

Another Year on in the ILM Journey UK and Irish Businesses take the antidote to regulations

Contacts:

Bob Tarzey
Quocirca Ltd
Tel +44 1753 855794
bob.tarzey@quocirca.com

Clive Longbottom
Quocirca Ltd
Tel +44 118 948 3360
clive.longbottom@quocirca.com

Saul Konviser
GolinHarris
Tel: +020 7067 0472
skonviser@golinharris.com

Quocirca conducted two surveys separated by 12 months that looked at the data management infrastructure of UK and Irish businesses and how this was linked to their ability to respond to the whims of the regulators. In the year between the two surveys a lot had changed.

- **In the 12 months since Quocirca's first ILM survey the perceptions of UK and Irish businesses with regard to information management and regulatory compliance have changed considerably**

This change is generally for the better and indicates a genuine move by businesses, especially those in the UK, to improve their data management infrastructure. This conclusion can be drawn having eliminated creeping complacency as a possible false indicator of progress

- **There is a strong correlation between a drop off in activity to improve information management capabilities and increased confidence around the understanding of data management infrastructure**

This increase in confidence implies that activity undertaken and now completed, has been its cause. If the drop off in activity was due to complacency an increase in confidence would not be expected

- **This finding is less marked amongst Irish companies than UK ones. Whilst there has been progress in the same direction in Ireland, it seems to be diluted by some complacency**

Irish businesses have failed to make the same strides in confidence about their understanding of their data management infrastructure, have matured their thinking about compliance less than their UK peers and they are more inclined to believe further action is required to improve their data management infrastructure

- **These improvements are achieving the desired results: The approaches taken by UK and Irish businesses around compliance are maturing; this is also seen across all industries with the exception of healthcare**

The organisations surveyed reported an overall increase in the way their data management process took into account the difference between legal and regulatory compliance. The only area where there was a decrease was in healthcare, where increasing litigation is likely to be blurring the boundaries

- **In 2005, changing regulations were forcing more organisational change on businesses and this was costly of both time and money. By 2006 the requirement to change was less**

This was noticeable across most industries and especially in Ireland. The exception again was healthcare where regulation was still considered to be forcing business change

- **Some findings are unsurprising, such as continued data growth, whilst others, such as an increase in the regularity of the review of disaster recovery plans are reassuring**

Some industries, such as retail, public sector and industrial reported massive growth in data volumes since 2005, although there is likely to be some over reporting. UK businesses in particular have improved their contingency for disaster recovery

CONCLUSION: Overall the changes made by IT departments in the 12 months from autumn 2005 to autumn 2006 as they continue on their "ILM Journey" are having a positive affect on the businesses they serve

Businesses that are confident that they can respond adequately to changing regulations as and when they are imposed are less likely to have to undergo internal restructuring in response. This leaves them freer to focus on their core business activities such as searching for and exploiting new markets and pursuing mergers and acquisitions. This is a good thing for the businesses, the stakeholders who rely on them and the British, Irish, Europe and Global economies to which they make such an important contribution

RESEARCH NOTE:

The information presented in this report compares two surveys.

Each survey comprised 250 interviews with senior IT influencers and decision makers from British and Irish enterprises.

The first survey was completed in autumn 2005 and the second in autumn 2006.

Both surveys included a broad cross section of industries.

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Introduction: scare stories – fact or fiction?

We are all susceptible to the whims of the media, whether this is in our everyday lives as citizens or in our jobs working for and/or running businesses. All too often issues become over inflated in importance due to the media reaching frenzy point and this can lead to unnecessary panic. At such times it can be hard to distinguish fact from fiction and recognise the true scale of a particular problem.

A good example occurred in March 2006 when a dead swan washed up on a Scottish beach was discovered to be infected with a strain of bird-flu that had caused a number of deaths of people in the Far East. The British media went into overdrive and there was widespread worry about the possibility of a major human flu outbreak. The chances of catching bird-flu directly were very remote, the deaths in Asia being the result of the intimate living conditions shared by humans and poultry. There was, and still is, a real threat that the bird-flu might mutate into a human-flu virus, but once that has occurred, it is contact with other humans that becomes the threat. Even so the most cautious of Britons stopped eating chicken and putting out bread for the birds.

One year on the threat remains the same, birds still catch flu and some humans will catch it from birds. At some point in the future the bird-flu virus will mutate and cause a new outbreak of human-flu as it has done in the past. Once the mutated virus has been isolated it will be possible to produce a vaccine and governments then have the possibility to inoculate their citizens. But, for now, it doesn't seem to matter, the British are eating chicken again and have resumed feeding the birds – why? – because the press got bored of the story and stopped writing about it¹.

When Quocirca carried out the first of its information lifecycle management (ILM) surveys in autumn 2005 both the business and IT press had been rife for many months with stories about new business regulations and how failure to comply with them could cause a business to collapse and its leaders to end up in jail. These threats have turned out to be all too real for some, witness the 24 year jail sentence dished out to Jeffrey Skilling (former CEO of Enron) in Oct 2006, and the 12 years handed to Sanjay Kumar (former CEO of CA) in November 2006.

But most business managers are not involved in corruption but focussed on trying to achieve good management which includes avoiding regulatory pitfalls. A large part of that entails ensuring good management of their company's information assets and controlling how they are used, a task largely passed down to the IT department and its managers.

When Quocirca looked at the results of the second iteration of the ILM survey run in autumn 2006 it was clear a lot had changed in the proceeding 12 months. Unlike the general public, who in reality could do little about the threat from bird-flu - apart from not cuddling dead swans - IT managers had the option to do something, because the vaccines were already available. They had the option to respond to the changing regulatory environment by putting in place better processes and practices for managing data.

This report looks at the degree to which British and Irish businesses have adapted to regulatory change and to what

¹ In fact the whole issue blew up again just as this report was being published with an outbreak at a turkey farm in East Anglia

extent the observed changes of attitude can be attributed to genuine improvement in practice and to what extent this is due to complacency creeping in as the press has moved on to report on other things. In short are businesses more or less prepared for the day the regulators swan in?

In both the 2005 and 2006 surveys Quocirca spoke to 250 IT managers in the UK and Ireland (see appendix 1 for a breakdown of the sample). We are grateful to them for their time, without which reports like this, which look at the state of British and Irish business and monitors how the way they are being managed is changing, would not be possible.

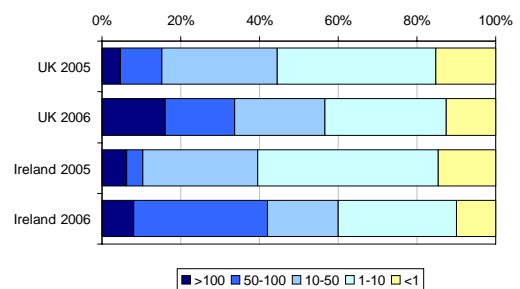
This report is aimed at providing business leaders with a peer review and a guide for those vendors in the IT industry who are seeking to help them chart those choppy regulatory waters.

Continued growing pains

Some things are unsurprising: in the last 12 months, all businesses across all sectors in both the UK and Ireland reported an increase in the volume of data they are storing (figure 1).

Figure 1

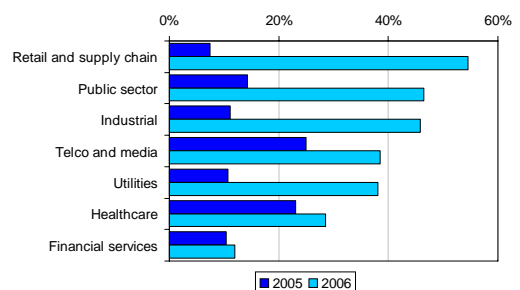
What is your estimate of your existing overall data volumes? (Terabytes)



In some sectors, including retail, industrial and government the percentage of organisations saying they store more than 50 terabytes of data has shot up (figure 2).

Figure 2

What is your understanding of your existing overall data volumes? (% of organisations reporting more than 50 terabytes of stored data)

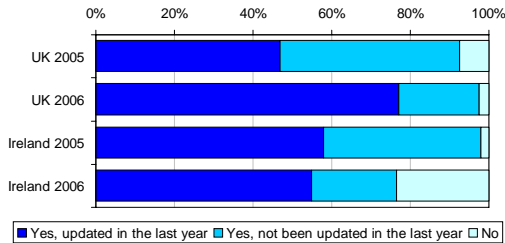


There is likely to be a degree of over reporting based on perceptions. This is partly because IT managers know data volumes are growing and fast and with no hard figures to hand during a live interview there will be tendency to over-estimate. But they may also be reporting based on the amount of new storage media they have been paying for rather than actual stored data and the chances are that their businesses' storage capacity is nowhere near fully utilised. Whatever the truth, there is no doubt about the trend being ever upwards.

Other things are reassuring – nearly all UK based businesses at least have a plan in place for disaster recovery and those reporting that the plan has been reviewed in the last 12 months has increased by over 30% (figure 3).

Figure 3

Do you have a business continuity/disaster recovery plan in place?

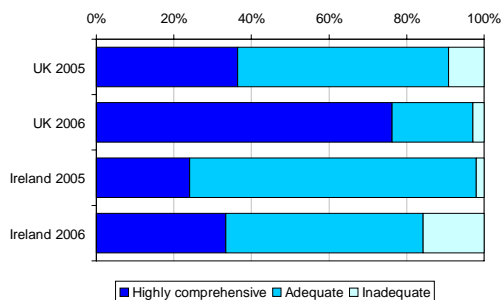


A plan that has not been recently reviewed is more likely to fail as it will not have kept up with the changing circumstances of the business and the environment it operates in. Poor disaster recovery capabilities could lead to data being lost altogether, so better contingency plans are a good thing. Thankfully disasters are not every day occurrences, but the need for good data management is ever present. The increasing data volumes require better day to day management capabilities and the ability to discover information that might be required for regulatory purposes.

The good news is the overall confidence that IT managers in the UK and Ireland have in their data management infrastructure is increasing (figure 4).

Figure 4

How comprehensive is your understanding of your existing data management infrastructure?

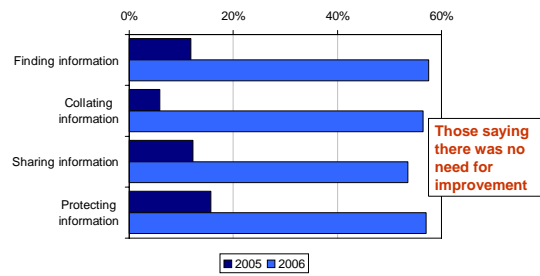


Job done?

UK based IT managers in particular reported a marked increase in their level of confidence in the degree to which they understood their existing data management infrastructure. Irish managers were less bullish, there being a small increase in the number who felt their understanding was inadequate. Alongside this there has been a general and marked decrease in those that see a need to make improvements in areas like finding, collating and sharing information (figure 5).

Figure 5

What major issues do you see in your existing IT environment that you would like to see improved?



Those saying there was no need for improvement

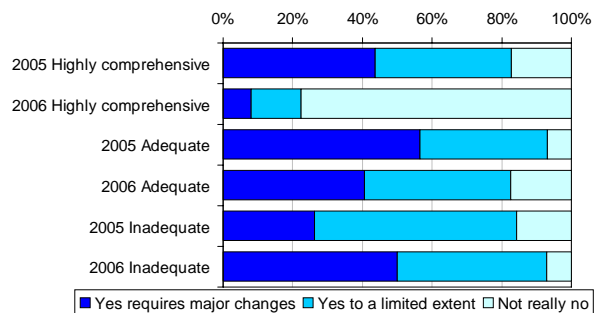
Could this be complacency creeping in as compliance has slipped down the media agenda?

It would seem not: the previous two findings are closely linked. Those IT managers who reported a comprehensive understanding of their IT infrastructure were the ones most likely to see no need to improve the way they manage information. Put the other way, those with a poor understanding still recognise that changes need to be made (figure 6).

Figure 6

How comprehensive is your understanding of your existing data management infrastructure, i.e. Where is your data?

Shaded by "do you need to improve the way information is found?"

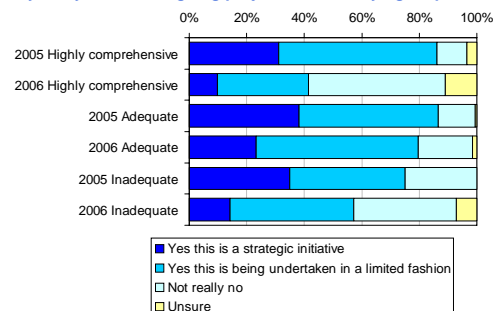


This finding did not just apply to improving the way data was managed, but also to other relevant IT projects. Those with a comprehensive understanding of their data management infrastructure were the least likely to have on-going projects for managing corporate data or re-modelling business processes (figure 7).

Figure 7

How comprehensive is your understanding of your existing data management infrastructure

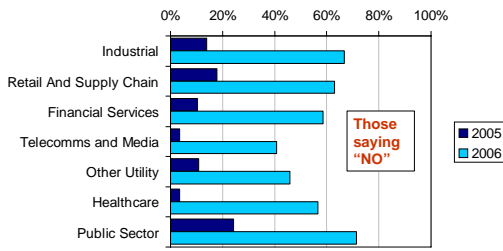
Shaded by "do you have on-going projects for classifying corporate data?"



All this indicates that the increased confidence is related to such projects having already been undertaken. The increasing need not to take action applied across all industries (figure 8).

Figure 8

Would you like to see the way you "find information" improved?



If the decrease in activity around improving data management practices was down to complacency there would be no reason for the big increase in confidence. But if the decrease in activity is due to previous projects having been successfully completed, then this would lead to an increase in confidence. There is evidence of complacency to take action amongst the small number who thought their understanding of their IT infrastructure was inadequate, as some of these respondents did not see a need for ongoing projects to classify corporate data and similar projects, but overwhelmingly the decrease in activity correlates with increased confidence.

As an analogy, if the paint is peeling off your living room walls, you are likely to be motivated to get the room decorated. However, once the job is done, that motivation disappears. In its 2005 ILM report¹ Quocirca looked at the motivation of businesses to make improvements to the way they manage data, in many cases we can see that motivation has decreased due to completion of projects.

But have these investments led to greater ability to comply with the demands of regulators? After all, this was one of the key drivers behind the need for activity reported by IT managers in 2005.

Ability to comply

Certainly IT managers across most industries in both the UK and Ireland have matured their view of compliance in the 12 month gap between the two surveys. With the single exception of the healthcare industry businesses are more likely to have different processes in place to deal with legal and regulatory compliance (figures 9 and 10).

Figure 9

Does your organisation distinguish between legal and regulatory compliance, in terms of what processes it has in place to deal with these two issues?

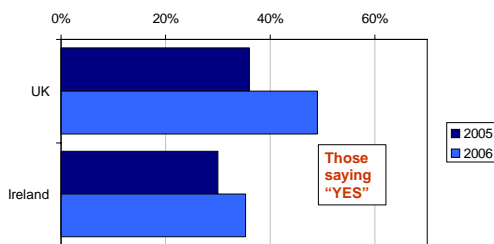
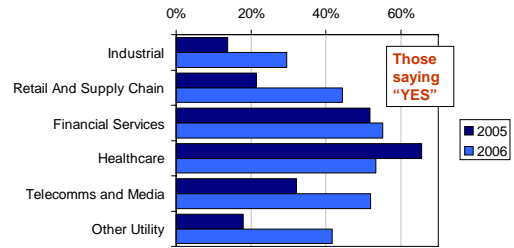


Figure 10

Does your organisation distinguish between legal and regulatory compliance, in terms of what processes it has in place to deal with these two issues?



It is likely that in an increasingly litigious world the healthcare industry sees legal and regulatory compliance as pretty much the same thing.

As with levels of confidence around the understanding of IT infrastructure, those businesses who were distinguishing between legal and regulatory compliance were less likely to see a requirement to improve the way they found data (figure 11).

Figure 11

Does your organisation distinguish between legal and regulatory compliance, in terms of what processes it has in place to deal with these two issues?

Shaded by "do you need to improve the way you find information?"

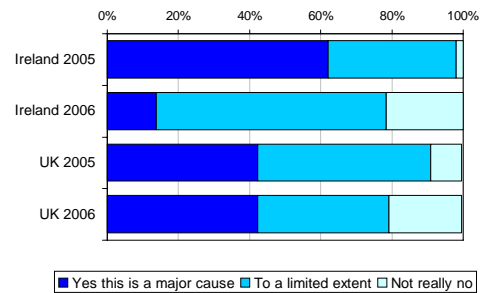


This again suggests that it is more mature thinking in this area and projects already completed to support it that have gone hand in hand with an increased confidence to face up to the regulators.

In Ireland in particular this has led to a decrease in those who think changing regulations are driving business change (figure 12), although overall, most IT managers still acknowledge the regulators are forcing changes on their organisations to some extent.

Figure 12

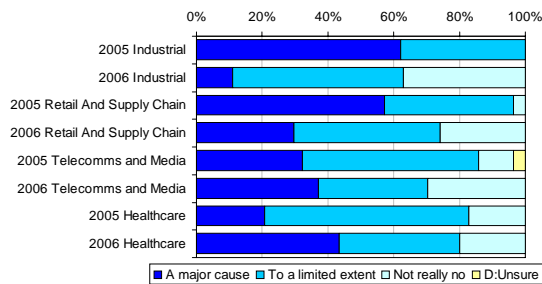
Would you say changing regulations are the main causes of business change in your organisation?



This pattern is repeated across most industries, with healthcare again proving to be the exception (figure 13).

Figure 13

Would you say changing regulations are the main causes of business change in your organisation?

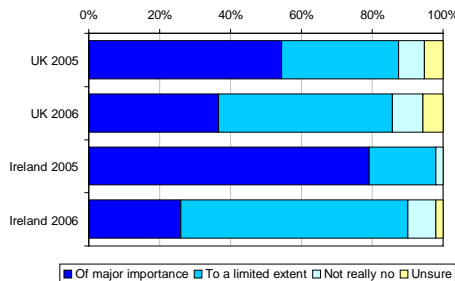


It is not surprising that the healthcare industry stands out. In the UK, from which 80% of these interviews for both surveys were drawn, the National Health Service is under huge pressure from government to produce better results at the same time as one of the largest ever IT projects is being rolled out.

There was a considerable decrease in the number of organisations who felt under pressure to be able to recover data as evidence in the event of a legal dispute. This was particularly marked in Ireland. This decrease in pressure will be partly down to the degree to which organisations have improved their data management processes, but there is likely to be an element of complacency too (figure 14).

Figure 14

Is the ability to discover and collate information as evidence, for example in the event of a legal dispute, important to your company?



So if IT departments have been working hard to improve their ability to manage and retrieve data, have the businesses they serve noticed?

Conclusion: better business value?

The answer to this is yes. In 2006 boards of management seem to be keeping their noses out of IT departments (figure 15 and 16).

Figure 15

What would be your starting point for defining and implementing alignments between IT and business?

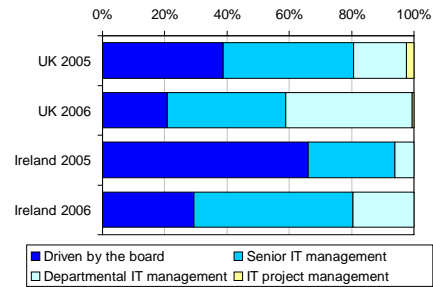
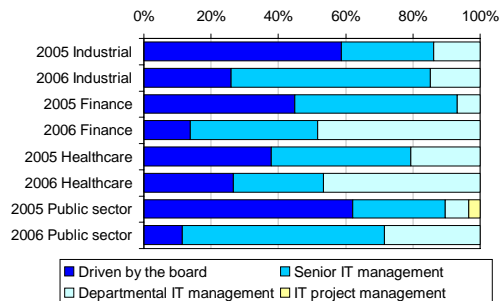


Figure 16

What would be your starting point for defining and implementing alignments between IT and business?



The reasons for this are two fold. First, if all this investment has been made in the infrastructure for data management and the IT departments are more confident in their ability to cope with regulatory change, then one would hope that boards had noticed this and will have started entrusting their IT departments with more of their own spending. But another reason for this shift is likely to be that bigger spending decisions were being made in 2005 than 2006, some of those being the very decisions that have led to increased confidence now they have been seen through. This movement of spending control into the IT department is seen across all industries.

In 2005, businesses were more likely to be reorganising in response to outside pressures, not least those imposed by the regulators (figure 17).

Figure 17

Are external drivers of business change, forcing your business to undergo organisational change?

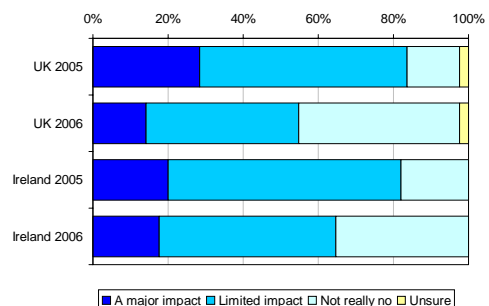
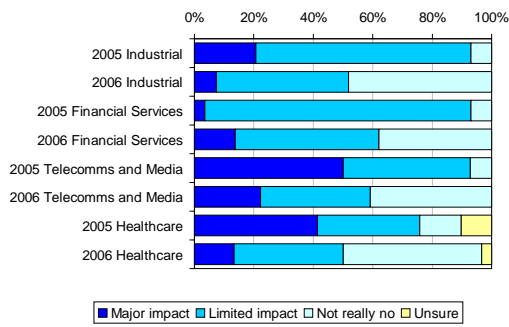


Figure 18

Are external drivers of business change, forcing your business to undergo organisational change?



Given the improved ability to cope with this, there is less organisational change. Change is expensive in terms of both money and time, less change backed by more resilient IT leaves businesses more free to focus on new opportunities, like entering new markets and pursuing mergers and acquisitions: this can be seen across all industries in the UK and Ireland (figures 19 and 20).

Figure 19

Are external drivers of business change, impacting your businesses opportunity to exploit new markets?

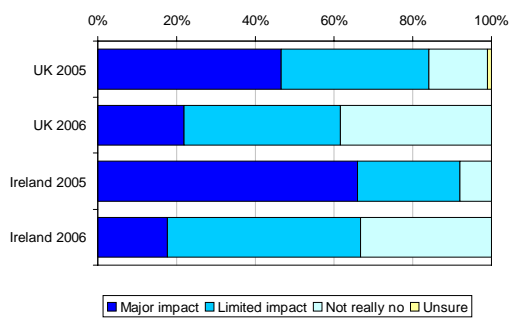
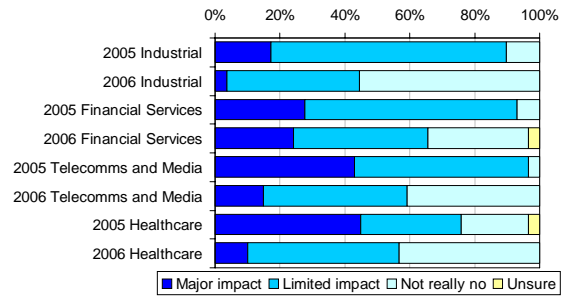


Figure 20

Are external drivers of business change, impacting your business' merger and acquisition strategy?



Quocirca's November 2005 report based on the first of these surveys was entitled "ILM as a Journey": that journey started a long time ago, before anyone coined the phrase ILM and there is no particular end point. The experienced traveller makes sure they travel protected against all hazards they are likely to meet en-route, or avoid them altogether. Taken as a whole, the UK and Ireland business communities have inoculated themselves against many of the hazards they faced before 2005 and are travelling more safely through the shifting regulatory waters. The journey is getting smoother and should be more enjoyable as a greater focus returns to new opportunities and business growth.

APPENDIX A

Interview Sample Distribution

The information presented in this report was derived from 500 interviews with senior IT influencers and decision makers during two separate surveys completed in August 2005 and September 2006.

Distribution of the sample by geography, industry, business size and job role was as follows (figures 21 to 24):

Figure 21

Sample size by country

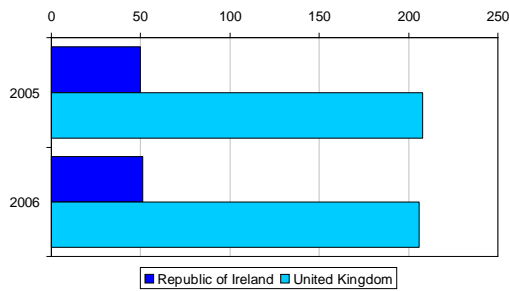


Figure 22

Sample breakdown by industry

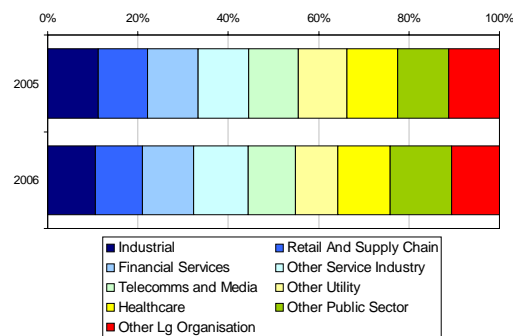


Figure 23

Sample breakdown by job responsibility

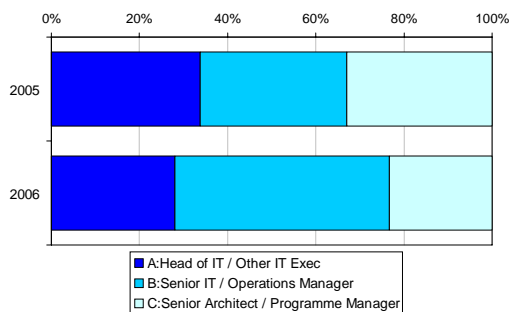
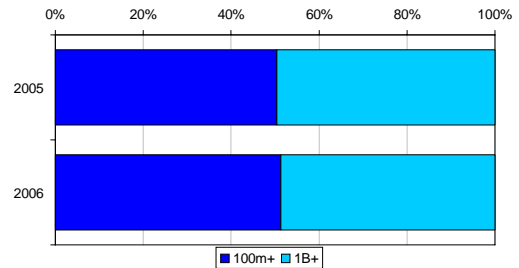


Figure 24

Sample breakdown by business size



About EMC Corporation

EMC Corporation is the world leader in products, services, and solutions for information management and its storage. We are the information storage standard for every major computing platform and, through our solutions, serve as caretaker for more than two-thirds of the world's most essential information.

What we do

We help enterprises of all sizes manage their growing volumes of information—from creation to disposal—according to its changing value to the business through information lifecycle management (ILM) strategies. EMC information infrastructure solutions are at the heart of this mission, helping organizations manage, use, protect, and share their information assets more efficiently and cost-effectively. Our world-class solutions integrate networked storage technologies, storage systems, software, and services.

Our vision

We're creating the ultimate information lifecycle management company—to help our customers manage and use more information, more easily and effectively. The result? Information with greater business value and at lower management cost.

Information about EMC's products and services can be found at www.emc.co.uk



About Quocirca

Quocirca is a perceptual research and analysis company with world-wide research capabilities and a focus on the European market for information technology and communications (ITC). Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry in the following key areas:

- Business Process Evolution and Enablement
- Enterprise Applications and Integration
- Communications, Collaboration and Mobility
- Infrastructure and IT Systems Management
- Utility Computing and Delivery of IT as a Service
- IT Delivery Channels and Practices
- IT Investment Activity, Behaviour and Planning

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help its customers improve their success rate.

Quocirca has a pro-active primary research programme, regularly polling users, purchasers and resellers of ITC products and services on the issues of the day. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, CA, O2, Symantec and Cisco. Sponsorship of specific studies by such organisations allows much of Quocirca's research to be placed into the public domain. Quocirca's independent culture and the real-world experience of Quocirca's analysts, however, ensures that our research and analysis is always objective, accurate, actionable and challenging.

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Contact:

Quocirca Ltd
Mountbatten House
Fairacres
Windsor
Berkshire
SL4 4LE
United Kingdom

Tel +44 1753 754 838
Email info@quocirca.com

The logo for Quocirca, featuring the word "quocirca" in a lowercase, sans-serif font. The letters "qu" are in blue, "o" is in black, "c" is in red, "i" is in black, "r" is in black, and "ca" are in black.