Trends in Cloud Adoption 2012

A Navint Partners White Paper

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"All roads to lead to Rome." That's how a CIO of a large organization recently described the gradual, inexorable, shift to SaaS models and Cloud technologies. And while there's still much debate over the Cloud's security, the industry consensus is one of inevitability.

To find out how that inevitability is driving real world implementations, Navint Partners, LLC, a management consulting firm specializing in business transformation through process and technology optimization, dug in and set to asking people directly.

CIOs from across the country responded to a 27 question survey regarding public and private cloud implementation within their businesses. The majority of those respondents were from companies with more than 5,000 employees, offering a rare glimpse into how larger organizations view Cloud adoption.

Navint then sat down with Robert Summers, CIO of tax preparation firm Jackson Hewitt® to further unpack those findings. The results were intriguing and pointed to both positive and negative outlooks on the current landscape and future of Cloud technologies.

Positive Indicators for Enterprise Cloud Implementation

90% of respondents said they received **100% of the forecasted savings** when their companies adopted cloud technology.

From a list of forces driving cloud adoption, survey participants concluded that hardware savings were the most prominent. As the true cost of
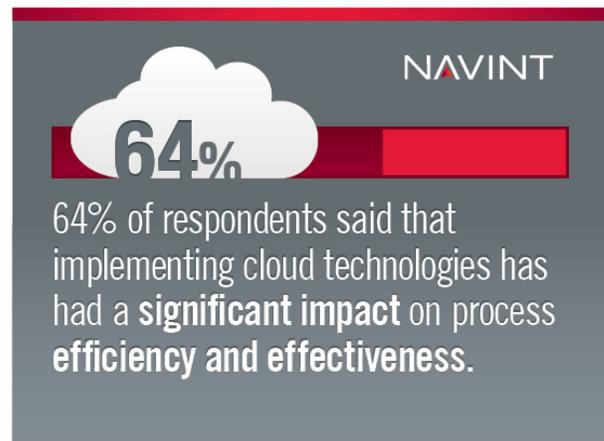
ownership for complex hardware rises, including software upgrades, onsite IT staff and data center costs, CIOs clearly envision concrete savings in eliminating all the "Blinking Green Lights."

Additionally, a significant majority of respondents achieved all of their companies' forecasted savings after implementing cloud-based solutions, supporting a keystone of many Cloud vendors' claims. With more firms realizing predicted cost savings, skepticism toward the Cloud's cost saving potential could likely disappear.

Robert Summers and John Robosson, Senior Partner at Navint, agreed that this skepticism to the Cloud's cost benefit is the result of an overarching misconception. As Summers noted, "Many [executives and business managers] think it will take five or more years to fully realize the tangible benefits of cloud implementation."

"As is the case with any new technology implementation, benefits can be realized earlier if stringent change management methodologies are applied, but depending on the size of the new application footprint, 6 to 18 months to achieve full benefit is a realistic expectation," explained Robosson.

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64% of respondents said that implementing cloud technologies has had a **significant impact** on process **efficiency and effectiveness.**
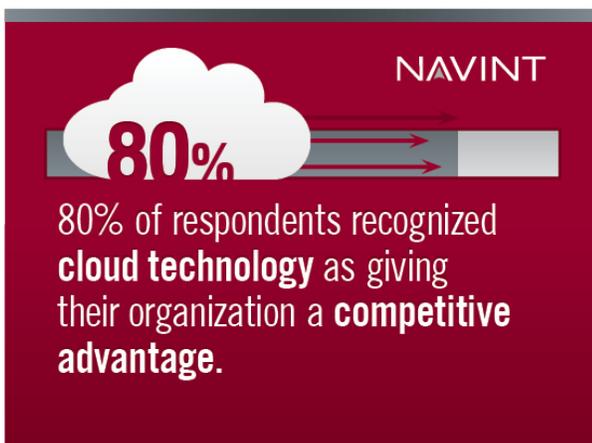
Over half of the surveyed CIOs agreed that cloud implementation has helped streamline business functions and save time.

"With the cloud, CIOs can have software that suits the business without having to worry as much about hardware and disaster recovery, because you contract a provider who's better at it than you ever will be," Robosson said.

The idea being that moving at least some applications to the cloud frees up time to work on more strategic, business-facing tasks. As Summers pointed out, however, CIOs often require a neutral party to analyze which processes to shift to a SaaS model or what data centers can be hosted remotely. For these decisions, Robosson advises, "Strategic applications often run in house, however, taking them to the cloud for the right reasons can be very powerful when done correctly."

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80% of respondents recognized **cloud technology** as giving their organization a **competitive advantage**.

Cloud's scalable nature and modern approach to data and infrastructure pushes organizations into a more competitive position. While most CIOs recognize the Cloud has existed in some form for a decade, SaaS solutions are, in many industries, still novel. Summers explained that while larger corporations have been using private clouds for a while, small-to-mid sized businesses can dramatically scale their operations and outpace competitors if some processes are relegated to a SaaS or Cloud model.

Summers and Robosson both see cloud technologies affording businesses this competitive advantage for the next three to five years. After then, intelligent data storage, analysis and infrastructure will be a core business practice. One could see the consolidation currently going on in the data management industry as a precursor to the commoditization of Cloud-based data storage and processing – soon businesses will pick a Cloud vendor like they pick a paper company.

Negative Indicators for Enterprise Cloud Implementation

Security is still a prominent concern, and barrier, to cloud adoption.

Perhaps one of the most interesting findings was that survey respondents still ranked security as the top concern (above compliance and integrity), and affirmed data security and privacy as the number one barrier to both public and private cloud adoption. Despite highly advanced security and fraud countermeasures employed by Cloud vendors, CIOs and other executives regard security guarantees and redundancy policies with guarded pessimism. Practically, this fear has had the effect that many companies have yet to move "mission-critical" applications to the cloud.

Summers holds that despite companies' reservations on cloud security, vendors by no means employ primitive defense measures. "The security seems to be there today; it will become less of an issue, but people want to see it," he explained.

It starts with knowing who is accountable for data hosted in the Cloud. Vendors subcontract to a veritable patchwork of different companies. Knowing which party is responsible for reporting security or privacy breaches and how the reporting process unfolds is as important as disaster recovery and redundancy policies.

As cloud adoption matures, laggards can be convinced with more vendor flexibility.

Many believe that cost-savings have been one of

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the major turning points for businesses choosing the Cloud, but as technologies advance and permeate the market, flexibility has proven itself to be the larger issue. When searching for a cloud provider for Jackson Hewitt, Summers recounted that the company "hadn't approached the cloud with regards to cost savings. It [was] more around seasonality."

Jackson Hewitt found that in general Cloud vendors offered very few options for firms and industries with peak business activity condensed into certain parts of the year.

"None of the major players [we] spoke to had a pay-as-you-go option," said Summers. "All the agreements were about the same: you pay a standard amount for the entire year, and the provider agrees to handle some spikes in usage as percentage of the base. We needed a more custom arrangement."

Current cloud contracts provide for scalability, but little in terms of flexibility. More nimble cloud providers can capture larger accounts by offering customizable contracts, including bandwidth, user and storage options. Conversely, organizations looking to implement cloud technologies must be willing to sacrifice some flexibility, or negotiate for a bespoke contract.

Other Interesting Discoveries

46% of respondents said that they have a **dedicated budget for cloud services.**
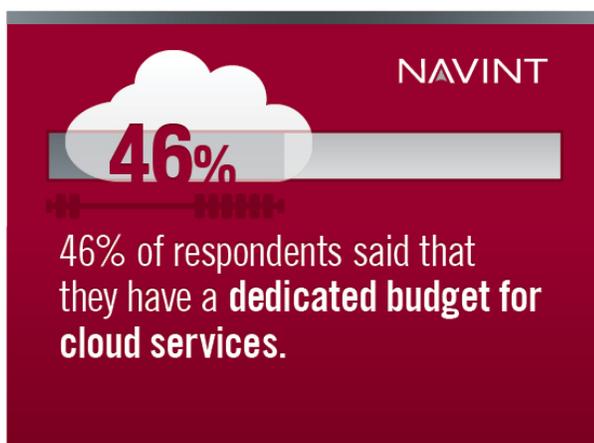
Based on survey responses of those who have adopted either a public or private Cloud solution, a plurality of CIOs work with discretionary budgets for cloud services. John Robosson considered that a surprising statistic considering a majority of companies are moving at least some processes and applications to the cloud. Summers explained that the fact that many organizations regard cloud expenses as research and development could be the explanation. Organizations are analyzing how the cloud demand differs across departments before appropriating fixed funding for long-term contracts.

Company budgets for public and private cloud solutions will increase within the next two years.

36% of survey participants believe that budget dollars for public cloud computing will increase by as much as twenty percent by 2014, and 46% expect budgets for private cloud computing to jump by more than twenty percent over the same period.

Conclusion

Through the survey sample of CIOs from across the country, Navint was able to explore some of the underlying forces pushing companies to adopt cloud technologies. Navint also uncovered some of the concerns – spoken and unspoken – holding them back. Either way, a better understanding of the general consensus around cloud solutions will hopefully inspire executives to make more informed, strategic decisions when deciding whether to bump an important business process to the Cloud.

If you have more questions about the survey, please contact Matilda Swartz of Walker Sands Communications at Matilda.Swartz@walkersands.com. For more information on Navint, visit www.navint.com.

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Navint is a different kind of management consulting firm, excelling in large scale business process change. With offices in New York, Chicago, Boston, Pittsburgh, Philadelphia and Rochester, Navint's consultants specialize in managing the alignment of people, processes and technology when organizations face operational restructuring and IT transformation. A unique blend of experience and innovative thinking allows Navint consultants to address clients' business challenges in imaginative ways. http://www.navint.com.