

The Drivers and Challenges of Ireland's IT Landscape

The growth of enterprise applications and the continuing move to the cloud



Executive Summary

This inaugural report from Digital Realty and HPE explores the current IT landscape in Ireland. The report aims to identify challenges and pain points and provides an insight into what the future looks like from an IT perspective. As Ireland's economy is heavily reliant on foreign direct investment, in order not to skew the findings, the research is spread evenly between small and large organisations to get an accurate view of the IT industry in Ireland today.

Domestic enterprises, including those trading internationally, are particularly vulnerable to challenges from overseas competitors as they face not only intense competition but often a more coherent IT strategy and international workforces able to deliver at pace and at scale. In particular, a continuing reliance on the in-house server room means Irish enterprises have been slow to respond to the challenge with services, both internal and external, hamstrung by a technology lag.

Radical changes in how we live, work and shop are now apparent, all centred on continuous connectivity, always-on data and self-service, the challenge for Irish enterprises is to modernise their IT offering in order to deliver for the business, staff and for customers and clients.

Understanding trends in enabling hybrid IT, solving network-related issues or finding partners to influence and support IT decisions can help your organisation's decision-making, vendor selection, and connectivity strategies to support your IT strategy.

When respondents were asked to describe their overall IT approach and strategy, unsurprisingly 45% stated they were moving towards a hybrid environment. The report further identifies backup and recovery, cost and understanding of how to best make use of data as key challenges associate with managing data.

Key Findings

1. Key Challenges Associated with Managing Data

The majority of respondents identify data security, data backup and recovery and making the best use of data as the key challenges to moving to managing data.

2. Overall IT Approach and Strategy

Nearly half (45%) confirm they are moving towards a hybrid IT environment. Findings reveal a big variance between enterprises HQ'd in Ireland versus those HQ'd outside of Ireland (36% v 67%) showing Ireland is slower to embrace hybrid IT than others.

3. Skills Shortages

Ireland is similar to other countries in experiencing shortages in the skills needed to meet IT transformational needs. Security expertise to deploy, monitor and mitigate concerns re: cloud and hybrid services was identified as a key gap (53%). Compliance & governance and application transformation and redevelopment ranked 2nd and 3rd.

4. Growth in Enterprise Applications

Enterprise applications are expected to grow by greater than 10% in the next 12 months.

5. Workload Placement

Unlike the global shift away from storing data in owner-operated server rooms, many Irish enterprises continue to own and operate server rooms. Our research identifies a significant (63%) reduction in the reliance of on-premise facilities over the next two years.

6. Vendor Support

The majority of enterprises rely on partner vendor support to enable them to achieve their IT goals. Respondents stated, that in terms of partner services and capabilities, global coverage ranked no. 1 at 47%, followed closely by direct connection to the public cloud.



Methodology

A total of 150 technical and business professionals from a cross-section of industries participated in the Digital Realty/HPE 2022 research. Participants are decision-makers in IT procurement/strategy and are involved in or influence the decision-making for IT. 70% of enterprises participating are headquartered in Ireland.

Their answers provide a comprehensive overview of the IT landscape in Ireland, today and into the future.

Respondent Demographics

This research takes a broad view of the organisations with a presence in Ireland ranging from **under €1 million to over €250m.**

59%

of participating enterprises employ at least 500 employees

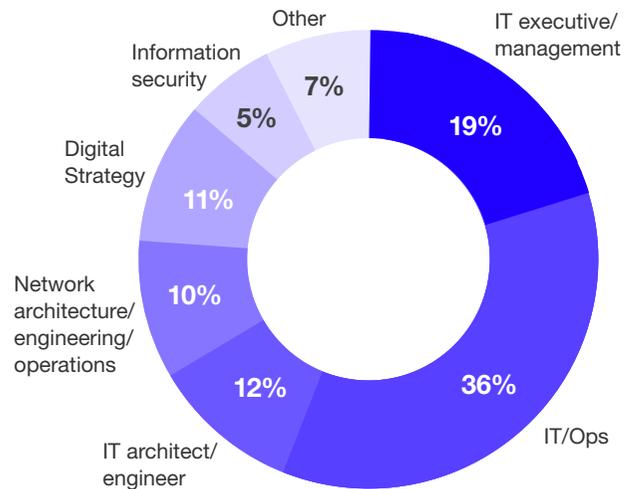
14%

employ more than 5,000 employees



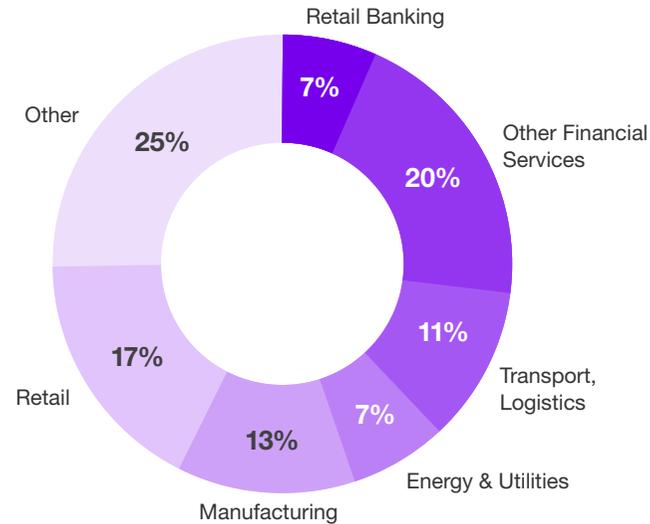
Respondents by Role

The majority of respondents work in IT/Ops



Enterprises Primary Industry

Quite an even split between respondent industries



70%
of enterprises
participating are
headquartered
in Ireland.

Digital Realty/HPE 2022
research.

The Digital Challenges Facing Ireland's Businesses

As businesses become more dependent on digital resources, channels and capabilities to grow, they also become more vulnerable to disruption to the same digital operations. 64% of respondents indicated that data security is the number one data management challenge for Irish businesses. This came to the fore early in 2021 when the HSE was subjected to a malicious cyber-attack.

Back-up and data recovery, which are closely aligned with security, was cited as the second biggest challenge (48%). Ensuring accurate replication of your data makes it disaster-proof. Data loss from threats or disasters can lead to upset customers, lost revenue, and potential bankruptcy.

Data security is the biggest IT management challenge for larger organisations (first mention: 44% of organisations with a turnover of over €55million vs 33% with a turnover under €50million), while businesses headquartered in Ireland are more likely to identify the regulatory aspect of data management as a challenge (25% vs 8% of businesses headquartered outside Ireland). Interestingly, ensuring backup and recovery of data has seen a dramatic rise as a key challenge jumping from 27% in 2021 to 48% in 2022. Another key challenge for Irish businesses is understanding how to make the best use of data – whether through removing silos or delivering value.

As businesses continue to invest in digitalisation, the financial case for further investment will increasingly rest on the contribution of the cloud and related services to productivity growth and risk reductions. As well as straightforward calculations of costs versus benefits. While 'cost' is down the list of data management priorities in our survey (ranked no. 4), it will become a more important consideration for further investment as other, 'higher' priorities are increasingly met in future. Moreover, the importance of cost varies little by size, sector or location of headquarters.

Ultimately, we are seeing an unstoppable force in the form of digital transformation driving the need for both better connectivity and an ever-growing reliance on cloud and colocation to host, power and sustain organisational evolution. Developing the right IT strategy to face this future is a challenge, but it is also essential.

The biggest challenges facing organisations today when managing data

- 01**  Keeping data secure
- 02**  Ensuring backup and recovery of data
- 03**  Understanding how to best make use of our data
- 04**  Cost of managing/storing/moving data
- 05**  Quantity of data we need to store
- 06**  Identifying where our data needs to live to meet performance requirements

Figure 1. What are the biggest challenges your organisation faces today when managing data?

Overall IT approach and strategy: best description



Figure 2. Which best describes your organization’s overall IT approach and strategy?

IT Strategies

As the world adjusts to post-covid business realities – including new ways of working and operating – the ‘temporary’ measures that were put in place in response to the start of the pandemic have become permanent. Many organisations have become used to working in a hybrid workforce, and the best prepared among them are increasingly comfortable with a hybrid IT environment. By far the most popular approach to IT strategy among Irish businesses at present is a move toward a hybrid IT environment that leverages both on-premise systems and off-premises in the form of cloud or hosted resources: 45% of IT managers are on that particular course right now. This presents a challenge to both the C-suite and IT professionals to balance the hybrid world and drive innovation, which will dramatically alter their needs for more connectivity and better utilisation of cloud technologies.

However, domestic Irish firms face particular challenges, both in terms of capacity, dealing with legacy systems and recruitment (notably in cybersecurity, but IT skills are in short supply across the board with 26% of Irish enterprises reporting cloud and hybrid integration as suffering a serious skills gap). This is a real pain point as the employment markets for many goods and services are increasingly international, with customer expectations, whether in B2C or B2B, being set at the highest level by experiences with the global giants who have focussed on user experience (UX), uptime, reliability, and sophisticated data analytics to deliver added value.

In what areas are you seeing a skills gap in the Irish market, to meet your IT transformation needs?



53%
Cybersecurity Skills



26%
Network Skills



38%
Compliance and Governance



23%
Program, Project Management



28%
Application Re-engineering



13%
AI/ML Developers



28%
Data Science



11%
None of the above



Enterprise applications, meanwhile, have also been transformed, with a combination of strategies, from replacing ageing and inflexible on-premise software with more flexible alternatives hosted in colocation, to integration of new services with legacy applications, improving not only usability, but unlocking the power of data analytics.

Global and EU research reports over the last 2 years indicate that companies are moving to a hybrid IT environment. Our Ireland specific research shows a similar story although at a slower rate. The difference is evident in the research findings with 67% of Enterprises who are headquartered outside Ireland embracing hybrid IT while those headquartered in Ireland scored 36%. We expect this domestic score to grow significantly in the coming years.

Connectivity to Support your Business

With the growth in applications and workloads moving into the cloud respondents were asked about how they currently connect to the public cloud. As security concerns continue to ramp up it will be interesting to see how these figures change in the coming years as many move away from relying on connecting via the public internet.

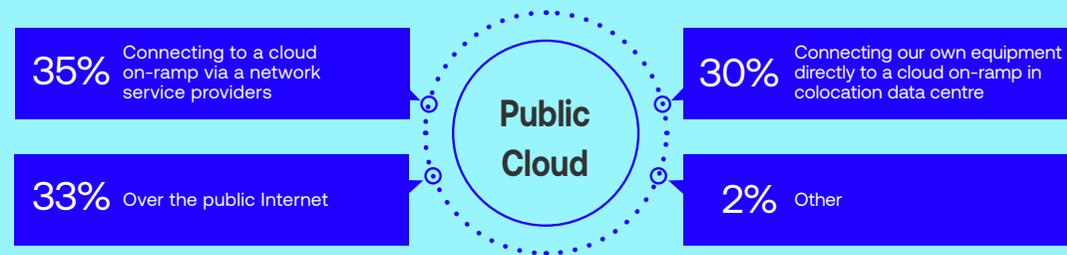


Figure 3. How do you currently connect to the public cloud?

Top IT pain points in organisations: all mentions



Figure 4. What are the top IT pain points in your organisation?

In line with the biggest challenges identified in Figure 1, IT security issues top the list of IT pain points. Interestingly, there was a noticeable difference in the first response between companies with turnover under €50m (27%) and those over €50m (13%). Handling risk and compliance is the 2nd ranked pain point. Ireland, as a long-standing member of the EU, must adhere to strict regulations such as GDPR, EU Taxonomy, and Data residency. Financial services and manufacturing industries indexed highest in terms of handling risk and compliance.

Of course, there are other IT pain points that demand attention as part of the overall IT strategy. Responding effectively to changing business requirements ranks third which is likely related to the challenges brought about due to Covid 19. Budget constraints, insufficient staff and managing legacy infrastructure all rank extremely high (31%) of all mentions.

Key vendors supporting a hybrid IT strategy: all mentions

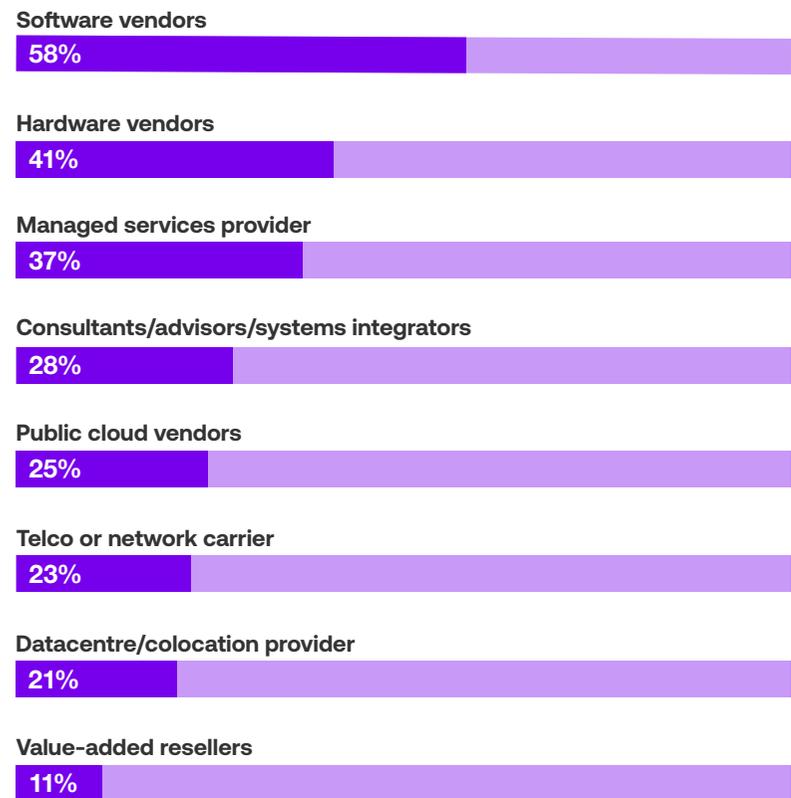


Figure 5. Which kind of vendor is your organisation most likely to use for input or services in support of its hybrid IT strategy?

Good Vendor Relations Pivotal to Success

Few if any firms or organisations can rely entirely on their own internal teams and competencies to meet all their IT requirements. For that reason, good vendor relationships are critical to enabling firms to respond to their IT challenges and deliver their IT goals and objectives. Most of the decision-makers in our survey have multiple vendors operating across software and hardware suppliers, as well as consultants, cloud service providers and many others.

Larger firms inevitably have a greater reliance on a wider range of vendors and other external supports, but nowadays even small businesses rely on several different vendors and providers to deliver their IT strategies. Moreover, the nexus of vendors and suppliers are constantly in flux.

Partly this is driven by the growing number of IT and business applications in use in organisations in response to the digitalisation agenda. A majority of organisations have seen that number grow by between 11% and 50% in just the past year. Moreover, an even higher proportion expected a similar rate of growth next year. There are remarkably few significant differences by sector, size or headquarters location when it comes to the trend in IT application growth. Quite clearly, such trends will place even greater demands on IT decision-makers and IT departments when it comes to meeting the burgeoning needs for applications, connectivity and public cloud optimisation in the very near future.

Where IT Workloads Reside – Today and the Future

Our research confirms that we will continue to see an increase in the move of workloads to the public cloud in the next two years (+23%). Within the same time period the findings indicate that the use of colocation will approximately double (+111%).

The move to public cloud and colocation is at the detriment to on-premise facilities. In Ireland, the use of on-premise as the location for computing storage is predicted to decline by 63% by 2024 which is directly in line with predications from International analysts.

These findings are also in line with what we're seeing across the rest of Europe and the US. Smaller organisations are shifting workloads to Managed Service Providers (MSPs) who rely on colocation facilities resulting in a decline on the reliance of on-premise facilities.

Many large organisations are moving physical infrastructure from on-premise to colocation and private cloud to avail of on-ramps, connectivity, network consolidation, and the ability to extend globally.

We're also seeing the growth of private cloud usage. Private cloud with colocation cites an increase of 20% by 2024.

From analysing the key challenges experienced by Irish IT Leaders today, the proposed movements of workloads align to how best to overcome these challenges. The movement to public cloud, private cloud and colocation can help to alleviate the key challenges such as security, back-up and recovery, cost and regulatory and compliance requirements.

↑ 23%
Public cloud

↑ 111%
Colocation

↓ 63%
On-premise

↑ 20%
Private Cloud
(Colocation)

What Does the Future Hold?

Irish organisations face a challenging future. The global trends highlighted in this report are already being felt, and the pressure will only increase on senior leaders to transform and evolve their organisation. In short, digital transformation is necessary today.

New strategies are required to face the challenges posed by digital transformation, including growing customer expectations in terms of the scope and scale of digital offerings, and the breadth and depth of IT skills required to support moves to compete with expectations set by global giants.

Businesses will be faced with demands to change their culture, working practices, services, and how they innovate while driving more real-time value from that most critical asset, their data. As more firms progress along the path of recovery in our post-covid economy, we will see a greater willingness to explore new ways of working and operating that are aligned with emerging customer and market demands.

The challenges are real, however, Irish enterprises lag behind those in other countries when it comes to embracing modern IT strategies. Continued reliance on on-premise server rooms and an ad hoc approach to cloud adoption threaten to render Irish business uncompetitive, as well as expose it to security and regulatory risks.



The road ahead means adopting a holistic approach to IT estate, including developing the right hybrid of cloud and on-premise systems as well as an urgent move away from the in-house server room and inflexible legacy applications. Colocation as the centre for data, and with it business truth, offers the ability to deliver internationally competitive IT, along with greater security (both physical and cyber) and flexibility. In addition, by functioning as a direct connection ‘on-ramp’ to the public cloud, applications and data can be placed in the appropriate location without fear of spiralling costs or lock-in.

By developing a coherent strategy for the ‘hybrid now’, Irish enterprises can protect themselves from disruption as well as create efficiencies and new revenue streams, in particular around data, while remaining both compliant and competitive.

However, the task facing IT decision-makers remains complex. Delivering a hybrid strategy will demand flexibility, investment and partnership with vendors who can meet the need for public cloud, capacity, security, connectivity, compliance and cost-effectiveness highlighted in the survey findings. Today, we are only at the beginning of the digitalisation journey for Irish business and the wider domestic economy, and the future promises to be both exciting and challenging.

As businesses become ever more dependent on digital resources, channels and capabilities in order to grow, they also become more vulnerable to technological disruption, particularly if they remain tied to internal server room installations, often expensive and inflexible and certainly lagging in terms of connectivity. To address this, they need to map out their strategy and resources to meet these challenges in an ever-shrinking window of time.

With such a complex IT landscape, senior leaders will need to understand the balance of an evolving hybrid strategy and manage the demands for more connectivity and cloud capacity to successfully embrace the opportunities to digitally evolve. A strategic orientation toward the future is the first step to success, but it must be married to a tactical and practical plan to ensure enterprise IT grows to support business needs.

About Digital Realty

Digital Realty supports the world's leading enterprises and service providers by delivering the full spectrum of data center, colocation and interconnection solutions. PlatformDIGITAL®, the company's global data center platform, provides customers a trusted foundation and proven Pervasive Datacenter Architecture (PDx™) solution methodology for scaling digital business and efficiently managing data gravity challenges. Digital Realty's global data center footprint gives customers access to the connected communities that matter to them with 300+ facilities in 50+ metros across 27 countries on six continents. To learn more about Digital Realty, please visit digitalrealty.com or follow us on [LinkedIn](#) and [Twitter](#).

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About Amarach

Amárach is an independent research consultancy, measuring the business implications of consumer and technology trends in Ireland and abroad.

