

The Hybrid Cloud Helps Midsize Companies Compete

Gaining Large Corporation Advantages at a Midsize Price





Introduction

This e-book is based on insights and recommendations in the Ventana Research benchmark research report, “Business Technology Innovation: Six Key Trends in Optimizing IT for Competitive Advantage.”

The research conducted for this report examined the situations of a wide array of businesses. This e-book emphasizes information important to midsize companies – those with \$100 million to \$500 million in annual U.S. revenue or 100 to 999 employees.

This e-book looks at the hybrid cloud, its adoption, benefits that using the hybrid cloud delivers to midsize businesses, security considerations, adoption challenges, and recommendations for evaluating hybrid cloud products for midsize organizations.

In a constantly changing technology environment, Ventana Research finds the hybrid cloud to be a promising development for midsize businesses. This e-book should help you understand the advantages and challenges of the hybrid cloud.

The Cloud and Midsize Business



Cloud computing is moving from an emerging technology to an accepted computing strategy.

It is a technology that allows resources to be connected through private and public networks, simplifying a company's on-premises infrastructure while allowing flexible scaling for data and applications.

Businesses can choose from several cloud categories:

Public cloud. A cloud infrastructure hosted by a service provider and made publicly available. Public cloud providers own and operate the infrastructure they use.

Private cloud. A dedicated cloud infrastructure that allows a business to host applications in a cloud. Private clouds are not shared with other organizations and can be managed and hosted internally or externally.

Community cloud. A multitenant cloud service model shared by several organizations. The management and security of the community cloud are governed by the participating organizations or a third-party provider.

Hybrid cloud. One or more clouds (private, community or public) that are distinct but are connected to or combined with on-premises systems.

Takeaway: Businesses enjoy greater flexibility today with a multitude of cloud options they can choose from.

What's in the Hybrid Cloud



The hybrid cloud, combining on-premises and cloud-based systems, can be especially useful for midsize businesses.

It can provide large enterprise capabilities – and the performance improvement this can deliver – at an affordable cost. With its capacity and flexibility, the hybrid cloud is an attractive bet for business-side staff who want the power of new technology with neither the hassle of managing technical issues nor the longer-term costs.

Midsize companies are recognizing the importance of cloud computing. In Ventana Research's benchmark research report "Business Technology Innovation: Six Key Trends in Optimizing IT for Competitive Advantage," **61% of research participants said that cloud computing is important or very important for accessing applications or information. Half of respondents at midsize companies said they have and use cloud-based applications and tools.**



Takeaway: Midsize organizations are embracing cloud computing, with 50% already using some form of it in their business today.

Adoption Is Growing Rapidly



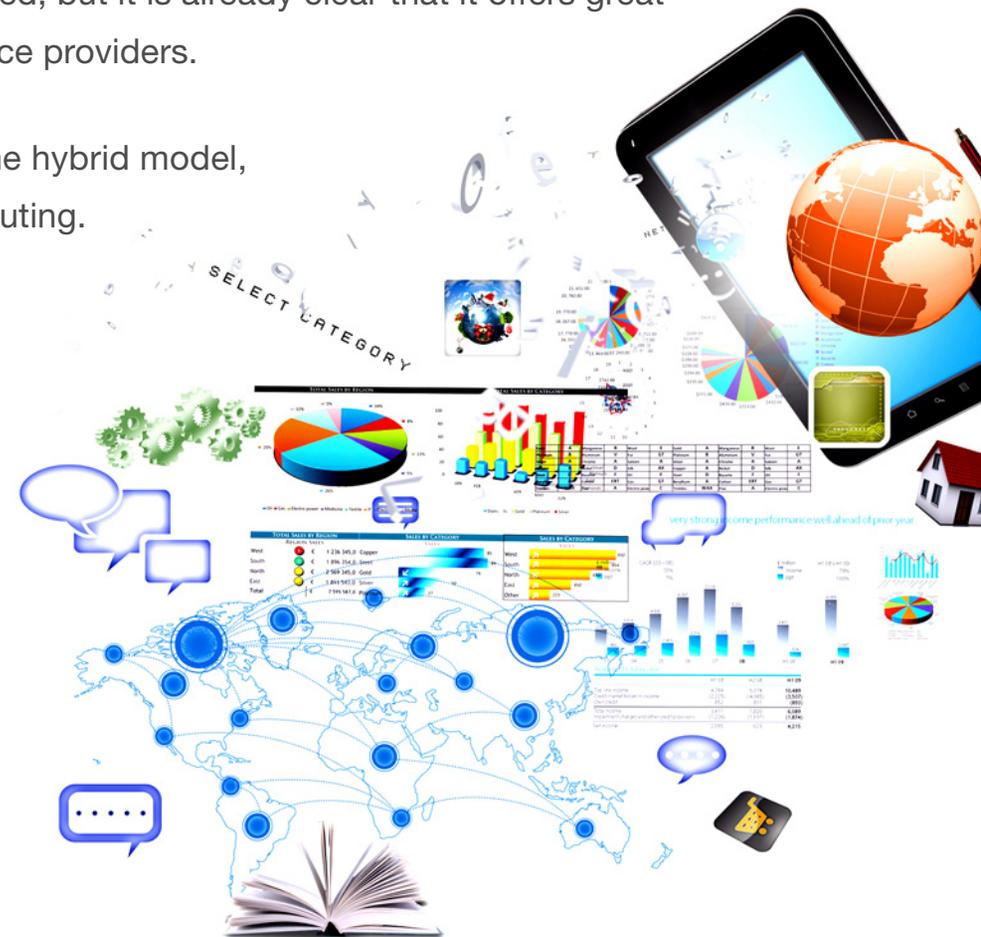
Midsized organizations still deploy the vast majority of their software, hardware and network infrastructure on-premises. Hybrid cloud technology has only recently emerged, but it is already clear that it offers great opportunity for midsized businesses and cloud technology service providers.

Ventana Research asserts that companies will rapidly adopt the hybrid model, transitioning to a mix of on-premises systems and cloud computing.

Midsized organizations in our research reported that:

- They are already using cloud computing to gain access to information and applications that reside outside of the enterprise: 58% have been using it for more than a year.
- For 38% cloud computing has significantly improved the availability of applications and information in their business.

Takeaway: Hybrid cloud adoption is accelerating and delivering results. It will become ubiquitous.



Benefits of the Hybrid Cloud



For decades midsize organizations have been challenged to make heavy IT investments. But with limited IT staff and budgets, they either haven't done so or are disappointed with the results. **The hybrid cloud model addresses their staff, skills and budget issues.** Among other benefits, companies no longer have to face the risk that losing one specialized employee will negatively affect IT. So midsize companies can feel more comfortable making IT investments that provide valuable new capabilities.



Because the cloud offers flexible, scalable technology and because companies no longer must invest in full-time specialized skills, on-premises computing power and network management capabilities, the cloud is the breakthrough that midsize companies have been seeking.

The two cloud benefits most frequently cited by midsize companies are:

- Lower costs (40%)
- Improved business process efficiency (39%).

Takeaway: The cloud changes the economic equation in favor of midsize companies. They can apply cloud technology for business process improvement and cost savings.

How the Cloud Can Help

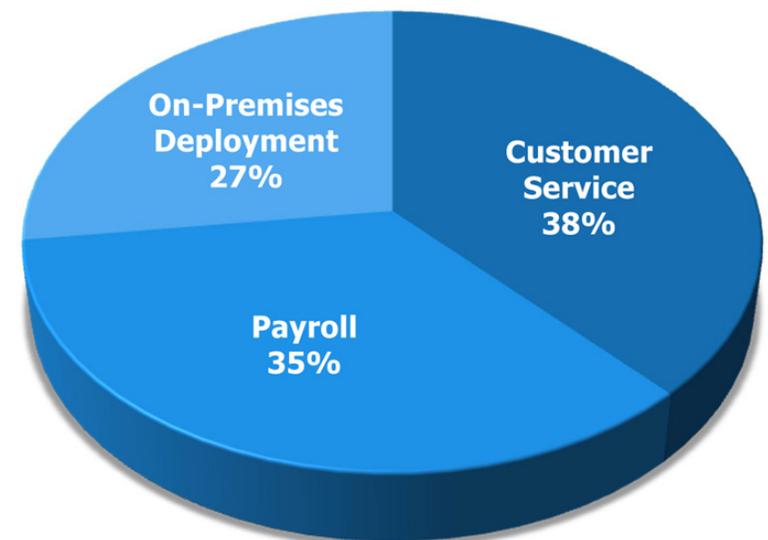


Cloud technology is providing midsize companies with new capabilities across the organization, including in these functions:

- Sales and Marketing
- Customer Service
- Logistics
- Financial Performance Management
- Payroll.

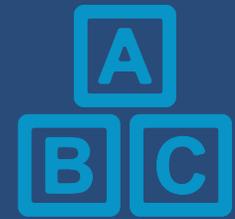
Ventana Research finds that fewer employees working in these areas now wish to deploy on-premises software. In its research on sales forecasting, only 27% declared an interest in deployment on-premises, while about two-thirds of participants in payroll (35%) and customer service (38%) reported that they're not interested in on-premises deployments.

Interest in on-premises deployment is waning.



Takeaway: Cloud technology will improve midsize business performance across all line-of-business processes.

The Cloud Is Easy and Functional



Cloud technology is providing midsize companies with new opportunities to be effective and agile in their operations. Here are some of its attributes:



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Capability

Cloud technology increases the capabilities of midsize entities by:

- Enabling companies to deploy applications that are otherwise too expensive to buy and/or maintain.
- Delivering sophisticated IT infrastructure without hiring specialized staff to support it.



Flexibility

Cloud technologies allow scaling up or down quickly.

- Cloud deployments allow comprehensive testing prior to rolling out applications, reducing the expense and technology risk associated with projects.
- Organizations can use specialized capabilities for a short period of time and can build the cost of the software lease into the project plan, avoiding a permanent investment.

Affordability

The cloud changes the cost equation by:

- Scaling IT capacity without large support investments or acquiring unused capacity.
- Allowing midsize entities to free up cash for opportunity investments.

IT Staff Optimization

Skill delivery is improved through the cloud model.

- Midsize organizations can focus staff on on-premises IT issues and move the rest to third-party service providers and cloud vendors.
- Cloud service providers can provide highly specialized, skilled IT staff to companies that could never afford them as full-time resources.

Takeaway: The cloud model offers midsize companies many compelling reasons to embrace the hybrid cloud by making it easy to add functions that enhance company performance.

Security and the Cloud



Nearly two-thirds (63%) of midsize organizations cited security as a reason for not using cloud computing.

Ventana Research advises businesses to focus on their core business, not on managing IT security. Cloud vendors manage IT assets and service as their core business. Ask cloud vendors about necessary certifications, mitigation plans and redundant backup facilities.

Organizations often have a false sense of security because their technology is locked on-premises. A severe event could nonetheless impact the organization. And most data thefts involve an inside resource: someone leaving with a loaded thumb drive, or sensitive data in spreadsheets is emailed or accessed on devices that routinely leave the office.

Still, companies may prefer to keep some data on-premises. In this situation hybrid clouds are a good option because some data and applications can reside on-premises while the rest is in the cloud.

Takeaway: Cloud security provided by an outside party that has redundancy and follows established protocols may be stronger than internal security. Hybrid clouds offer flexibility to choose the best location.

Challenges of the Hybrid Cloud



The hybrid cloud presents a different set of challenges compared to operating purely on-premises. It involves sharing information and managing processes across multiple points of the computing environment, including cloud-to-cloud and cloud-to-on-premises connections.

Challenges that may affect hybrid cloud deployments include:

- **Data Integration.** Connecting to cloud services and applications will gain importance as organizations deploy more capabilities in the cloud. Already, 48% of midsize organizations say that it is very important to integrate data from cloud applications with other enterprise data. So it's essential that vendors provide tools to enable the integration of data wherever located, including synchronization capability.
- **Regulation.** Since some nations regulate where certain types of data must reside, systems must comply with jurisdictions that prescribe the physical location of data. Insist that your cloud service provider demonstrate this capability.



Takeaway: The hybrid cloud can present challenges that should be addressed in the design and planning for use. Remember, though, that hybrid clouds offer the option of keeping some data on-premises.

Addressing Hybrid Cloud Issues



Education is key to understanding hybrid cloud issues and how to address them.

Executives and IT departments alike must get to know the benefits of the hybrid cloud and how best to address the challenges it presents.

Fortunately for enterprises now adopting hybrid cloud strategies, there are software and services that enable rapid and secure integration without the need for internal IT to deal custom coding or complex middleware. These fast-evolving systems and services can perform data cleansing and migration and enable rapid data connections, synchronization and workflows. The result is faster time-to-capability and more time to focus on business needs rather than infrastructure and integration.

Takeaway: As the hybrid cloud has matured and grown more popular, tools to support it have appeared.

Assessing Hybrid Cloud Potential



Ventana Research recommends that midsize companies perform a self-assessment when considering a cloud deployment.

- Review delayed and missed opportunities caused by limited IT resources. Identify gaps in products, services and competitive capabilities.
- Evaluate the IT department's structure, size and capabilities. Compare cloud options to determine where it's advantageous to replace the existing on-premises approaches.
- Identify and determine how best to resolve internal data and application integration challenges that the organization will face before it can use new service providers to address technology issues.
- Compare alternatives for TCO, ROI and long-term strategic value.

Present in a business case the expected benefits of using cloud computing, including the following cited by Ventana Research:

- Lower costs (47%)
- More accessible information (40%)
- Better communication and knowledge sharing (33%).

Takeaway: Identify opportunities for new capabilities and replacing on-premises systems with cloud options. Explore ways to address integration challenges.

Conclusion

Hybrid cloud computing changes the playing field for midsize companies by enabling big-company IT capabilities without big-company IT price tags. Since midsize companies are often more agile, this flexibility allows them to pursue opportunities faster, scaling up or down without committing to long-term projects, large capital investments or hiring specialized staff.

The first step is to perform a self-assessment to identify functional areas that can take advantage of cloud opportunities. Then assess vendors of cloud solutions on their breadth of offering, paying particular attention to their capabilities in integration, staff, regulation and security.

Ventana Research believes that midsize businesses can uncover hybrid cloud opportunities that will not only put them ahead of midsize competitors but also allow them to compete up-market with larger rivals.

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For more information on Hybrid Cloud, visit www.ibm.com/midmarket.

The full Benchmark Research Report “Business Technology Innovation: Six Key Trends in Optimizing IT for Competitive Advantage” can be purchased from Ventana Research at www.ventanaresearch.com.



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