

The background of the entire page is a low-angle, upward-looking photograph of several modern skyscrapers. The buildings are dark with many windows, some of which are illuminated from within. A prominent, thick white diagonal stripe runs from the top-left towards the bottom-right, crossing over the buildings. The sky is a pale, overcast blue.

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# SMBs: The Future Is Co-Managed

Partner With MSPs For Secure, Cost-Effective Public Cloud

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY DATTO | JANUARY 2023

## IT Management For SMBs Is Increasingly Complex As Digital Transformation Accelerates

Digital transformation initiatives continue to drive organizations to the public cloud. Though the potential to reduce costs and accelerate go-to-market draws more businesses, public cloud does not come without challenges and risks. Firms are choosing to keep select services on-premises, inadvertently creating a hybrid IT environment. For small and medium-sized businesses (SMBs), managing both public and on-premises infrastructures is becoming increasingly complex and expensive. Leveraging partnerships with managed service providers (MSPs) enables SMBs to manage their IT environments with skilled partners at a cost they can afford.

In a study commissioned by Datto, Forrester Consulting surveyed 421 cloud strategy decision-makers at SMBs about their organizations' current IT infrastructures and how leveraging external partnerships streamlines operations, saves money, and contributes to organizational success.

### Key Findings



Organizations are moving to the public cloud to align with digital transformation initiatives. However, they expect it to take more than three years to be 100% cloud.



Security, skills gaps, and unpredictable costs present challenges for optimizing SMBs' IT environments.



External partnerships help bridge skills gaps and alleviate the challenges of managing a hybrid environment, creating a more balanced IT ecosystem.

## Cloud Accelerates And Hybrid Proliferates

SMBs are moving more and more workloads to the cloud, with respondents reporting that their organizations are currently operating an average of 52% of their IT infrastructure and applications in the public cloud. Two years from now, respondents anticipate a 17% increase to 61%, of their organization's IT operations in the public cloud.

Whether planned or not, respondents' organizations are currently operating and planning to continue operating hybrid IT infrastructures. With an anticipated 39% of infrastructure and applications expected to still operate on-premises two years from now, respondents do not anticipate a full cloud transformation any time soon, if ever.

**“What percentage of your organization’s IT infrastructure/applications are/will be running in the public cloud today and two years from now?”**



**Hybrid IT is the SMB norm, and complete operation in the cloud isn't happening anytime soon.**

## The Reality Of Public Cloud Falls Short Of Expectations

Respondents cited cost effectiveness, digital transformation initiatives, and a desire to modernize existing apps and services as the most important reasons for public cloud adoption. Eighty-three percent also said improving security was a driver.

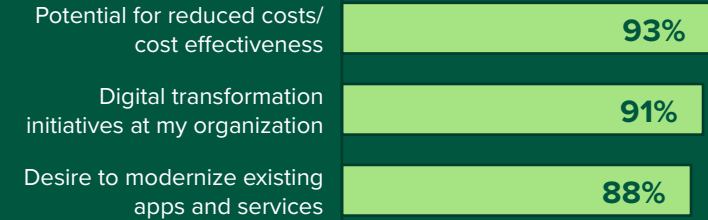
However, 66% said they have chosen to keep some of their firm's workloads on-premises due to security concerns. Migrating to the cloud is a significant undertaking, but only 47% of respondents said their organization is seeing greater cost optimization after adoption, and 35% said their firm is seeing increased speed of setup or buildouts. So, the desire to modernize existing apps and services may be inhibited or unfulfilled. Just 31% of respondents' firms are seeing an improved ability to meet compliance regulations, which potentially slows digital transformation initiatives and presents challenges that may offset the benefits of migration.

## Public Cloud Expectations Vs. Reality

### EXPECTATIONS

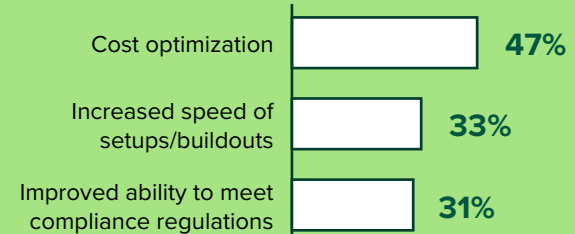
**“How much of an impact did the following have on your organization’s decision to move IT infrastructure/applications to the public cloud?”**

(Showing high or primary driver of cloud adoption)



### REALITY

**“What benefits are you currently seeing from using the public cloud at your organization?”**



## Lack Of Skilled IT Staff Inhibits Optimized Operations

Even as use of the public cloud and subsequently hybrid IT continues to grow, businesses are facing talent shortages for cloud-related skills.<sup>1</sup> More than half of respondents said the lack of in-house staff expertise is challenging or very challenging to their organization's operations in the cloud and that their firm does not have enough employees to manage its IT infrastructure (both on-prem and in the cloud) or the ability to train or upskill the existing staff. Without the time to find, develop, and nurture talent with comprehensive, adaptable training, SMBs will continue to struggle to get the most out of their hybrid deployments.

**“To what extent do you agree/disagree with the following statements about your organization’s IT infrastructure (on-prem and cloud) management?”**

**74% AGREE/STRONGLY AGREE**

that their organization does not have the capability or capacity to train/upskill employees as cloud grows in complexity.

**64% AGREE/STRONGLY AGREE**

that their organization does not have enough employees to appropriately manage its IT infrastructure.

**“How challenging are the following to your organization’s operations in the public cloud?”**

**52%**

of respondents said a lack of in-house staff expertise is challenging/very challenging to their organization’s operations in the public cloud.

## Complex Processes And Technologies Present More Challenges

As they continue to manage their hybrid IT infrastructures, SMBs also face process and technology challenges. Decision-makers noted that maintaining interoperability between their firm's on-prem and cloud environments is one of the biggest challenges. This disconnect between cloud and on-prem infrastructures creates a disjointed hybrid environment.

Security and privacy are also top concerns, with respondents reporting that their firms are experiencing difficulties keeping up with new measures as they attempt to manage both their on-premises and cloud infrastructures. Likewise, respondents said their organizations have issues maintaining comprehensive backup and disaster recovery plans and difficulties meeting governance requirements.

### “To what extent do you agree/disagree with the following statements about your organization’s IT infrastructure (on-prem and cloud) management?”

● Strongly Agree ● Agree



## A Partnership With An MSP Can Help Achieve The Best Of Hybrid

Respondents know that developing external partnerships can help extract the most out of a hybrid deployment. Sixty-three percent said their organization already partners with a service provider, and 34% said their firm is interested or planning to partner with one in the next 12 months. Many companies turn to MSPs to help both with the initial setup and ongoing operations of their IT environments, to train and upskill internal teams, and to be a consistent source of skillset stability.<sup>2</sup> This can help alleviate the challenges across people, process, and technology that currently plague SMBs.

“Is your organization currently partnering with or planning to partner with an external partner or an IT service provider to help guide your organization’s IT/ cloud strategy?”

34% of respondents said their organization is **interested in external partnerships** or **planning to partner** with an external provider to help guide its IT/cloud strategy.



63% of respondents said their organization is **currently partnering with an external provider** to help guide its IT/ cloud strategy.

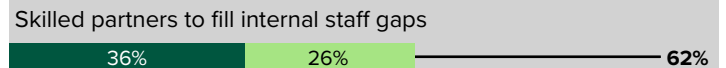
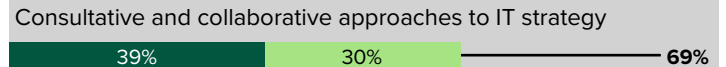
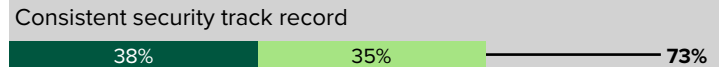
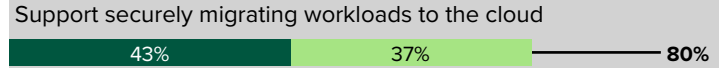
## Leverage Partnerships For Successful Digital Transformation

Respondents are carefully considering their firms' partnerships in light of the challenges they've experienced with moving to the public cloud and subsequently operating hybrid environments. They expect partnerships to enhance security while keeping costs more predictable. Support with securely migrating workloads to the cloud is paramount, and a partner with a consistent security track record is highly valued.

Respondents' organizations also seek partners that will enable them to close skills gaps between their current capabilities and digital transformation goals. Consultative and collaborative approaches to IT strategy create true partnerships and is a recipe for successful IT management. Leveraging the expertise of an MSP can make up for the difference in the expectations and realities of SMBs' cloud journeys.

### “If/when selecting an IT service provider, how important are the following factors in determining your selection?”

● Strongly Agree ● Agree



## Conclusion

As SMBs continue their cloud and digital transformation initiatives, they face increased complexity of their IT environments and ongoing challenges in hiring, upskilling, and retaining staff.

Hybrid deployments aren't going anywhere. For SMBs, partnering with an MSP to comanage or fully manage their IT infrastructures is likely the way of the future. Integrated service offerings or tech stacks from MSPs can help SMBs meet the need for increased efficiency while closing skills gaps. Cloud strategy decision-makers also hope to make their firms' costs more predictable and to better secure their IT environments with partnerships. An MSP with a proven track record, skilled consultants, and a collaborative ethos can help close the gap between the expectations and realities of the cloud and "accidental hybrid" IT. Careful consideration of current and future IT management needs is integral to choosing the right partner.<sup>3</sup>

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## Methodology

This Opportunity Snapshot was commissioned by Datto. To create this profile, Forrester Consulting developed custom survey questions and posed them to 421 cloud strategy decision-makers across industries at global small and medium-sized businesses (i.e., organizations with 1,000 employees or fewer). The custom survey began and was completed in September 2022.

### ENDNOTES

<sup>1</sup> Source: “Mind The Cloud Skills Gap,” Forrester Research, Inc., March 11, 2020.

<sup>2</sup> Source: Ibid; “Optimize Your Cloud Organization For Speed And Customer Delight,” Forrester Research, Inc., June 13, 2022.

<sup>3</sup> Source: “Top 10 Facts About Managed Public Cloud Services,” Forrester Research, Inc., February 6, 2020.

### ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key transformation outcomes. Fueled by our customer-obsessed research, Forrester’s seasoned consultants partner with leaders to execute on their priorities using a unique engagement model that tailors to diverse needs and ensures lasting impact. For more information, visit [forrester.com/consulting](https://forrester.com/consulting).

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## Demographics

### GEOGRAPHY (BY REGION)

North America	<b>37%</b>
Australia/New Zealand	<b>25%</b>
UK/Ireland	<b>13%</b>
Benelux	<b>13%</b>
Nordics	<b>13%</b>

### COMPANY SIZE

501 to 1,000 employees	<b>40%</b>
101 to 500 employees	<b>37%</b>
2 to 100 employees	<b>23%</b>

### INDUSTRY (TOP 10)

Retail	<b>7%</b>
Electronics	<b>7%</b>
Transportation and logistics	<b>6%</b>
Manufacturing and materials	<b>6%</b>
Consumer services	<b>6%</b>
Healthcare	<b>6%</b>
Financial services and/or insurance	<b>6%</b>
Chemicals and/or materials	<b>5%</b>
Media and/or leisure	<b>5%</b>
Energy, utilities, and/or waste management	<b>5%</b>

### SENIORITY

C-level	<b>15%</b>
VP	<b>35%</b>
Director	<b>40%</b>
Manager	<b>9%</b>

### RESPONSIBILITY LEVEL

Final decision-maker for cloud strategy	<b>41%</b>
Influence decisions for cloud strategy	<b>29%</b>
Part of a team making decisions for cloud strategy	<b>30%</b>

### DEPARTMENT

Business owner/ CEO/CTO	<b>30%</b>
IT	<b>70%</b>

### ADOPTION/USE OF CLOUD TODAY

The majority/ all workloads and applications are in the public cloud.	<b>29%</b>
A significant portion of workloads and applications are in the public cloud.	<b>51%</b>
My organization is in the beginning stages of running workloads and applications in the cloud.	<b>20%</b>

Note: Percentages may not total 100 due to rounding.



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