-5 (5 being most important), the main barriers to moving infrastructure into managed IT model?

- a. Management believes IT should be run internally
- b. Legacy systems in place won't integrate with new technology
- c. Fears about lack of control (over data, resources etc.)
- d. Data security concerns
- e. Management of multiple SLAs
- f. Inability to find a provider that understands our business / industry
- g. None
- h. Other - specify

12. Rank on a scale of 1-5 (5 being most important), which of these benefits have you found from moving your IT infrastructure to a managed services provider?

- a. Improved business unit support (IT as a Service)
- b. Lower IT management cost
- c. Improved security
- d. Improved disaster recovery
- e. Improved application performance
- f. Access to IT strategy & planning resources
- g. Stronger governance and operation models
- h. User support
- i. Other

13. On a scale of 1-5 (5 being most important), rank the below risks to your business from an IT perspective:

- a. Security breach
- b. Data privacy issues
- c. System downtime

14. On a scale of 1-5 (5 being most important), rank the below concerns when it comes to using cloud-based infrastructure / solutions.

- a. Billing issues - hidden costs of cloud higher than expected
- b. Technical complexity of migration to cloud
- c. Shadow IT results in loss of governance / cost management / service management
- d. Security issues
- e. Cloud performance/ reliability
- f. Need to re-platform existing workloads

14. Rank in terms of importance from 1-5, the skills your IT organisation most needs to acquire or engage outside resources for over the next 12 months? (Please select up to three.)

- a. IT architecture / infrastructure planning
- b. Cloud operating expertise
- c. Data-related expertise
- d. Security expertise
- e. Business strategy and planning
- f. Big data skillsets
- g. Cloud migration capabilities
- h. Cloud management and governance

About CenturyLink

CenturyLink (NYSE: CTL) is a global communications, hosting, cloud and IT services company enabling millions of customers to transform their businesses and their lives through innovative technology solutions.

CenturyLink offers network and data systems management, Big Data analytics and IT consulting, and operates 60+ data centers in North America, Europe and Asia Pacific.

The company provides broadband, voice, video, data and managed services over a robust 250,000-route mile (400,000km) U.S. fiber network and a 300,000-route-mile (480,000km) international transport network.

For more information about CenturyLink, visit:
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