The Growing Importance of Microsoft SharePoint

An Osterman Research White Paper

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Why You Should Read This White Paper

Email is an extraordinarily useful tool for communications and file transport – numerous Osterman Research surveys have demonstrated the importance of email in helping users to communicate and do their work. However, email is also widely used for collaboration, an application for which it is not well suited and for which it was never intended. Consequently, many organizations – particularly those that have deployed Microsoft Exchange – are deploying Microsoft SharePoint to provide a number of collaboration capabilities, including content and document management, portals, enterprise search, and workflow.

SharePoint is becoming the de facto collaboration platform for Exchange-enabled organizations, and is also finding use among organizations that have not deployed Exchange. While SharePoint offers a number of useful and important collaborative capabilities, managing the server environment is not a trivial exercise for IT departments. SharePoint management can be more expensive than email management and can add to the burden of an already overworked IT staff. Organizations looking to better leverage SharePoint's benefits, or who are planning to make SharePoint more of a mission-critical application should seriously consider re-evaluating the way that they manage their SharePoint offering.

To understand the impact of SharePoint more fully, Azaleos Corporation sponsored Osterman Research to conduct this in-depth survey of SharePoint-enabled organizations. The project examines SharePoint trends and seeks to understand key corporate problems, costs and other issues surrounding the use of SharePoint. The survey was conducted during February 2009.

Executive Summary and Key Findings

- SharePoint is already widely licensed by Microsoft shops, due in no small part to Microsoft's aggressive licensing policies, although there are currently more licenses for SharePoint than actual users.

- SharePoint is being deployed at a healthy pace and Osterman Research estimates that roughly two-thirds of Exchange-enabled users will have access to some flavor of SharePoint by year-end 2009.

- The proportion of organizations using SharePoint that feel it will be a "mission-critical" application will more than triple during the next three years.

- Labor is a major cost component of SharePoint administration – among organizations that could provide an estimate; the median was $45 per user per month to manage SharePoint.

- There are three primary inhibitors to the efficient use of SharePoint: budget issues, end-user training and IT departments' lack of SharePoint administration skills.

- The primary driver for organizations that are considering making changes to the way they manage SharePoint is infrastructure flexibility. The second most important driver for change is the need to realize cost savings, followed by the desire to reduce the complexity of the SharePoint environment.

- Most organizations are planning to migrate Exchange public folders to SharePoint – three out of five SharePoint-enabled organizations plan to do so.

- There are a variety of drivers that are motivating organizations to deploy SharePoint, including content/document management and control, search capabilities, the ability to create portals, and workflow applications.

The Growing Importance of SharePoint

SHAREPOINT PENETRATION IS INCREASING

Microsoft SharePoint is becoming the de facto collaboration environment in Microsoft Exchange-enabled organizations. Osterman Research estimates that 50% of Exchange-enabled organizations had deployed SharePoint by the end of 2008, and that 65% will have deployed it by year-end 2009.

Microsoft SharePoint Versions in Use
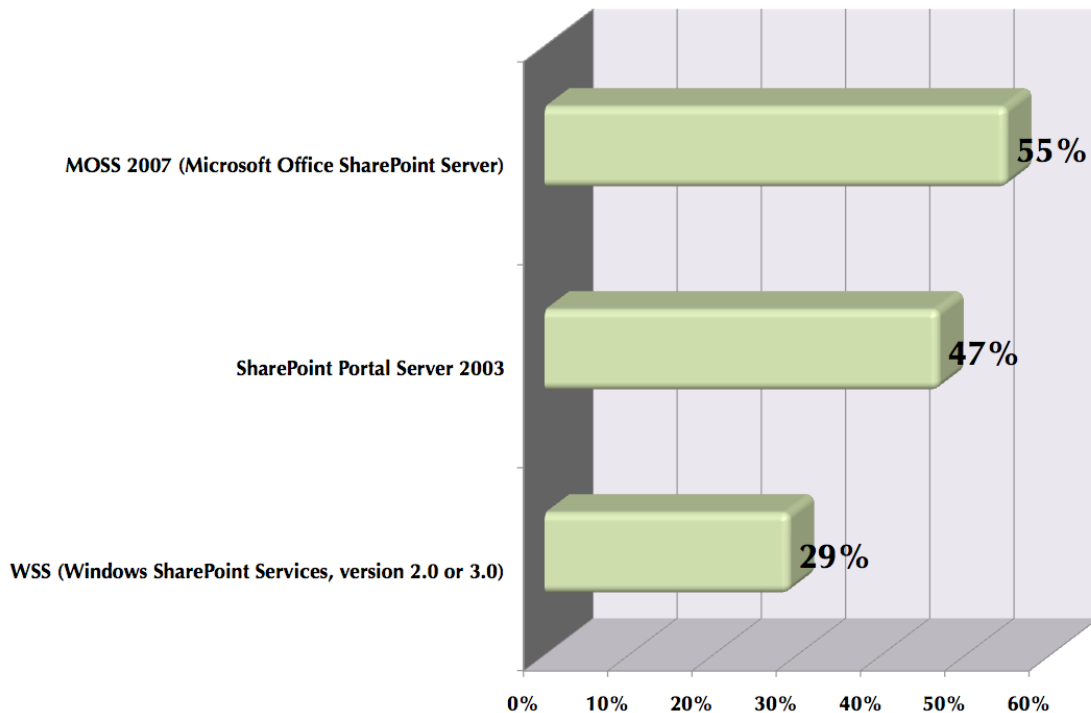
However, it is important to note that Microsoft's aggressive licensing policies have motivated many organizations to license SharePoint because of the low cost of doing so, but many have not yet implemented a full-scale rollout. We anticipate that many more organizations that have licensed SharePoint will deploy it during the next 12-18 months.

SHAREPOINT IS BECOMING MORE MISSION-CRITICAL

One of the goals of this research project was to determine just how mission critical SharePoint is to organizations that have deployed it, and how important it is expected to become over time. We asked organizations, "If your SharePoint system were to go offline for more than 24 hours, what sort of impact would that have on your business?" Thirty percent of survey respondents told us that such an extended downtime would have only a minor impact on their organization. However, 57% indicated that this length of downtime would have a moderate impact, while 13% indicated it would have a major impact because of the mission-critical nature of SharePoint, as shown in the following figure.

**Importance of Microsoft SharePoint
2009-2012**
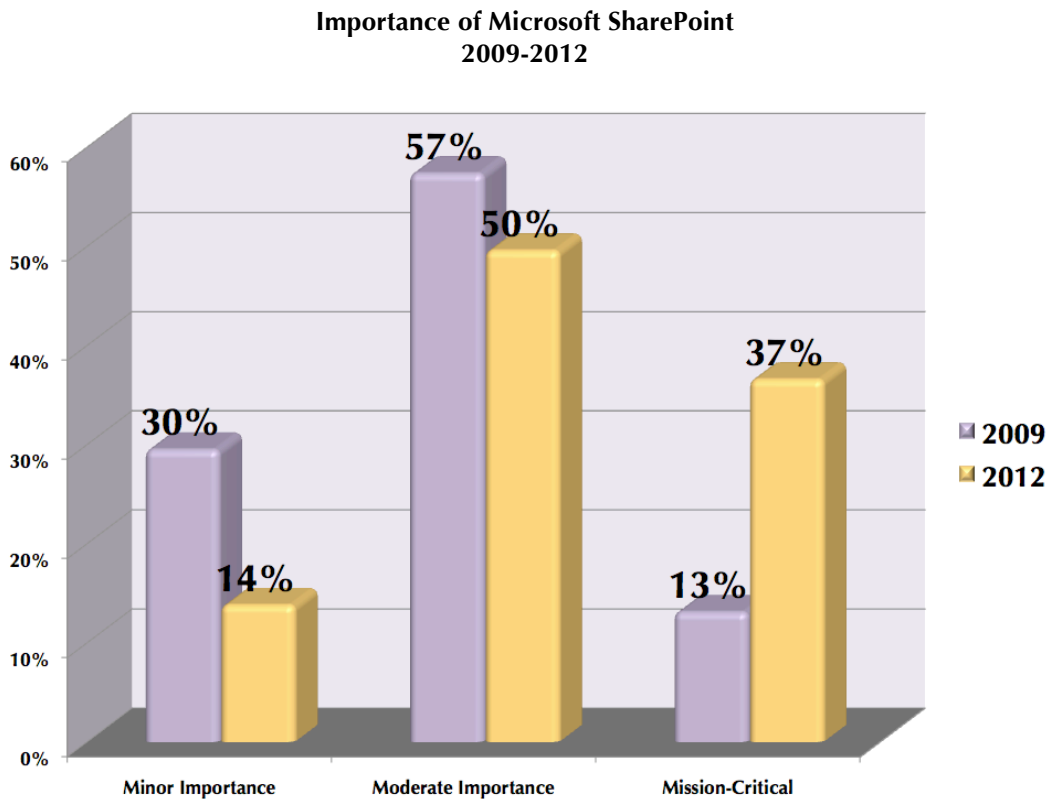
However, SharePoint is expected to be much more important in the future. We asked organizations where they see SharePoint use in three years: only 14% believed that SharePoint would not be mission-critical by that time, while 50% believed it would be moderately important and 40% felt that SharePoint would be mission-critical. In short, the proportion of organizations that believe SharePoint will become mission-critical will more than triple in three years.

SharePoint Management Issues

KEY CHANGES IN THE WAY THAT SHAREPOINT IS MANAGED

Among organizations that are considering making any changes to the way that they manage their SharePoint system, the primary driver of this change for 50% of organizations is infrastructure flexibility. The second most important driver for changes in SharePoint management is the need to realize cost savings, cited by 29% of respondents as a key driver, not surprising given the current economy and the need for organizations to reduce IT and other costs wherever they can. The third-ranked driver for SharePoint management changes is simply reduced complexity of the SharePoint environment itself, cited by 16% of respondents as a driver.

**Primary Drivers for Changes
in Managing SharePoint**
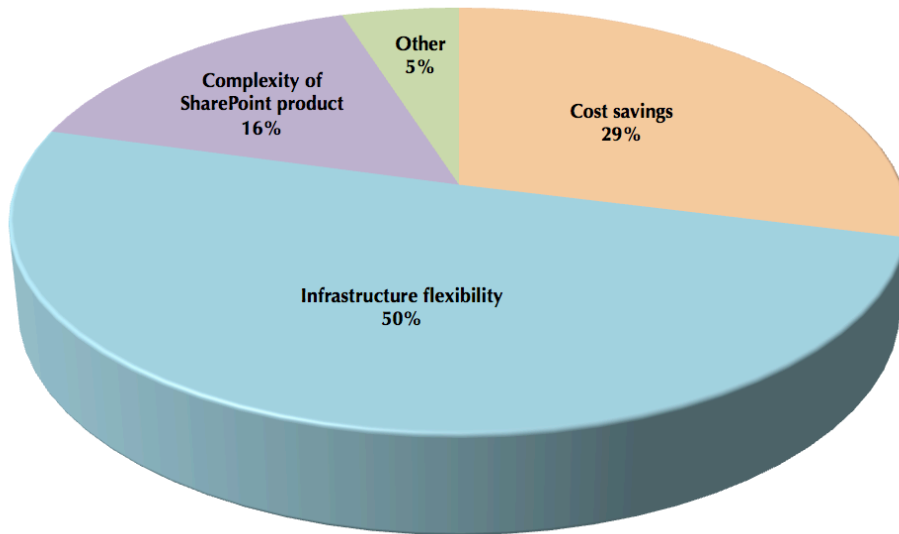
MOST ORGANIZATIONS ARE PLANNING TO MIGRATE EXCHANGE PUBLIC FOLDERS TO SHAREPOINT

The vast majority of organizations that are running SharePoint were, or still are, using Exchange public folders. However, 61% of organizations that are using public folders are planning to migrate the content in public folders to SharePoint at some point in the future. This will have an impact on the way that IT manages Exchange and SharePoint, and will have an impact on end-user training requirements.

PROBLEMS IN MANAGING SHAREPOINT ENVIRONMENTS

There are a variety of problems associated with managing SharePoint environments, including the following:

- **Labor is a huge cost of managing SharePoint**
  Organizations spend significant amounts of IT labor on managing SharePoint and so are looking for ways to reduce the overall cost of managing these capabilities. For example, organizations estimate that they spend a median of $45 per user per month managing SharePoint, significantly higher than the median cost of providing email services. We also found in the survey that each full-time equivalent SharePoint administrator can support a median of 171 SharePoint users – at a fully burdened annual salary of $80,000 for an administrator, that represents an administrator-only cost of $39 per user per month. To be fair, the cost of SharePoint will go down as more users are added to existing deployments and as organizations realize greater economies of scale as a result.

  That said, SharePoint management will not be a trivial exercise – or an inexpensive one – even in the best and most efficient of circumstances. Organizations should seriously evaluate ways of lowering the cost of managing SharePoint, perhaps through the use of managed service providers as discussed later in this white paper. Doing so will allow organizations to realize more value from SharePoint by reducing the cost of its administration.

- **Most do not know the cost of managing SharePoint**
  Complicating the relatively high cost of managing SharePoint is the fact that most decision makers do not really know how much they spend on managing their deployment. For example, we found that only 10% of respondents expressed confidence that their cost estimate was accurate, while 38% had only some confidence in their estimate and 53% expressed little confidence.

- **Sufficient formal training is lacking**
  Another important finding of the survey was that most IT staff devoted to SharePoint management do not have significant levels of formal training – fewer than 10% of the individuals charged with SharePoint systems management started with full SharePoint training and/or certificates. This complicates management of the SharePoint environment, since many administrators are learning on the job and may take longer to come down the learning curve as a result.

- **Most do not use system management tools**
  Another problem we discovered was that most organizations do not use any form of systems management capability to help them monitor and manage their SharePoint environment – nearly 75% of SharePoint-enabled organizations are not using any form of systems management tool.

KEY INHIBITORS TO EFFICIENTLY LEVERAGING SHAREPOINT TECHNOLOGY

The result is that there are three key inhibitors to the effective and efficient leveraging of SharePoint technology to solving business problems:

- **Budget issues**
  This is clearly the most significant issue that is inhibiting the greater effectiveness of

SharePoint use, an issue that will be particularly important during the difficult economic times that will be experienced in 2009 and, possibly, 2010.

- **Lack of SharePoint administration skills, training and knowledge**
  The lack of administration skills, training and knowledge of SharePoint is another significant issue and one that is likely preventing greater penetration of SharePoint in some organizations, particularly for ones that are facing IT staffing constraints. The survey revealed that 25% of organizations view difficulty in finding qualified IT personnel to manage SharePoint to be a serious or very serious inhibitor to efficiently leveraging SharePoint technology today.

- **End-user training**
  This is another key issue given that SharePoint does represent something of a paradigm shift in the way that people collaborate. End-user training will be particularly important for custom applications that are developed using the SharePoint framework.

Applications and Drivers for SharePoint

The key applications and drivers for deploying and using SharePoint include:

- **Content/document management and control**
  Among the variety of applications for which SharePoint is or can be used, content and document management and control is the leading application for which SharePoint use is planned: 49% of survey respondents told us that this use of SharePoint is "very important" and another 37% responded "important".

- **Search**
  The search capabilities of SharePoint were the second most highly ranked application. Twenty-eight percent of respondents indicated that the search capabilities of SharePoint were very important and another 43% told us search was important.

- **Portals**
  The next most highly ranked application for SharePoint, and following closely on the heels of search, was the ability to build portals using SharePoint. Just over one-third of respondents told us that the ability to offer portal functionality through SharePoint was very important and 29% told us it was important.

- **Workflow**
  The next most important application for SharePoint was the ability to build workflow applications with a ranking of 3.7 on a scale of 1 to 5. One in four respondents told us that workflow was very important to their organization.

- **Other**
  Other applications for SharePoint included file storage, business forms and business intelligence. However, none of these additional applications for SharePoint found more than 18% of survey respondents indicating that these functions were very important to their organizations.

Importance of SharePoint Functionality

Functionality	Rating
Content/document management and control	4.27
Search	3.90
Portal	3.77
Workflow	3.72
File storage	3.53
Business forms	3.43
Busienss intelligence	3.32

Consider a Managed SharePoint Solution

In order to better deliver on a more cost efficient and effective SharePoint strategy for IT, many organizations are considering the use of a third party to either host or remotely manage their SharePoint environment. Among the benefits that can be derived from the use of a managed SharePoint capability are the following.

LOWER COST OF OWNERSHIP

A managed SharePoint deployment can significantly lower the cost of SharePoint management:

- Organizations may not need to deploy hardware or software.

- They can dramatically reduce IT labor requirements to manage the deployment and ongoing administration of the system.

- There is no need to spend time managing upgrades.

Related to this is the fact that the cost of managing SharePoint using a third party provider shifts costs from capital expenditures to operating expenditures, a particularly important benefit during periods of reduced or static IT budgets.

Reinforcing the need to reduce the cost of ownership are the following issues from the survey that were identified as problems or serious problems:

- The total cost of ownership for SharePoint (identified by 39% of respondents as a problem or a serious problem)

- SharePoint software costs (34%)

In short, these are all issues that contribute to the already high cost of managing SharePoint in-house and issues that will become more serious over time as more users are added to the SharePoint infrastructure and as the system assumes a more mission-critical nature.

DEPLOYMENT OF IT STAFF FOR OTHER PROJECTS AND INITIATIVES

While some fear the use of a third party service to manage a critical infrastructure element because of their concern that internal IT staff will simply be laid off as a result, this is typically not the case. The use of a managed service can free up IT staff for other initiatives that can actually provide more value to an organization. For example, instead of managing a SharePoint deployment, IT staff could be deployed to another important project, but one that provided more of a competitive advantage to the organization as a whole.

ABILITY TO DERIVE GREATER VALUE FROM SHAREPOINT

Another important benefit from the use of a managed SharePoint service is the ability to derive greater value from the overall SharePoint deployment, largely because the system will be managed by experts (assuming the right vendor is selected). This means that inexperienced staff with insufficient training will not be managing the SharePoint infrastructure, allowing an organization to realize greater value from their deployment than is the case for many organizations that today manage SharePoint in-house. This will alleviate the need to spend resources on SharePoint training, recruiting trained personnel to manage the SharePoint deployment, and other training-related costs.

BUILT-IN ARCHIVING AND DISASTER RECOVERY

Because SharePoint is intended to contain a large and growing share of the critical business content that organizations use on a regular basis, archiving of this data is absolutely critical to ensure that an organization's legal, regulatory and best practice obligations are met. This was an important finding from the survey and is a key pain point for many SharePoint-enabled organizations – 26% of decision makers in the survey felt that archiving of SharePoint data was a problem or serious problem for them.

Further, disaster recovery for SharePoint will grow to become just as critical as it is for email, requiring an organization to implement disaster recovery capabilities to ensure that SharePoint can be restored rapidly following an outage or other business disruption – one-quarter of decision makers in the survey felt that recovering SharePoint capabilities and data after a disaster or other outage is a problem or serious problem.

There is strong demand and need for archiving and disaster recovery as additional functionality and/or services to augment the SharePoint offering – these are the leading "next project" focus areas for IT to tackle over the course of the next 12 months for their SharePoint systems. The use of the right managed service will include both an archiving capability and built-in disaster recovery, allowing an organization not to have to deploy these capabilities on its own.

Survey Background

To understand how and why SharePoint is being used, Osterman Research conducted a survey during February 2009. We completed 124 surveys with individuals who are knowledgeable about their organization's SharePoint deployment, including IT managers (37% of respondents), IT staff members (33%) and CIOs (12%). Organizations in a wide range of industries were surveyed, including financial services (18%), manufacturing (17%), government (14%), high-tech services (12%) and healthcare/pharma (10%).   The median number of employees at the organizations surveyed was 2,875 and the median number of email users was 2,450.

Only organizations that had SharePoint deployed and in production were permitted to complete the survey. The majority of organizations are using Microsoft Office SharePoint Server 2007 (55%), 47% are using SharePoint Portal Server 2003 and 29% are using Windows SharePoint Services (versions 2 and/or 3).