

A Horses for Sources Research Article

Cloud - The Delicate Sound of Thunder



Bruce McCracken
Senior Research Analyst
Horses for Sources

Executive Summary

No, this is not about a Pink Floyd performance on DVD. It is about improving IT performance and reducing costs while increasing server capacity on demand as needed, right here/right now. A recent survey shows who is doing what, and why (or why not). While many mull the onslaught of perspectives on the subject of Cloud, we will succinctly submit yet another for you. There are a few important points and takeaways that we want to zero in on:

- Even smaller organizations can gain immediate benefit from Cloud now.
- Setting up a road map to move the least critical, complex and risky applications first pays immediate benefits.
- Service providers are now offering robust tools to significantly alleviate the pain of accessing the Cloud.
- Are concerns about security déjà vu all over again, reminiscent of similar worries regarding SaaS and outsourcing providers several years ago?

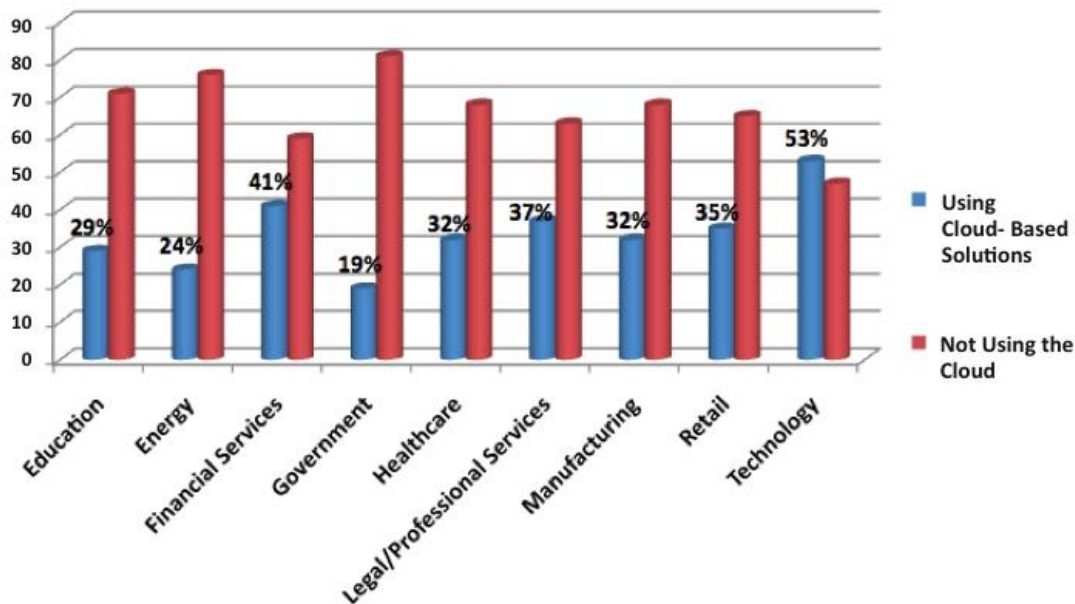
How Cloud is going to revolutionize IT and which industries are using it

Cloud essentially involves pay as you infrastructure for applications and storage from a third party provider. Cloud gives organizations an inexpensive, easy, and quick way of adding new servers and hosting new Web based applications with little upfront investment. Through Cloud, data centers can be built out without having to expand the physical floor space and hardware procurement. The “on demand” nature of Cloud allows for a rapid expansion of the data center without the hassles of server maintenance by internal staff. The business will also see a marked reduction in its utility consumption. The value proposition for adopting Cloud is compelling to say the least.

Cloud based SaaS email management provider Mimecast, <http://www.mimecast.com>, released results in February 2010 of its Cloud Computing Adoption Survey, <http://www.mimecast.com/Cloudsurvey>, involving 565 respondents from the US and Canada.

As the survey population was drawn from internal lists of Mimecast, the numbers cited cannot be taken to reflect the adoption rate of organizations in general. However, the numbers within the data points presented are relevant to one another and provide insight into early adopters. We have elected to cite a few data points and encourage our readers to access the full survey results from Mimecast at the links provided above. As indicated in the **Figure 1**, adoption of Cloud varies between industries.

Figure 1: Cloud adoption varies by industries



Source: Mimecast – 2010,

n = 565 enterprises

The technology sector has the highest adoption rate and it can be construed that this vertical has the internal expertise to access the Cloud sooner than other verticals. This vertical is much more inclined to see the upside by nature of their core business. The high adoption rate by tech firms is expected especially considering how many of the heavy hitters in the industry are committed to it.

The public sectors lagging in adoption are not surprising. The public sector is much more regulated and structured with much more accountability. There has historically been considerable resistance and a slower path to change and innovation particularly when transitioning from internal resources to third parties.

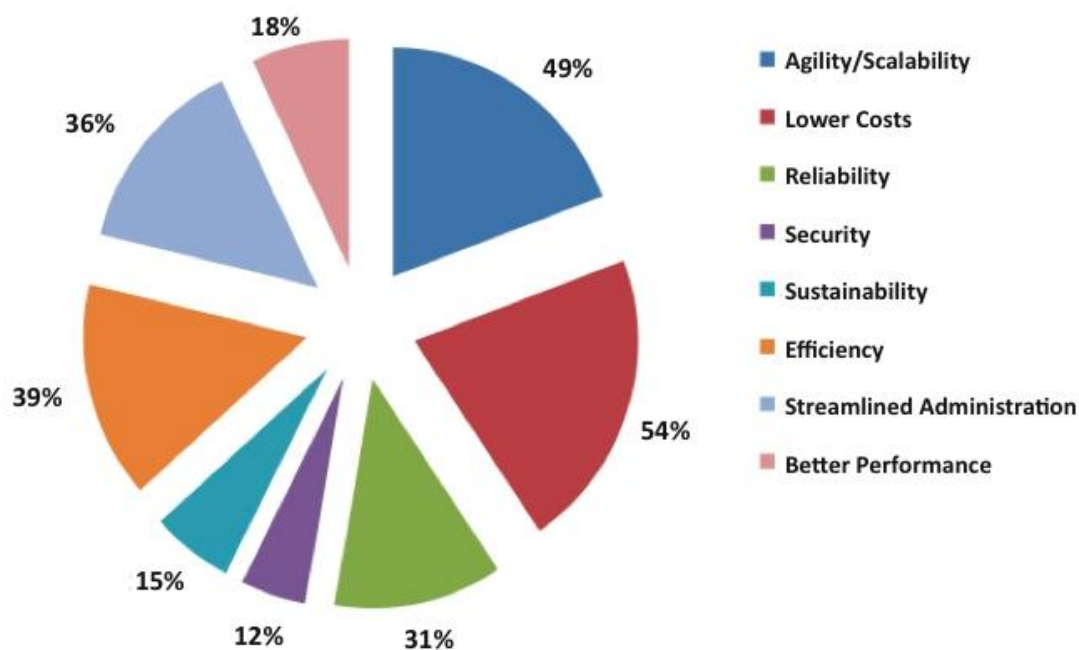
Within the Cloud adopters in the survey, 70 percent plan on moving additional applications into the Cloud. It is significant to note that of the respondents in two of the verticals with the lowest adoption rates, government and education, there are plans to transition more applications to the Cloud. Respondents in these two categories are among the highest planning to do so at 75 and 88 percent respectively. The increased demands of eGovernment and Web 2.0 dictate a different approach when measured against reduced revenues, especially from property taxes.

What is going into the Cloud - and why

Regarding new technologies and innovation, many organizations are often like youngsters at a swimming pool pondering a high dive for the first time: many are interested but most are reluctant to go first. In any new technology there will be early adopters and laggards. We have seen this many times with outsourcing and SaaS being prime examples in this century.

Much like outsourcing and SaaS, the advantages are similar for Cloud in regards to cost savings. The advantages include economy of scale, continuous improvement, reduced upfront infrastructure investment, and more rapid deployment, to name a few. Improved efficiency points towards reducing the workload of the internal IT staff in areas of hardware including maintenance, configuration, and interoperability. In-house personal are freed up to focus on more critical internal needs and initiatives. The agility offered by the Cloud enables organizations to rapidly ramp up or down as needed within a shortened time frame at reduced cost.

Figure 2: Reasons for moving applications into a Cloud.

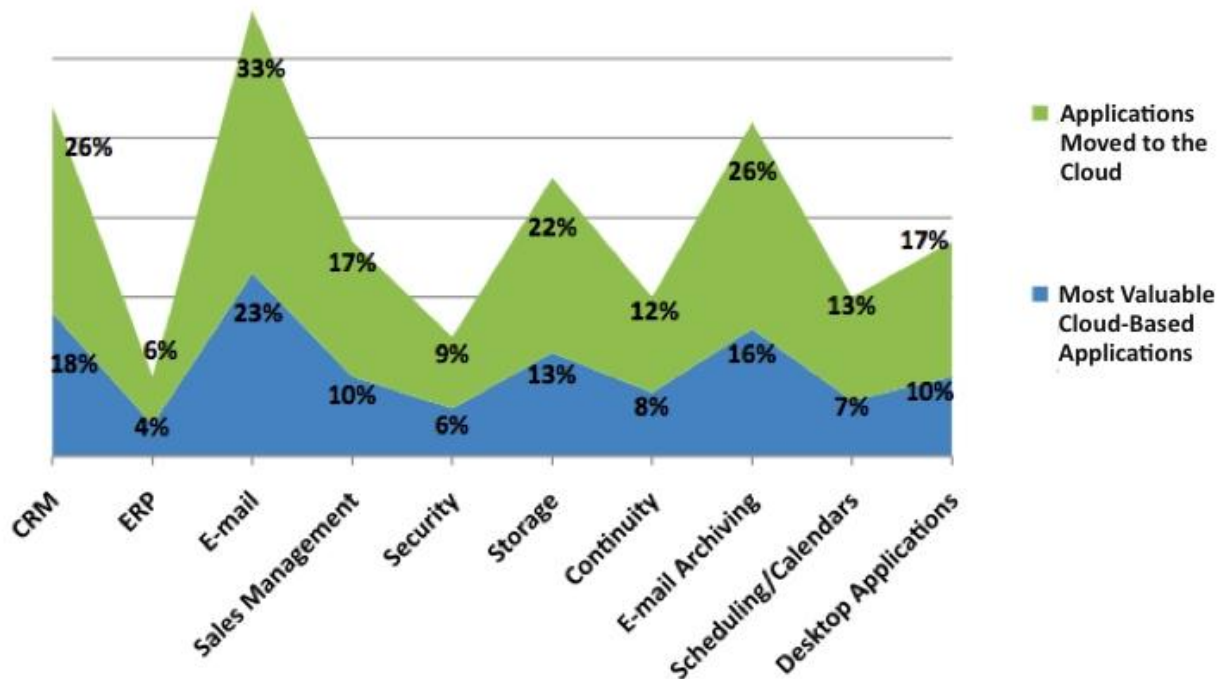


Source: Mimecast – 2010,

n = 565 enterprises

A major key takeaway from the survey is in the area of what application types are most suitable to move initially into the Cloud. As evidenced below, the preferred choices often involve simpler Web based applications with data volumes that grow rapidly. The advent of Web 2.0 and social networking that are customer facing in particular, have resulted in a glut of data leading to growing pains that Cloud can resolve in a cost effective manner.

Figure 3: Types of applications moved in a Cloud.



Source: Mimecast – 2010,
n = 565 enterprises

As we see it

We conclude that Cloud makes a great deal of sense for many, if not most, organizations, regardless of size. Many organizations may see Cloud as a destination they want to get to, but there had not been a bridge to get there. There is now.

Many providers, including specialized firms, have developed robust tools to bridge the gap between the organization and the Cloud. Many of these are offered as a platform as a service (PaaS). There are many providers including AMD, CiRBA, Appistry, Citrix, VMware, and Akorri among others. Additionally, many other providers that developed tools to access the Cloud have been acquired by larger concerns such as HP, Dell, and others.

These tools are easily accessible, and inexpensive as many pricing models are pay as you go or subscription based services. They enable a rapid transition of many applications, especially those that are Web based. The offerings of these providers now take on the heavy lifting to reduce the pain in transitioning to the Cloud.



Of the Mimecast respondents that have declined to move forward in adopting the Cloud, the biggest concern cited involved security at 46 percent. Concerning issues with security, there is inevitably going to be hesitation about turning over the keys to the treasure to a third party due to privacy and liability issues, and potential hackers. Security concerns with new technology offerings by third parties are nothing new. We need only look at the historical track record spanning a decade of outsourcing service providers and SaaS vendors in protecting client data. Fears seldom, if ever, have been realized historically.

In the early going, it may best to view Cloud as a storage shed. Cloud represents a different way to lift and shift for cost savings, improve efficiencies, time to deployment, and agility in meeting business objectives with minimized infrastructure expenditures. The key in adoption is to take the least critical and risky elements that proliferate data requirements rapidly, and move them first into the Cloud. All in all, it is not just another brick in the wall or the dark side of the moon.

About Horses for Sources

Horses for Sources is the foremost social networking community and advisory analyst firm, focused on helping enterprises make complex decisions with their global outsourcing strategies.

Horses provides the most impactful and frequently-visited collaborative community platform in the global services industry, providing rapid and insightful commentary, analysis and debate of enterprise outsourcing dynamics. The organization is unique in the fact that it integrates personable social networking with market research and advisory services.

Horses' mission provide a unique environment for collective research, opinion, experience and knowledge across the global outsourcing industry to help enterprises explore new performance thresholds. Led by industry expert [Phil Fersht](#), the Horses for Sources team is a multi-disciplinary group of analysts and experts with deep domain knowledge in Business Process Outsourcing, Industry Specific Process Outsourcing and Cloud Computing.

Launched in 2007, the Horses for Sources blog has more than 80,000 regular visitors across the global outsourcing industry, and is widely recognized as the leading destination for collective insight, research and open debate of industry issues and developments. The Horses LinkedIn community is thriving with 9,000 industry professionals sharing views and information daily.

The company can be followed on Twitter at twitter.com/horses4sources and LinkedIn by joining "[The BPO and Offshoring Best Practices Forum group](#)."

For more information about Horses for Sources research, please email research@horsesforsources.com