

Spotlight: The State of SMBs and IT today

Midsized businesses in South Africa plan to modernise and increase their use of public cloud and mobile devices, but they have concerns over the economy, skills, vendors and legacy

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Introduction



Mid-sized organisations with fewer than 500 staff are a huge part of the modern economy. Leaving aside micro-businesses and very small businesses, those with between 100 and 499 staff are powered by the entrepreneurs and dreamers who want to build tomorrow's business powerhouses or, alternatively, retain command of their own fortunes without the responsibilities and distractions of being a large enterprise. These companies have traditionally succeeded by focusing on niche opportunities or serving local markets but in today's digitising, globalising world, IT is a huge and growing part of their ability to compete.

To find out more about how companies are taking advantage of information technology, Dell Technologies commissioned IDG to conduct a survey of over 1,500 respondents across 11 European countries and South Africa. The resulting numbers suggest that these organisations are already making good use of IT tools to improve their competitiveness and are planning to deploy emerging technologies in future. But they also point to the fact that midsize firms are facing a series of challenges in managing and maintaining their IT estates and often struggle with information security, costs, hiring and keeping staff, competition from startups and increasing regulations that impact data management.

In South Africa, we polled over 50 respondents, spread across sizes of organisation from 100-199, 200-349 and 350-499 employees, but with 87% of them being in the two higher categories. Respondents came from a wide array of sectors but almost a quarter came from the banking, finance, investment and insurance group vertical. Almost four-fifths of respondents worked in IT operations and all had influence on IT buying decisions.

By comparing South African respondents' answers to those of European peers we can reach an even deeper understanding of the specific needs, desires and frustrations of businesses in the country.

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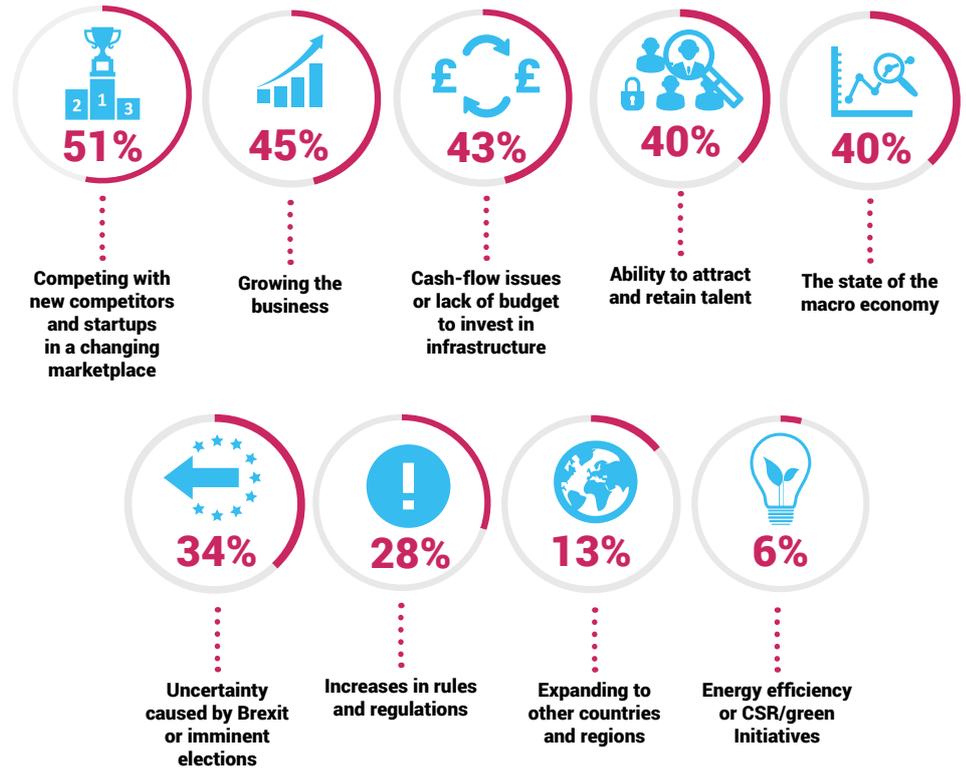
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Challenges are different in South Africa



Looking at your organisation's competitiveness, which of the below do you see as the most significant challenges you face today? (Select the three most significant.)

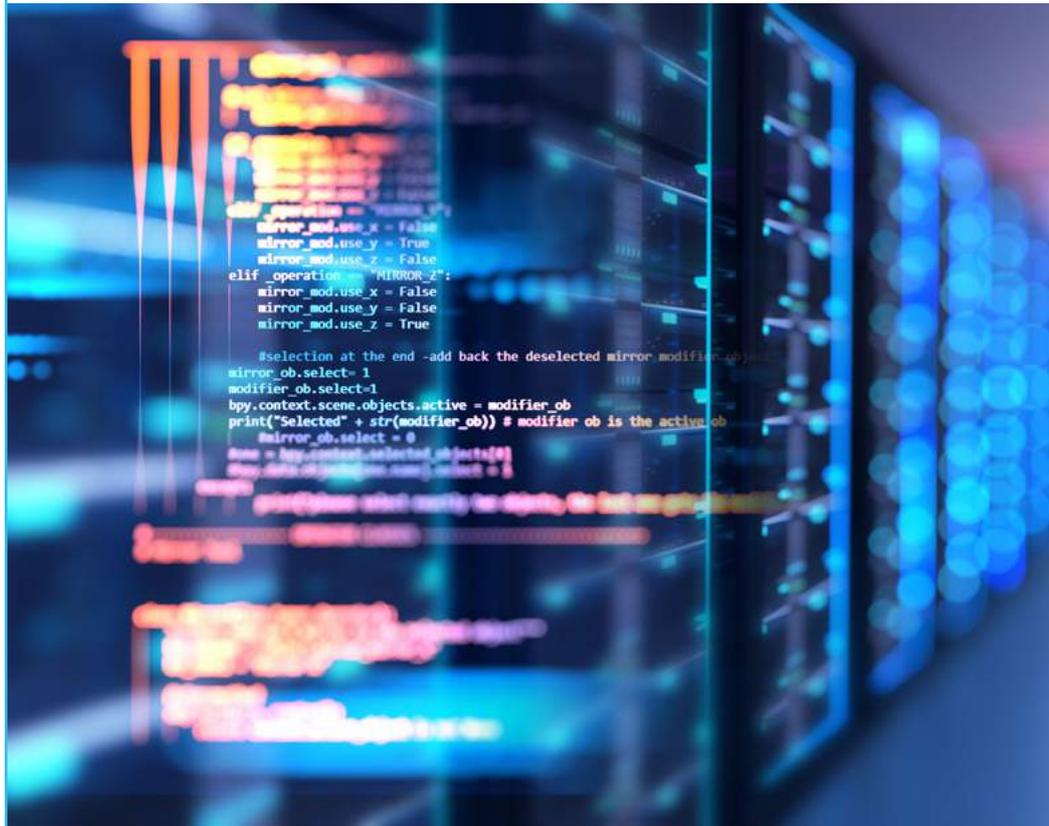


We started by asking our audience about their competitiveness and what they view as their most significant challenges. The most common concerns among South African respondents were fivefold: beating new competitors; growth; finding and keeping talent; cashflow/budget issues; and the state of the macro economy.

But what was notably here (and throughout the survey) was the significant differentiation between South Africa and the other countries we surveyed in this poll, from IT deployment to people issues, legacy, vendor management, 5G and mobile computing and communications. Perhaps this shouldn't be surprise as this was the only non-European nation to be included. But we found that when we asked about challenges the South African audience effectively told us that they were a little less likely to stress as much about attracting and keeping talent or the impact of rules and regulations compared to Europeans, but they were most likely to see growing the business as challenging, and the equal most likely to worry about competing with new competitors and startups.

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We can suggest a few reasons here:

- Finding and keeping skilled people is a challenge the world over but South Africa's skilled visa programme and historical links with other countries might ease that issue a little.
- The regulatory environment might not be as tough or as fast-changing as in Europe where many companies operate under European Union rules and where the emergence of GDPR recently meant seismic changes to data protection and privacy laws.
- There are ongoing fears of economic recession in South Africa, putting a dampener on the chances for growth, and there having recently been a general election.
- There exists a dynamic startup economy, especially in Johannesburg and Cape Town.

Together, this set of answers suggest that South Africa has a differentiated but balanced perspective on the challenges of doing business today.

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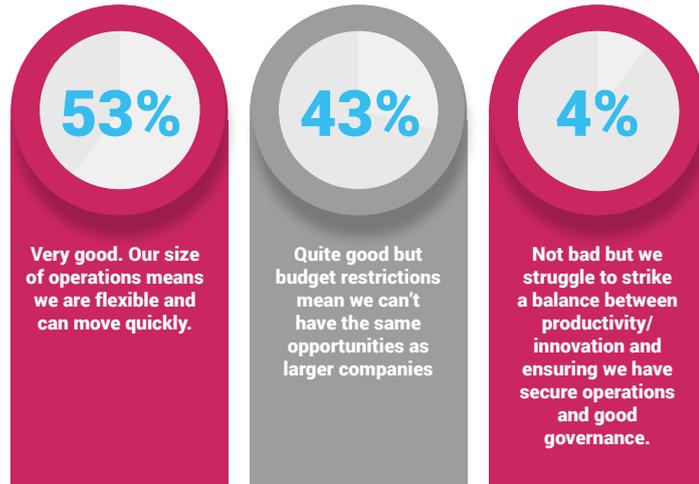
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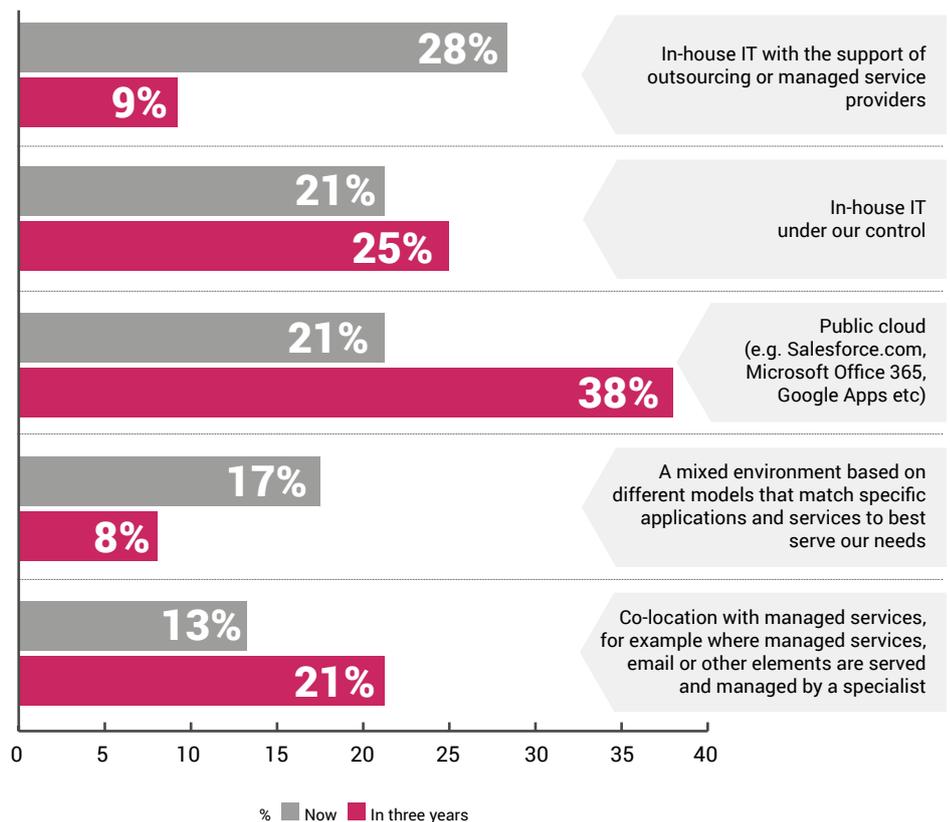
IT infrastructure confidence is high



As a medium-sized organisation, how would you rate your ability to use IT for competitive differentiation? (Select the statement that most closely matches your situation.)



What is your preferred way of deploying IT today? (Select one.) And what do you expect it to be in three years from now? (Select one.)



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The South African audience took a generally positive view of its IT infrastructure with over half saying they had a very good platform to support competitive differentiation and 96% saying it was good or very good. Not a single respondent described their IT environment as “quite poor”, the fourth option we offered.

These numbers suggest that South Africa’s mid-sized businesses are in a good place but there will always be a need to do more work on seeking to extract legacy systems and modernising their cores. Digitisation is, after all, a never-ending journey.

However, the South Africans are not refreshing their IT deployment models in the same way as many European peers. In-house IT being operated under direct control is expected to rise marginally whereas most countries expect deep decreases as they seek more flexible and cost-effective approaches. Similarly, the very sharp projected decline in using in-house IT with support of outsourcing or MSPs goes against the grain and may limit operating flexibility.

Lastly, although respondents expect a sharp increase in public cloud usage, South Africa is the only country we surveyed that expects to see a decline in hybrid IT approaches where workloads are matched to the most appropriate deployment platforms.

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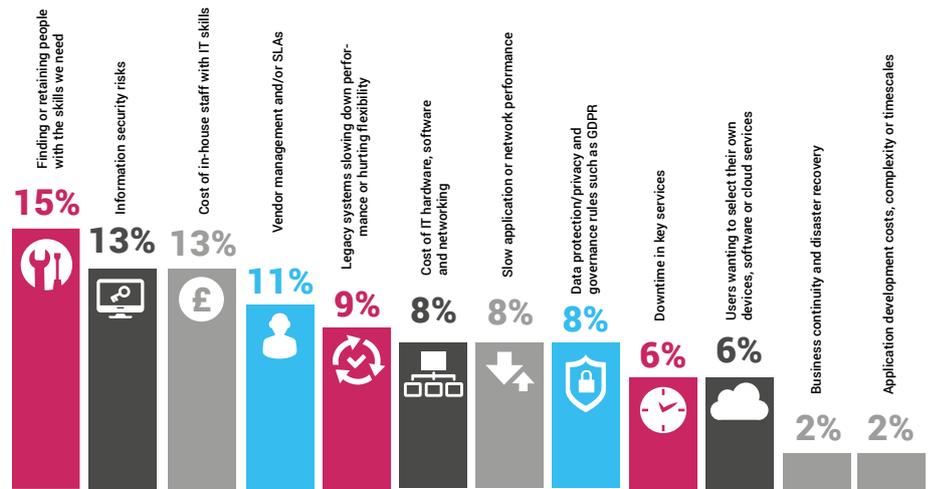
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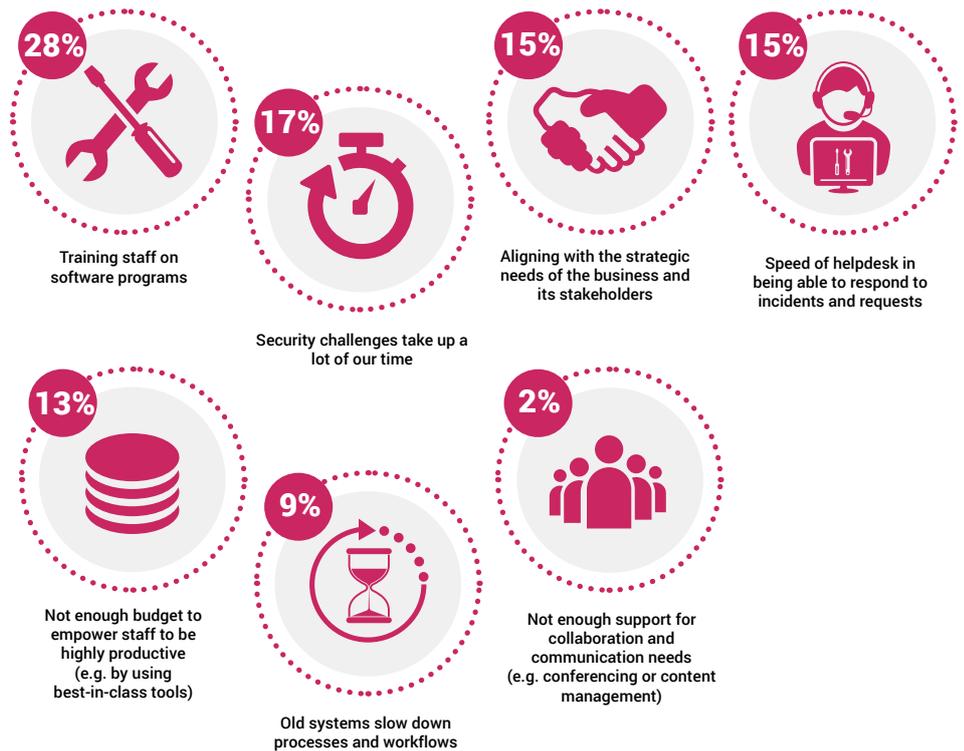
People issues lead IT concerns



What is your biggest worry or concern relating to managing IT today?



What is the biggest challenge in supporting your business's needs?



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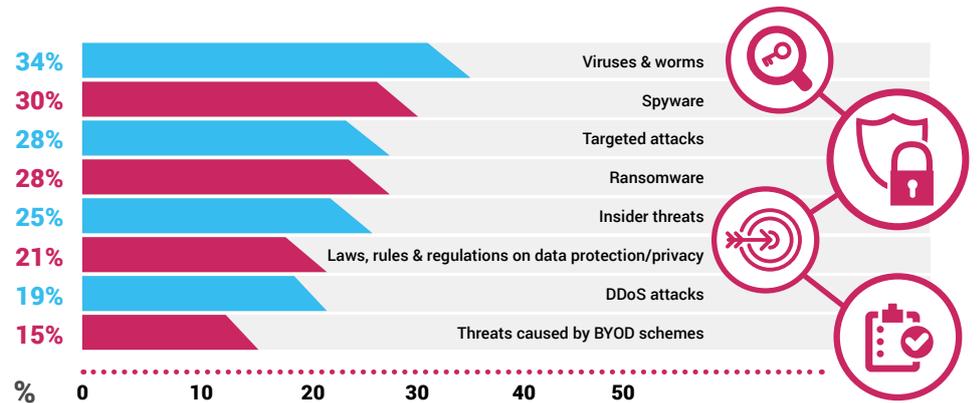
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IT concerns



Turning to information security, what are your biggest concerns? (Select your two biggest concerns.)



Once again, South Africa’s numbers stood out against European findings when we asked about IT concerns. The panel provided the lowest response on disaster recovery being a challenge and the joint lowest on cost of equipment. On the other hand, South Africa provided the joint highest total on cost of people with IT skills, the highest on finding and retaining people, vendor management and legacy systems.

Information security has become one of the key concerns of IT staff anywhere as risks have increased in parallel with the rise of the internet as a business platform. There have never been so many risks, those risks have never been as serious, and dealing with those risks has never been so complex. As with all our surveyed countries, security is a concern that stands front and centre for the South African audience. However, respondents were less likely than most to cite infosec risks as their biggest concern, suggesting that the high levels of confidence in infrastructure referred to earlier also apply to digital defences.

However, the global shortage of people with skills remains a huge challenge (even if not necessarily as acute as in some countries) and South Africans appear to see aging systems and the trials of managing ranks of vendors as challenging tasks.

When we delved deeper on security, the highly differentiated responses were again apparent with the second lowest scores for seeing spyware and DDoS attacks being the biggest concerns. But, by a large distance, South Africa had the biggest fears over insider threats and data protection and privacy.

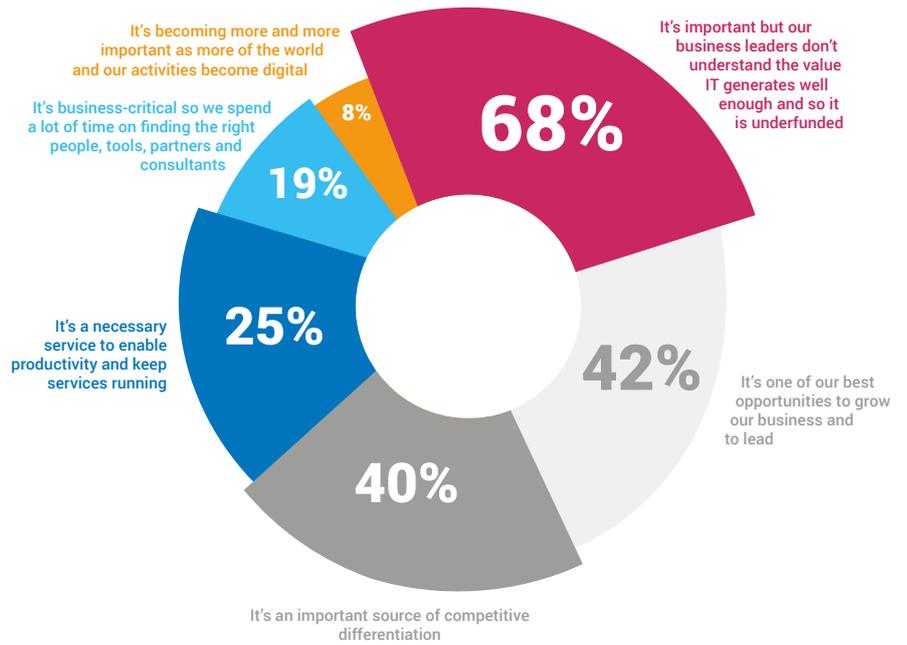
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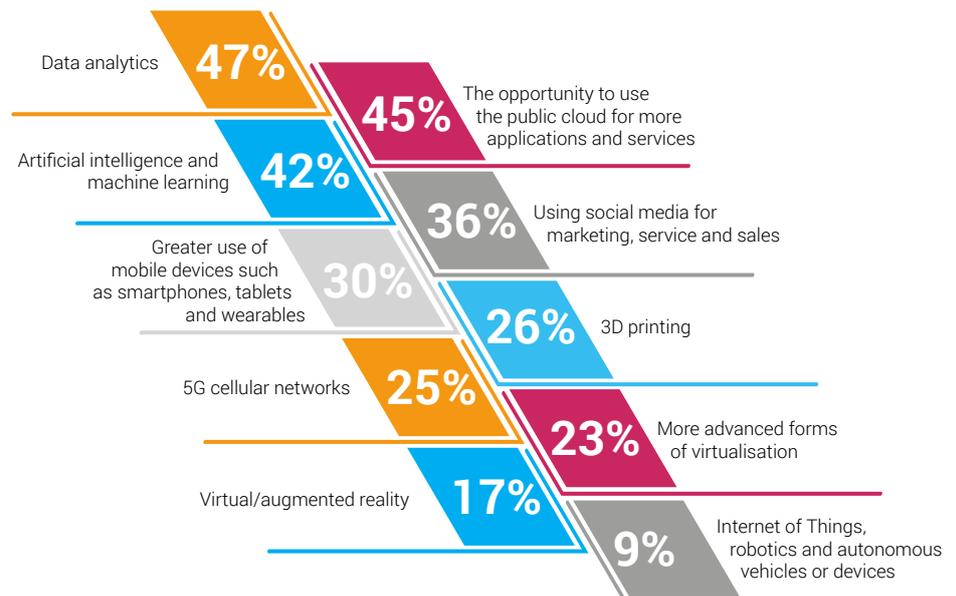
Hopes and opportunities



How important do you think IT is for your business?
(Select the two statements that best match your view.)



Looking ahead, what do you see as the most important technology opportunities for you that are emerging today? (Select the three most important.)



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South Africa came up with progressive answers when we asked about the strategic importance of IT, being the second-most likely to say that it can deliver a competitive advantage and the second least likely to view it merely as a “necessary” service.

Looking forward to use of technologies, South Africa gave the most votes of any country to more extensive use of public cloud and the most for 5G but the lowest for VR/AR and, perhaps surprisingly given how many financial institutions were surveyed, nobody selected blockchain as one of their three most important technologies.

Generally, though, these were positive answers with fifth-generation cellular networks providing the opportunity to make the most of mobile devices and the Internet of Things. The ringing endorsement of public cloud will also be bolstered when carriers roll out these advanced networks.

VR and AR will have their day, but their appeal today is mostly confined to countries with stronger media and creative economies.

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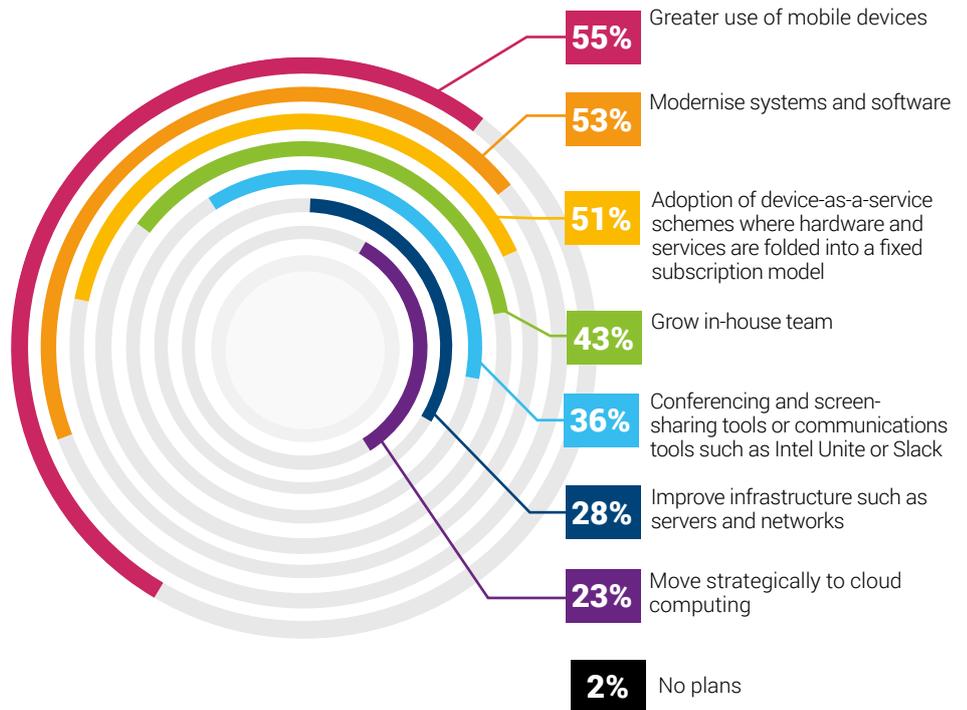
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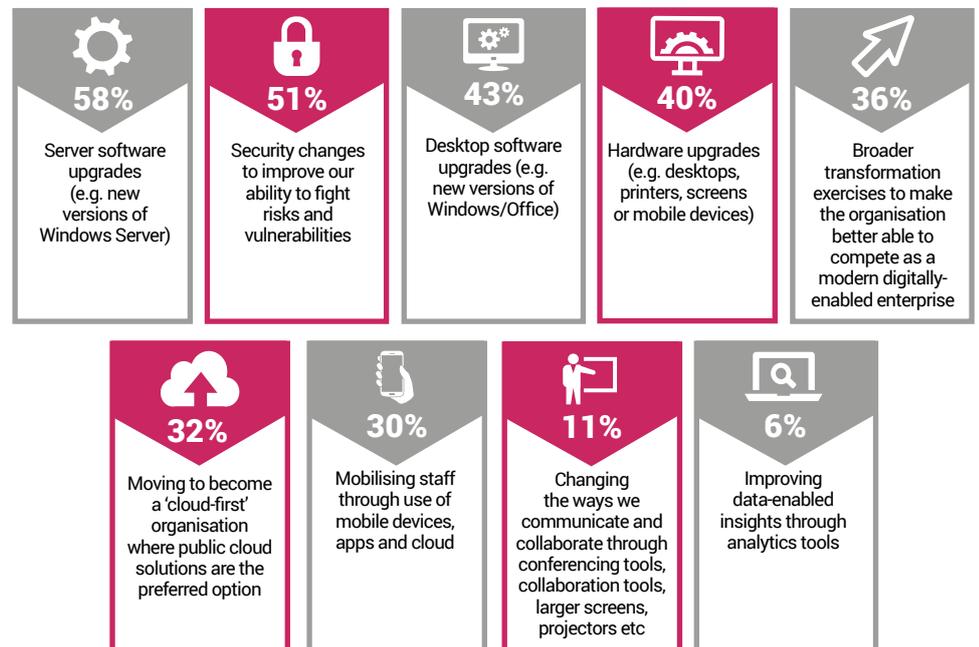
The future



How do you plan to make your company more creative and effective through IT? (Select as many as apply.)



What are the biggest projects IT has on its table today? (Select as many as apply.)



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South African respondents provided a long list when asked how they plan to make their employers more effective, showing again a progressive attitude towards both empowerment and procurement.

They were the biggest proponents by far of mobilising their employees and the second most likely to plan to implement device-as-a-service subscription pricing schemes, where payments are spread over the lifecycle of PCs and other systems.

The relatively low number of respondents saying they plan to move strategically to cloud computing in some ways stands counter to the enthusiasm in earlier questions but may be explained by the deployment plans section where the panel said that it planned to increase its in-house IT under its own control. That is, cloud will be used widely, but tactically rather than strategically.

Modernisation was also a repeated motivation when we asked about today's IT projects with the country leading the way on new hardware and software, and for server and desktop upgrades.

These responses add to the picture of South Africa as a modern and aggressive adopter of technology.

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To compete more effectively against new companies and other rivals, South Africa's midsize businesses are changing quickly and showing a determination to lead in IT that should stand them in good stead in a world where every company is becoming a software company and where digitisation of processes is central to success. South African respondents provided highly distinct attitudes and they clearly fall into the camp of fast movers.

The midsize sector has always been notoriously difficult to understand. Firms in the sector differ wildly and, lacking the budgets of larger firms, they have difficult decisions to make in terms of their IT and related investments as they seek growth without spending heavily. But our survey suggests that this generation of companies have a healthy appreciation for the power of technology and a desire to exploit that power as far as possible.

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