

# *Beyond the Hype* The Year in Cloud... and Strategic Choices Ahead

Frank Gens, IDC

John Gallant, IDG Enterprise

*Looking back, since last we met..*



Cloud = a key budget item...

## Cloud Spending Headed Up

Many CIOs say cloud services are a plus for business continuity deployment, but they still worry about security

BY LAUREN

Six out of 10 U.S. companies already have at least one application on cloud services in the cloud, and 71 percent expect to increase deployment in the next 12 months, according to a recent IDC Enterprise survey of 884 IT professionals, including 387 heads of IT.

Most respondents (64 percent) agreed with the statement that cloud computing will mean higher costs in the short term, but will save money in the long term.

Barr Snyderwine, CIO of Hargrove, an events management company, says using the public cloud is his way of keeping costs down. The company is using an online collaboration tool for document sharing because "it's a cheap tool that's easy to use." "We are probably saving money in the long run on the [business] continuity side."

In fact, 64 percent of the survey respondents cited business continuity as the top business driver for their cloud investments. Snyderwine says he is also looking to put Microsoft's Exchange in the cloud as part of his continuity plan. "The comfort of having completely redundant servers is very, very attractive," he says.

In the survey, reasons for moving deployment, gaining efficiencies and improving business continuity were the top reasons cited.

But putting data into a private cloud to ensure consistency and security is a barrier to the cloud.

Walter types of cloud computing has different types of barriers to the cloud.

Continuity of operations is a key concern for many CIOs.

### Five-Year Plans

What are your expectations for cloud computing over the next five years?



## Putting the Cloud First

The latest CIO survey shows traditional IT models are being replaced by cloud when it comes to new technology investments

Cloud computing is practically mainstream, according to the latest CIO Economic Impact survey of 291 IT leaders. In fact, nearly half (48 percent) of the CIOs surveyed said they have adopted the government's Cloud First policy, which requires agencies to evaluate cloud options first, over traditional IT approaches, before making any new IT investments.

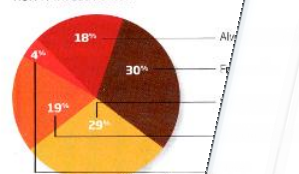
Cloud budgets reflect this shift, with 48 percent of IT leaders putting more money toward cloud, up from 44 percent in November 2010 and 38 percent in August 2010. More than half (53 percent) of CIOs said they expect to increase their IT budgets overall, up 5 percent from a year ago.

Roberto Dolci, CIO of manufacturer System Logistics, moved his company's payroll system to the cloud, which he says has increased the business's agility and allowed him to "squeeze more out of the same amount of money."

However, while Dolci plans to evaluate other cloud options, he says he is not planning to move other systems to the cloud.

### Top-of-Mind Tech

Respondents lean strongly toward cloud as a new IT investment...



## Data Center Spending Shake-Up

Survey shows private clouds and server virtualization are driving a shift toward data centers as an operating expense

BY LAUREN BROUSELL

Cloud and virtualization are changing the way CIOs look at their data centers and, more importantly, how they spend on them.

The CIO Data Center Strategies Survey, which polled 416 CIOs, indicates that data center spending is holding steady at about 28 percent of IT budgets on average, but it will gradually shift from a capital expenditure (capex) to an operational expenditure (opex). This is suggested by the finding that CIOs think server virtualization (49 percent) and private clouds (64 percent) will have the largest impact on their data centers over the next two years. The shift toward data center spending as an operating expense will likely be a gradual one. CIOs expect opex spending to go up 7 percent over the next two years while capex spending will decrease by 5 percent.

Barr Snyderwine, CIO of Hargrove, an event and trade show company, says his core data center is currently a capital expense and accounts for around 20 percent of his IT budget. He expects it to become slightly more of an operating expense as he explores bringing some customer

websites to the cloud. His data center is becoming a higher priority. "We have more content than ever," he says.

Sixty-five percent of those surveyed agree with Snyderwine, saying their data centers will become significantly more important in the next two years. Furthermore, 52 percent of CIOs said they are very confident that they are making the right data center investment decisions to support their strategy.

Fifty-eight percent of respondents said they operate their own data centers and 43 percent increasingly view them as a strategic asset, compared to 32 percent who see them as tactical and 20 percent who think they're transformational.

John Panikser, CIO of Texas Gulf Bank, says data centers are a popular topic at his company's management and board meetings. "The strategic plans of the organization are role in the growth of the company and revenue."

Contact Editorial Assistant Lauren Brousell at lbrousell@idc.com. Follow her on Twitter: twitter.com/lbrousell.

### Not Just About the Money

Security and quality concerns are the biggest business reasons to invest in data centers



### Goal Oriented

43%

of CIOs view the data center as a strategic asset that can help advance organizational objectives.



...and changes the conversation

# new THE BUDGET CONVERSATION

24

The way you  
spend on IT  
is changing.  
So is your  
relationship  
with the  
CFO.

BY BILL BULKELEY

The march of technology is starting to shake up

one of the most important relationships that CIOs have—the one with the chief financial officer. CIOs need to start changing the way they spend out the year. CIOs and experts say. Cloud computing is changing the nature of corporate IT and

This shift is in its early days, but for looking CIOs are beginning to think of themselves as providers of services rather than infrastructure. As such, they supervise operating expenditures, not capital expenditures. They approach the CFO as partners, not as adversaries, in business-investment decisions.

Robert Petric, vice president of IT at Pharmaceutical Product Development, which runs clinical trials for big drug companies, says decisions about provisioning new technologies are based on "what makes the most sense from a business standpoint and from a financial standpoint. But thanks to cloud-based infrastructure, software as a service and employee-supplied devices, these decisions have different budget implications than they used to, including how IT budgets are governed and how they are killed.

COVER STORY :: Business Ideas

# Market Makers

Lynden Tension is an entrepreneur. He runs several businesses, including one that sells workforce-management software and another that markets telecommunications bandwidth.

Entrepreneurial  
CIOs at Union  
Pacific, FedEx  
and other  
companies are

He's also the CIO at Union Pacific. Those software and services that Tension markets? They grew from internal IT projects the \$17 billion railroad company developed for its house use and then decided to commercialize, bringing in \$45 million to \$60 million in revenue. "We looked around at things and thought, 'Hey, we can make some money out of that,'" says Tension, who has worked at the railroad for more than 18 years, six as CIO.

Like a lemonade stand in summer, the idea to sell cool internal IT



CLOUD SERVICES

Smart companies  
plan ahead to avoid  
gotchas that can blow  
holes in their budgets.  
BOB VIOLINO

MOST EXPERTS AGREE:

The cloud is moving past the hype stage and starting to deliver tangible benefits, primarily increased flexibility and agility. But moving to the cloud can also mean added costs, some unexpected, according to IT organizations that have implemented cloud services. From getting real about computing, they can save on the overall cost of services.

Continued on page 24

37

# THE REAL COSTS OF CLOUD COMPUTING



COVER STORY



16 JANUARY 9, 2012

COVER STORY

# Self-Service IT

Empowering users with do-it-yourself tools is all the rage in IT these days. What could possibly go wrong? By Tracy Mayor



**S**ELF-SERVICE PROCUREMENT. Self-service business intelligence. Self-service recovery. User provisioning in private clouds. It's a wondrous world for end users today as IT departments roll out tools that hand them the reins to the data and services they desire, whether it's instant access to their employee benefits accounts or a deep dive into corporate data stacks that were once off-limits.

But all this user empowerment raises a question: Are users up to their new role? To be sure, it's been a long time since IT staffers have had to show employees how to use a mouse or check that a desktop PC is plugged in, but there's a big jump between choosing a dental plan from a drop-down menu and applying advanced analytics to large volumes of enterprise data.

Have users really advanced so far that they can roll out their own business intelligence queries or recover from a hard disk failure entirely on their own? Yes and no, say IT managers and industry analysts.

PHOTO BY GETTY IMAGES/OWEN STERN

17





# TALENT WARS

## NEWS ANALYSIS



## 'Server Huggers' Slow Cloud Adoption

better spent focusing on business needs. "The real difference that IT leadership makes is being able to leverage information to create competitive advantage in the marketplace," Martin said.

Six years later, Chipita is still a proponent of cloud adoption, and Martin still defends the approach in front of his peers. "I feel like a lot of CIOs are in the mindset of a kind of empire-building," he said, believing in maintaining in-house services helps maintain loyalty to an employer. Such loyalty is important to an employer, he said, because his company is "really irrational and not in the business of the company," Martin added.

Forrester Research analyst James Staten noted that many CIOs are "not running IT systems themselves."

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## run leadership and operational excellence

## Restaffing for the Cloud

When Steel Technologies outsourced its back-office systems, new IT roles emerged **BY STEPHANIE OVERBY**

When Jim Honerkamp was hired as CIO of Steel Technologies last summer, he immediately identified a major problem on the company's IT org chart. Of the 34 technology professionals employed by the \$1.6 billion processor of flat-rolled steel, nearly half were working in IT infrastructure. The remaining business-analysis group had a staff of three.

"Infrastructure does not differentiate us in any way, shape or form in the marketplace," says Honerkamp. "To be a strategic IT organization, you have to be delivering value in technology tools either to strengthen customer relationships or to be used as weapons against the competition. All the IT value-add is on the business-analysis side."

One way to flip those staffing numbers was to move to an infrastructure-as-a-service (IaaS) model. And it was the perfect time to consider divestiture. Steel Technologies' hardware assets were



competitors — and now providers — are poaching best IT staffers and job candidates. **BY JULIA KING**

AN HERRINGTON says his first inkling of a brewing IT talent war came early this spring, when he noticed that "college kids weren't accepting our offers on the spot."

This was a first for Herrington, who is executive sponsor of college recruiting for IT at USAA, a San Antonio-based Fortune 200 insurer and financial services

been No. 1 on Computerworld's Best IT list for two years in a row.



COVER STORY :: IT Strategy

# Embrace Rogue IT

You may not control all of a company's tech  
but you still have to manage risk and save

BY STEPHANIE OVERBY



The CEO has fallen head-  
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COVER STORY :: Consumerization



# the B.Y.O.T. BUZZ

Your users want the freedom to **bring their own technology**.  
Here's what you should know before you make a move.

BY KIM S. NASH

**BYOT, or bring your own technology**, is more than code for "my CEO bought an iPad." BYOT refers to a strategy for letting employees choose and purchase the devices they want to use to do their jobs—everything from PCs and laptops to smartphones and tablets. The machines belong to

## FROM THE EDITOR | JOHN DIX Build a cloud service review board

**E**nd run: To bypass an impediment often by deceit or trickery. Like it or not, the arrival of cloud means IT isn't the only game in town anymore. It is increasingly easy for corporate denizens to simply bypass IT to get what they want. The deceit? They simply don't tell you about the services acquired.

Some 60% of \$73 executives in a recent survey by business technology service provider Avanade say they worry about so-called cloud sprawl, the unauthorized acquisition of cloud services. Heck, one in five of this same group say they have "purchased a cloud service without the IT department's knowledge."



No wonder they're worried. Presumably most of these services are low-end and personal in nature, something like Dropbox, a Web service that replicates files from a folder on your computer to other devices of your choosing and to the Dropbox website, ensuring you always have access to your stuff.

Dropbox is the hackles for some IT pros. "We have particular concerns as Dropbox because there is very little stopping employment and proprietary information out there without our oversight," says Steve Damadeo, IT operations manager at Festo. "About IT involvement is the biggest concern right now, about for a more critical SaaS service without IT's consent."

"Sign," the CIO of a \$2 billion retail products company near misses.

"There's no way to avoid this by rule or fiat. People can and it is not on their side, doesn't understand, or is uncertain on IT to maintain credibility with customers, that things work better, with a better outcome, plus."

olve: "If any SaaS solution needs to be integrated business, the end users physically can't get that all join them. Maybe it is time to establish a

is to field employee requests and expedite se, keeps you in the loop, and may head off

*John A. Dix*



## CLOUD :: COVER

### Government IT's 'Perfect Storm'

Budgetary concerns and cloud computing have combined to make sharing services across government agencies a reality **BY KENNETH CORBIN**

**Federal tech chiefs** have long envisioned an environment in which agencies' storage and applications are hosted and shared throughout the government. But now officials are laying the policy foundation for a major cloud migration over the next several years, according to David McClure, the associate administrator of the General Services Administration's Office of Citizen Services and Innovative Technologies.

"We've been trying this for the last couple decades," McClure said in remarks at the Software and Information Industry Association's annual CloudGov conference.

"I think we now have a perfect storm. We have a budget crisis, a new wave of technology and a new generation of CIO and IT leadership in the federal government that is very open to this," he said.

McClure is one of the driving forces behind FedRAMP, the federal

government's program to develop a uniform framework for federal cloud solutions, dealing with the security, assessment, privacy and procurement considerations of new deployments.

FedRAMP, with its "do once, use many times" mantra, is in the pre-launch phase. The initial phased rollout is scheduled to begin in June.

Several government bodies are collaborating to develop the initiative, including the Departments of Defense and Homeland Security, the CIO Standards and Technology (NIST).

McClure says developing a common set of controls for cloud services across departments and agencies is FedRAMP's first priority, though the project is not seeking to rewrite the security standards stipulated by NIST and the Federal Information Security Management Act (FISMA).

Instead, FedRAMP aims to put

an end to the current situation in which each agency contorts the existing standards to suit its own ends, thereby achieving compliance but falling short of the common IT security framework that NIST and FISMA attempted to create.

The push to migrate to the cloud comes with an ambitious effort to consolidate federal data centers, reducing the government's IT and operating expenses while the technology apparatus grows environmentally friendly.

FedRAMP will also establish a group of third-party organizations to test cloud solutions before deployment, and systems deployed will be subject to Department of

Kenneth Corbin  
based in Wash

### Amazon Cuts Cloud Prices to Stay Competitive

Amazon Web Services (AWS) has cut its prices for the 19th time in 2011, a bid to fend off competition from the likes of Microsoft and Google. Demand pricing will see a modest increase, while costs of new R&D are expected to rise.

### FEDS BEGIN Race TO THE CLOUD

Agencies are now grappling with the hard realities of making the 'cloud first' policy work. **BY MARY K. PRATT**

**T**HE GOVERNMENT SECTOR is on a fast march to the cloud, but Robert Rosen wants to pause for a breath. "I've been looking at the cloud for a long time, and it's not as simple as all the vendors want to make it seem," says Rosen, CIO of the National Institute of Arthritis, Musculoskeletal and Skin Diseases at the National Institutes of Health in Bethesda, Md. "The federal government isn't this uniform user of IT. So there's no one-size-fits-all. There are places it fits fine, others where it doesn't, and

Continued on page 34



## CASE STUDY

# Integration in the cloud

**Mohawk Fine Papers saves millions by using the cloud** as a central integration point for all its B2B transactions. **BY ROBERT L. MITCHELL**

**T**WO WEEKS AFTER Melhawk Fine Papers made the decision to sell its products on Amazon.com, the things were looking good for the company: Integration work was complete, connections to its ERP system had lit up and sales were rolling in. "Amazon generated tens of thousands of dollars in revenue immediately," says Paul Stamas, vice president of IT at the \$500 million, 725-employee manufacturer of premium papers.

Best of all, the data integration project, which cost less than \$1,000 to get off the ground, required no in-house investment in integration tools or staff resources.

Instead, cloud-services provider Liaison Technologies performed the integration work and then set up — and currently manages — the connections through its cloud-based service.

Two years ago, a project like this would have been handled as just another point-to-point EDI integration. But the Amazon deal and the 100-plus other business-to-business con-

Instead, cloud-services provider Liaison Technologies performed the integration work and then set up — and currently manages — the connections through its cloud-based service. “Ten years ago, a project like this would have been handled

Two years ago, a project like this would have been seen as just another point-to-point EDI integration. But the Amazon deal and the 100-plus other business-to-business



**G**UARDIAN LIFE INSURANCE isn't about to take big risks when making IT investments, and CIO Frank Wander will be the first to tell you that he doesn't have a cloud computing strategy, per se.

But over the past five years, the \$20 billion financial services company has moved its applications into the cloud. It shut down a compute grid and moved its actuarial modeling application into an Amazon EC2 cloud. And it's now in the process of broadly deploying two major software-as-a-service suites.



... and growing complexity

ENTERPRISE CLOUD SERVICES AND CLOUD MANAGEMENT

# MANAGING CLOUD COMPLEXITY

MANAGEMENT IN THE CLOUD

BY BETH SCHULTZ

CREATES HEAVY LIFTING FOR

Managing cloud infrastructure and services is similar to traditional IT — only bigger, badder and more complex. Many companies are turning to two strategic outsourcers, in the cloud service provider space, to help manage the load.

When you move to the cloud, you have to consider the complexity of the cloud service provider's tools, technologies and tactics.

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## SPECIAL FOCUS

### Identity management in the cloud emerges as hot-button issue for CIOs

BY CAROLYN DUFFY MARSAN

AS SALLIE Mae migrates some of its most important applications to the cloud, the company's largest provider of college loans is keeping an eye on compliance.

Sallie Mae uses identity management software from SailPoint to ensure that its 6,400 employees have appropriate levels of access to data and applications — regardless of whether it's stored in the cloud or at one of its data centers.

"All of our cloud-based services — all of that access is controlled," says Jerry Archer, CSO for Sallie Mae, which uses hosted applications such as Workday for human resources functions, "SailPoint keeps track of roles, access and other workflow processes."

Sallie Mae is in good company. A growing number of organizations including CUNA Mutual Group and the American Red Cross are turning to identity and access management tools to bolster their cloud-based

### 5 signs that you've lost control over your cloud apps

End users start sticking Post-it notes all over their computers listing user names and passwords for cloud-based applications.

Employees leave the company, but their access to cloud-based applications isn't removed, resulting in a proliferation of so-called "orphan accounts."

Managers are no longer approving data access for new employees.

Nobody is monitoring cloud-based applications to make sure access is current.

You're losing accounts to the new employer of a salesperson who left your company.

the company. IAM tools also help with the constant churn of employees being hired by an organization and its partners.

"When you put an application in the cloud, you don't have mechanisms for provisioning users in the cloud automatically," says Archer. "When you terminate an employee, changes jobs, some of the employee go into these cloud-based applications and take them out. We're connectors to applications that allow connectors to applications that allow connectors to automate onboarding and offboarding of individuals."

The latest development is the availability of IAM as a hosted service from such companies as Courion and LightHouse Security. Only a handful of pioneering organizations such as Citicorp and Mellon Bank have chosen a hosted IAM solution. For example, Citicorp is going into production with the hosted CourionLive.

Sallie Mae, however, isn't ready to move its identity management system into the cloud. "We're not at the point where we're ready to move our identity management system into the cloud," says Archer.

## Toolbox

TOOLS, TECHNOLOGIES AND TACTICS  
By Robert L. Scheier

### Before Moving to Cloud, Think It Through

Management tools ease, don't end, cloud security jitters

Many enterprises are reluctant to move critical cloud applications out of their own data centers and into the public cloud due to security concerns. Yet the same automated, consistent provisioning or private clouds (as well as to the process of thinking through a cloud deployment) can also offer the fringe benefit of improving security.

Of course, not all cloud management tools work equally well with all cloud providers, nor do they all allow customers to manage their internal and external clouds as a single unit. Infrastructure-as-a-service (IaaS) providers such as Amazon, for example, typically don't allow customers to tweak the network and storage infrastructure beneath the operating system.





*Nimble and fast, open-source frameworks  
can simplify application deployment in the cloud.  
But they're not for everyone.*

FROM THE EDITOR | JOHN DIX

## Push your cloud supplier to participate in CSA STAR

**S**ecurity is a top concern for potential cloud users so the formation of the Cloud Security Alliance was welcome news when the organization emerged in 2009. And while many vendors have since joined CSA, precious few service providers have stepped up to take part in its Security, Trust and Assurance Registry.

The CSA STAR registry, rolled out last August, is "designed to index the security features of cloud providers using a 170-point questionnaire that end users are then able to peruse" (see story, page 14).

Of the big guns that professed intentions to lay it on the line, only Microsoft has followed through to date. Kudos to them. Now it is time for enterprise buyers to pressure other suppliers; after all, show security issues are holding cloud back. The survey after survey, after all, show security issues are holding cloud back. The survey after survey, after all, show security issues are holding cloud back.



CLOUD COMPUTING



## The Race to Cloud Standards Gets Crowded

Are there too many groups on the  
same track? BY PATRICK THIBODEAU

standards. What is less clear is whether multiple efforts will make the standards push more effective or result in conflicting approaches that lead to a weak, ad-hoc standard. They all enjoy business logic, for instance, Cloud Standards Customer Council members include Citigroup, Costco Wholesale and Drexel & Co.

The **Open Data Center Alliance**, an Intel-backed standards organization formed last year, includes IBM, Deutsche Bank, JP Morgan Chase, Marvell International, Shell and Disney Internet Labs. Other members include China Life, a Beijing-based insurance company, and China Unicom, a government-owned telecommunications company.

Meanwhile, the **Cloud Security Alliance** membership list includes Cisco and eBay.

"The intention is to be extremely collaborative with all the various organizations that spawn out there," says Marvin Wheeler, chief strategy officer at cloud vendor Terremark and chairman of the Open Data Center Alliance.

Wheeler says the push for standards by the multiple groups shouldn't be competitive, but complementary. The multiple efforts, in the end, may help all the groups achieve their respective goals, he says.

### Cloud With Vendors

The Open Data Center Alliance is counting on Intel to change the cloud computing market. The alliance says its membership represents more than \$100 billion in annual IT spending power, more than which will go toward cloud computing.

The alliance is developing "usage models" that IT managers can employ when negotiating with cloud vendors. The usage models address many of the cloud technologies.

For example, one usage model aims to fix problems caused by the lack of an agreed-upon method for creating and destroying virtual machines.

SPOTLIGHT | OPEN SOURCE

# PLUGGING IN to the Open cloud

BY ROBERT L.  
SCHEIER

HEWLETT CONSULTANCY OpenCredo







TREND ANALYSIS

## Carriers make their play in the cloud

BY BRANDON BUTLER

**THE WAVE** started last year when Time Warner Cable, the telecommunications company serving much of the Eastern United States, spent \$230 million to purchase NaviSite, a provider of cloud services for businesses.

Two months later, in April, CenturyLink, the southern telecom, bought Qwest for \$12.2 billion worth of stock. That same month, Verizon purchased Terremark, the cloud infrastructure-as-a-service (IaaS) provider. CenturyLink followed by purchasing Savvis, another IaaS provider, for \$2.5 billion.

It's been a busy past 18 months for domestic telecommunication companies that have aggressively entered the crowded cloud marketplace. But do they really have a chance of competing against industry leaders?

"[The telecoms'] core business is changing around them, and the cloud is a very natural place for them to go," says Terremark's Chris Drumgoole.

As telecoms iron out their cloud strategy, experts say they need to move quickly. Revenues from their traditional voice offerings are eroding and competitors are moving swiftly to diversify their offerings and attract new customers. Amazon Web Services (AWS), Microsoft Azure and Google have all reduced prices on their cloud offerings in the past month.

Telecoms do offer some advantages, — namely, they already have a large nationwide network infrastructure. But some experts believe telecoms don't have a chance to compete against market leaders AWS, IBM and HP; and that telecoms instead need to focus on new value-add services.

The carriers are "gobbling up data centers," which in a sense amounts to a game of catch-up. IaaS competitors already own massive IT infrastructures that telecoms are now trying to build up, says Bob Rosenberg, an independent analyst. But there is one area where telecoms have an edge: "They have the wires," he says.

Armed with their newly acquired data centers, Rosenberg says the natural move is to play up the security and network infrastructure.



There has been a wave of M&A activity by telecommunications companies during the past 18 months. Here are details from a few of the biggest deals:

**BUYER** Time Warner Cable  
**ACQUISITION** NaviSite  
**WHEN** February 2011  
**PRICE** \$230 million  
**WHY** Time Warner Cable expanded its managed services, cloud computing and hosting services for enterprises with the purchase of NaviSite. Within a year, NaviSite released a cloud-based Desktop as a Service offering.

**BUYER** CenturyLink  
**ACQUISITION** Qwest and Savvis  
**WHEN** August 2011  
**PRICE** \$14 billion of stock and cash  
**WHY** CenturyLink has significantly expanded its data center reach.

**BUYER** Verizon  
**ACQUISITION** Terremark and CloudSwitch  
**WHEN** April 2011  
**PRICE** \$1.4 billion  
**WHY** Verizon immediately became a player in the infrastructure-as-a-service market when it purchased public cloud vendor Terremark, which has a worldwide presence of data centers. A few months later, Verizon bought CloudSwitch, a company that specializes in helping enterprises migrate to cloud environments.

Bieler believes the best play for telecoms is to offer a platform of software programs on their own, which could include ERP and CRM. Additional complementary offerings include connectivity between mobile devices, transfer security and software on top of that.

For example, a telecommunications company could offer to host a SAP or SAP offering on its own, which can create a whole bundle of connectivity, application, and including device management. Oracle and SAPs of the incentive to work with them because it spreads their market further, he says. Oracle and SAPs of the incentive to work with them because it spreads their market further, he says.

On an ever broader scale, able to provide an entire infrastructure platform. Bieler says, enterprises an opportunity to move from phones to mobile devices.

Some telecoms have the opportunity. John Forster, CEO of as-a-service solutions for AT&T's network division, says AT&T developers to write for AT&T's network.

"There is an opportunity to work with us, on our platform tools and capability robust application," Potter, making it easier for enterprises to connect into the AT&T announced that enterprise running VMware can move with the company's public cloud.

Drumgoole, the Terremark IaaS is a natural fit for Verizon. Verizon is a strong player in the security and network infrastructure.

## Deal Means More SAP Cloud Changes

If his company becomes part of SAP in a \$3.4B deal, SuccessFactors CEO Lars Dalgaard will lead the combined firm into the cloud. By Chris Kanaracus

**I**F ITS \$3.4 BILLION BID to buy SuccessFactors is successful, SAP could finally stabilize its cloud computing strategy — which has so far been mostly ineffectual.

The agreement to acquire SuccessFactors, a provider of cloud-based human resources applications, was announced earlier this month. SAP expects it will close in early 2012.

In recent years, SAP hasn't been able to settle on a cloud strategy. The application vendor's cloud-based Business ByDesign ERP suite was pulled back in 2008 and reworked. The much-hyped offering was finally released this year. SAP claimed to have 650 Business ByDesign customers in October and projected reaching 1,000 by year's end.

Along with the ERP services, SAP is developing a series of on-demand applications aimed at specific enterprise functions, some of which appear to significantly overlap with SuccessFactors products.

Analysts said the combined product lines will present a major challenge to SuccessFactors CEO Lars Dalgaard, who's been tapped to lead SAP's overall cloud business once the deal closes. In a statement, SAP said it expects the combined firm "will establish an advanced end-to-end offering for cloud and on-premise business applications."



SuccessFactors CEO Lars Dalgaard will take over SAP's cloud computing business once the \$3.4 billion deal to buy his firm closes.

DNA. Before, [SAP] executives were bridging the old world with the new world. This should help a lot."

"There has been a burgeoning number of platforms [at SAP]," added China Martens, an analyst at Forrester Research. "I think they need to start rationalizing, or it won't all hang together."

Martens said SAP's decision on whether to actively sell Business ByDesign, Career OnDemand and other new SAP products or to make SuccessFactors software the focal point should prove very interesting.

In an interview, SAP co-CEO Bill McDermott called the addition of Dalgaard an "adrenaline shot" for SAP's cloud business.

"We think Lars is the best leader in the [cloud] business — by a lot. When Lars gets in there, he'll see what he likes and what he doesn't like, and he'll make the calls," McDermott said.

Wang said that while he agrees that Dalgaard and his team will bring significant cloud know-how to SAP, that knowledge will have to be applied and shared in a much larger and more complex organization.

Wang said SuccessFactors' ability to win and then successfully complete major projects like a 400,000-seat installation at Siemens helped sway SAP's decision to pay \$40 per share for the company, a 50% premium over its closing price when the agreement was reached.

Ironically, the Siemens deal is "one of those projects where they successfully blocked out SAP," Wang said.

Whether SAP will face a counteroffer for SuccessFactors from the likes of archival Oracle remains an open question, analysts said. While not unthinkable, it may be unlikely, because Oracle has made

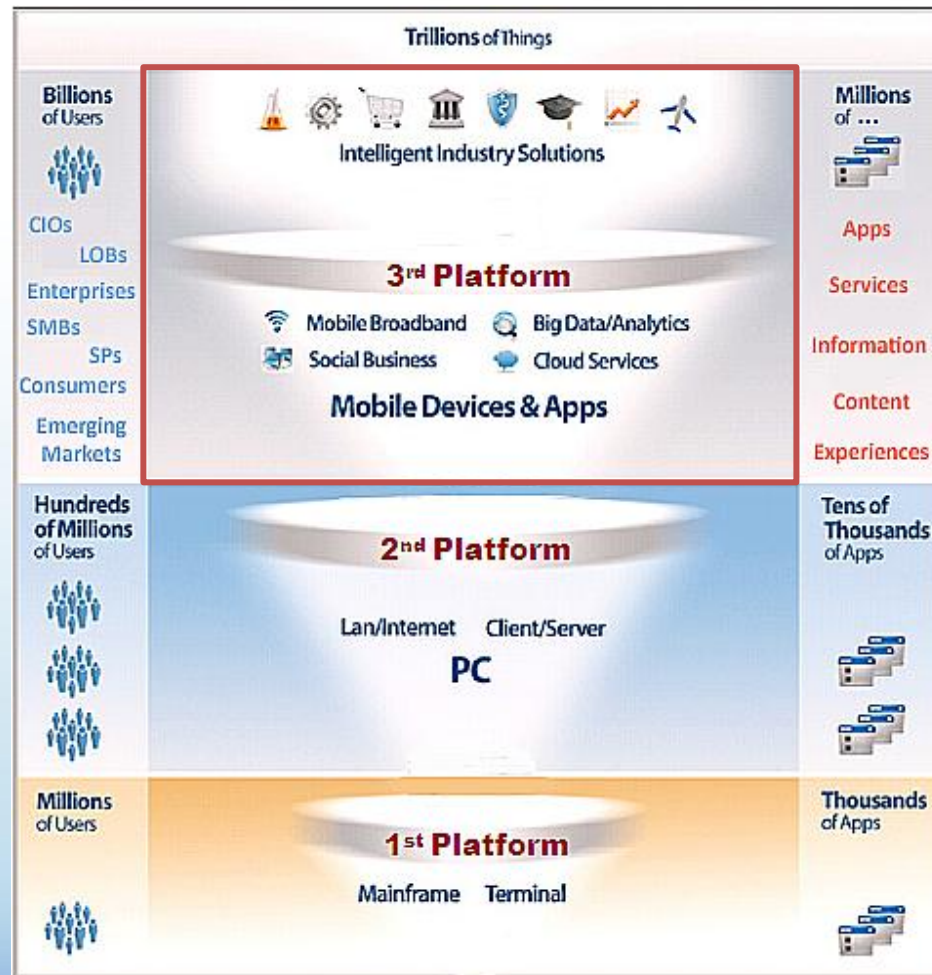
HR software a centerpiece of its new Fusion Applications, Martens said, noting that an Oracle bid for SuccessFactors could therefore send confusing signals to the market.

## ***Looking Ahead: Strategic Issues 2012/13***

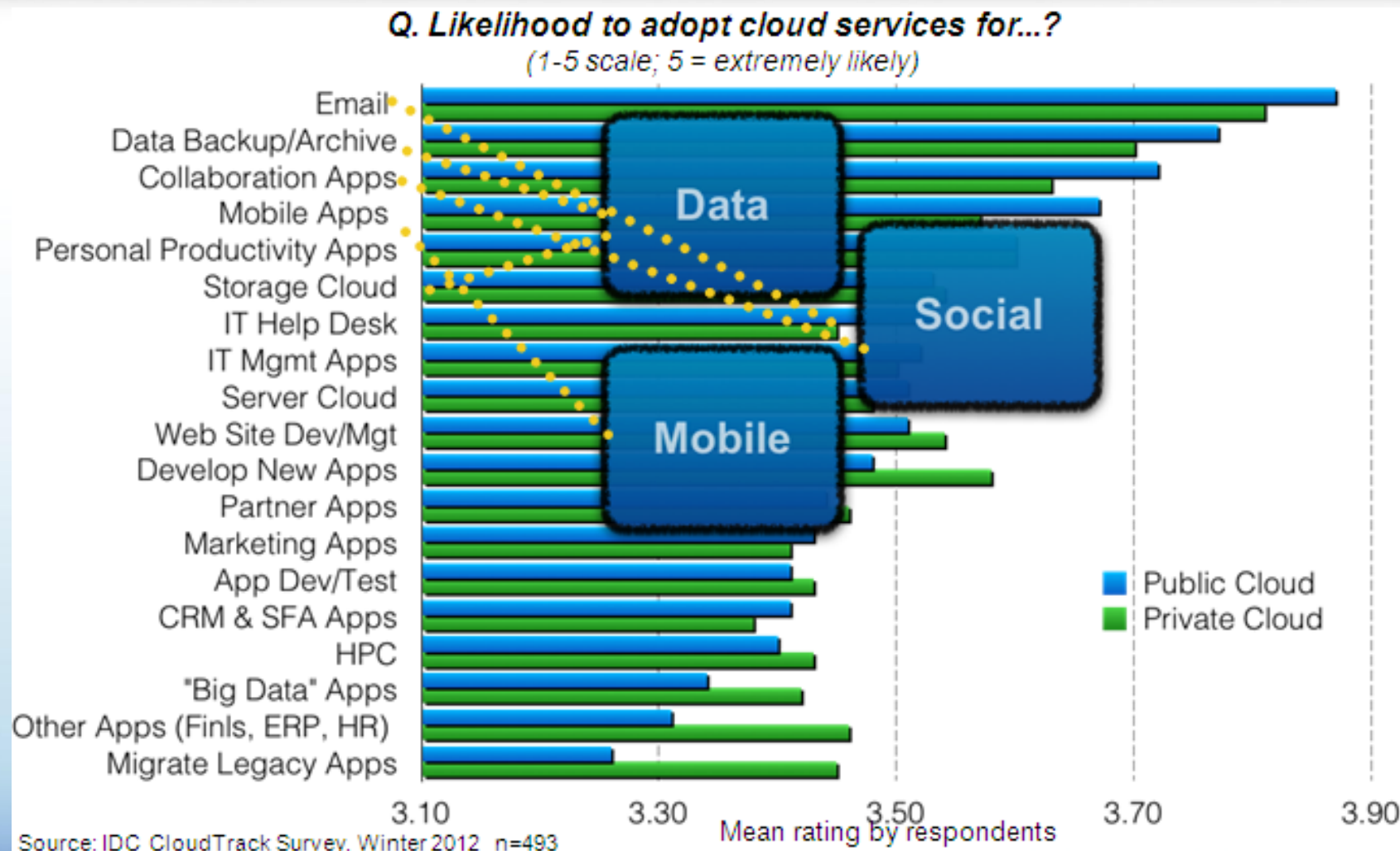




# 1. The 'Right' Perspective?



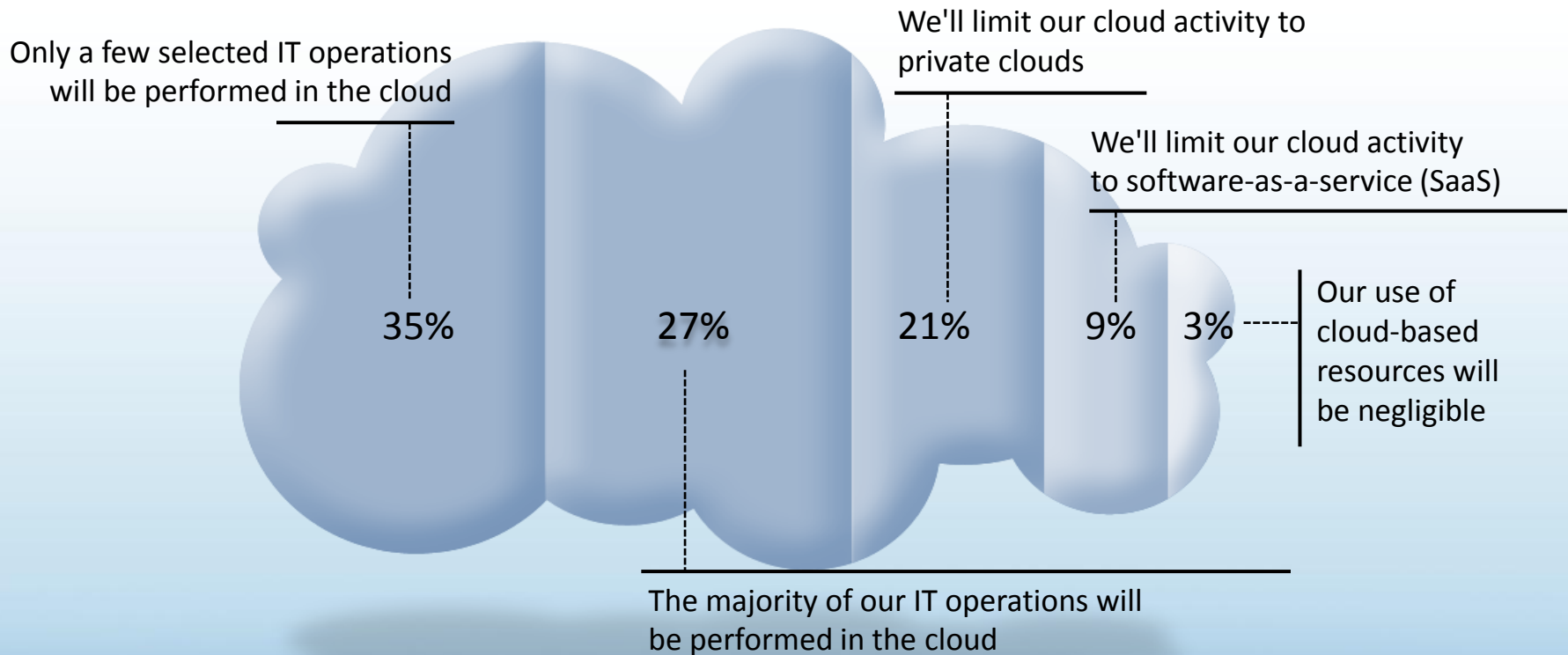
# 1. The 'Right' Perspective?





## 2. The 'Right' Pace?

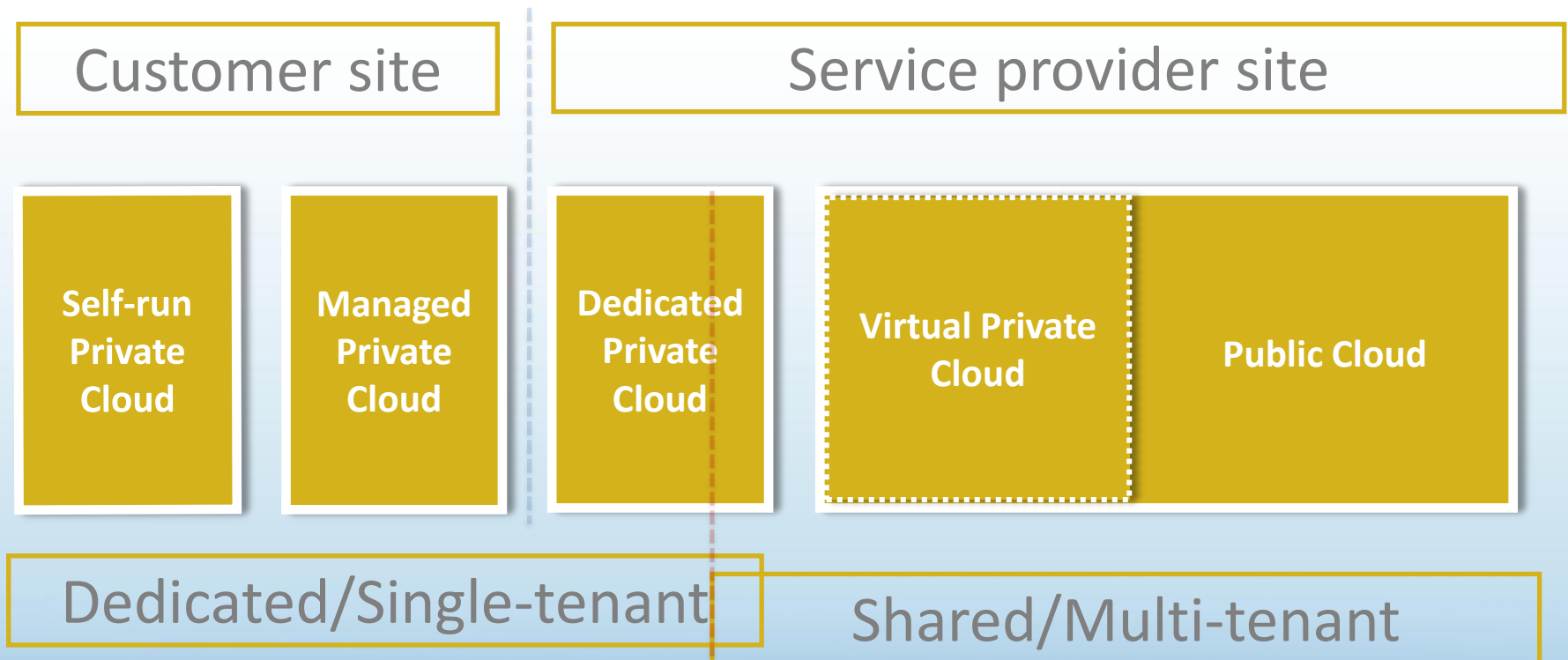
# Long-term Outlook Shows One Quarter Will Have Majority of IT Ops in the Cloud



Q. Which of the following best describes your long-term expectations for cloud computing at your organization over the next 5 years?

### 3. The 'Right' Model?

## Cloud Services Deployment Models





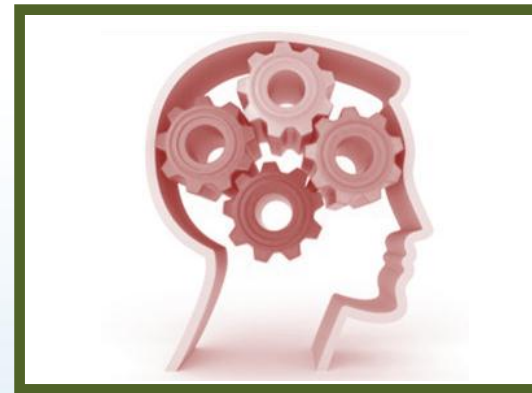
## 4. The 'Right' Organization?

### Cloud is Driving IT Evolution



44%

**New roles have been created**  
within IT to help develop and implement  
cloud computing strategy (rather than  
responsibility being absorbed into  
existing roles)



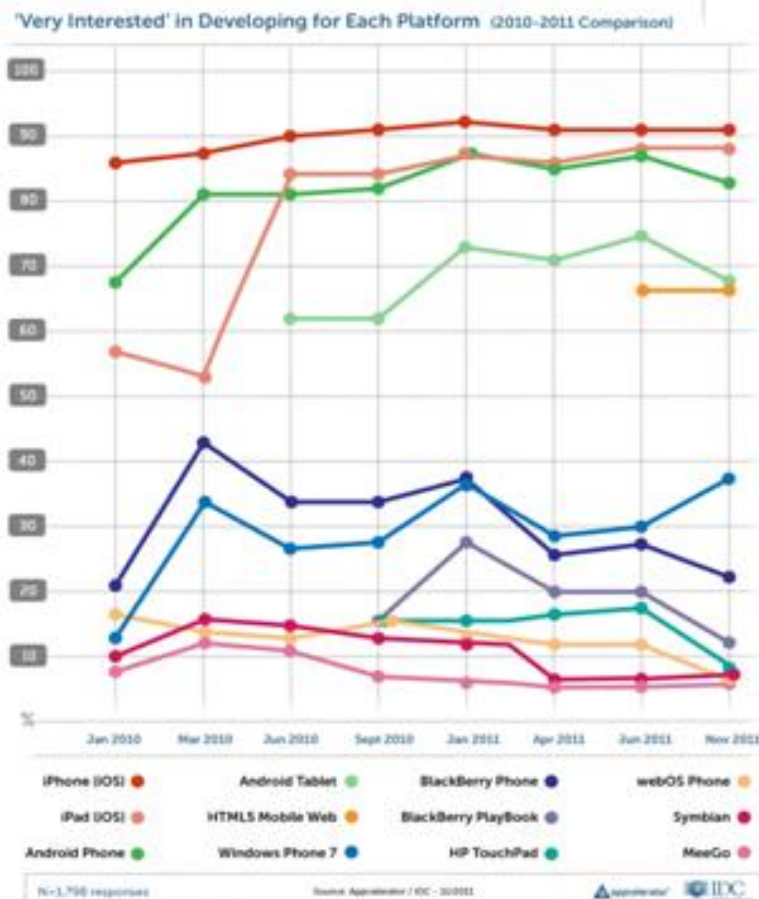
69%

The IT function has had to **rapidly  
expand its skill set/knowledge** in  
order to keep up with cloud computing  
developments

Q. Please rate your level of agreement with the following statements. Percentages reflect Agree/Strongly Agree

# 5. The 'Right' Communities?

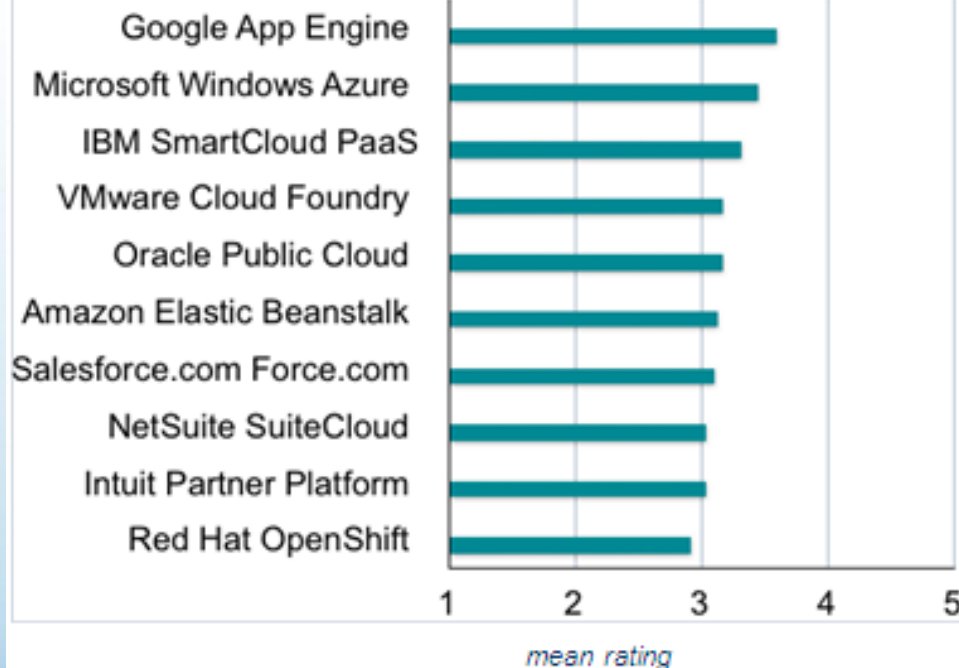
## Battles at the new Edge...



Source: IDC 2012

## ...and at the new Core

Q: How likely is that your enterprise would develop apps on and/or source cloud apps from the following Public Cloud Application Platforms?  
(1=not likely at all, 5=extremely likely)

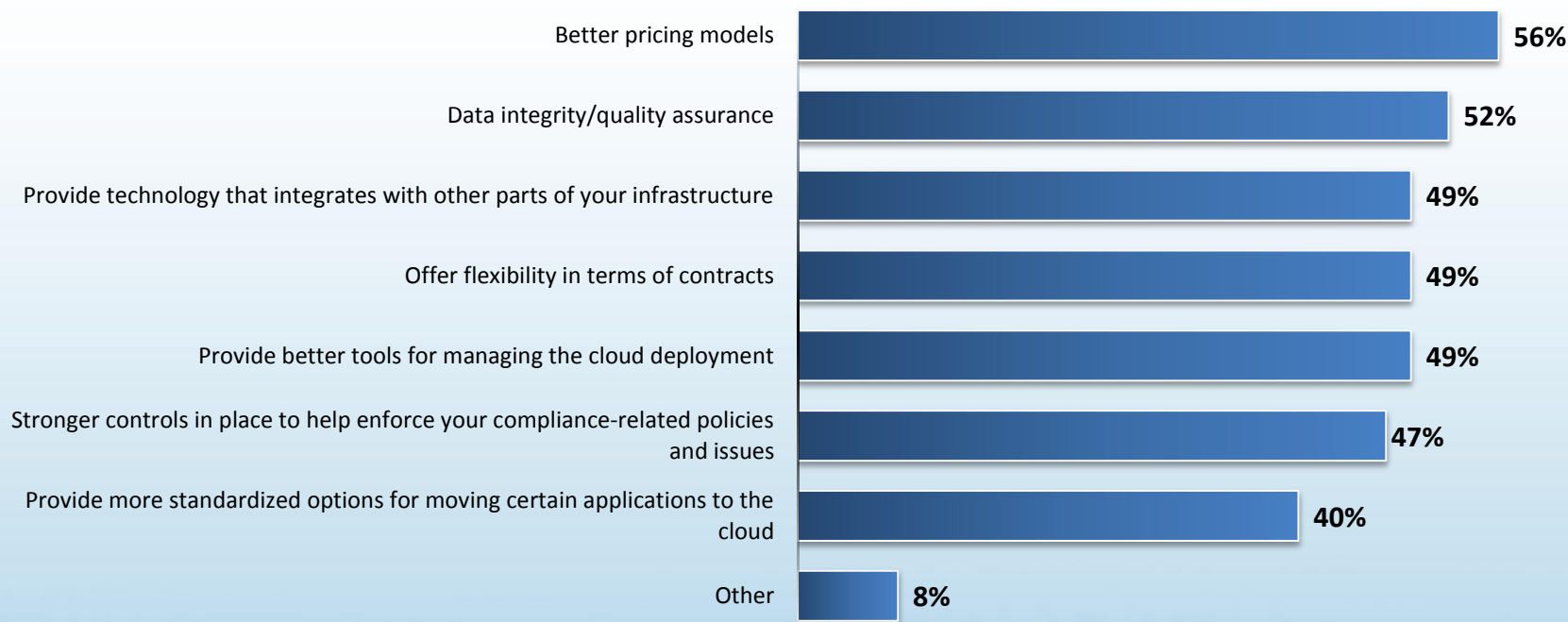


Source: IDC 2012



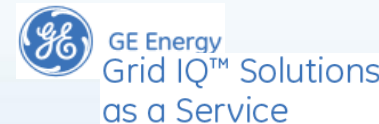
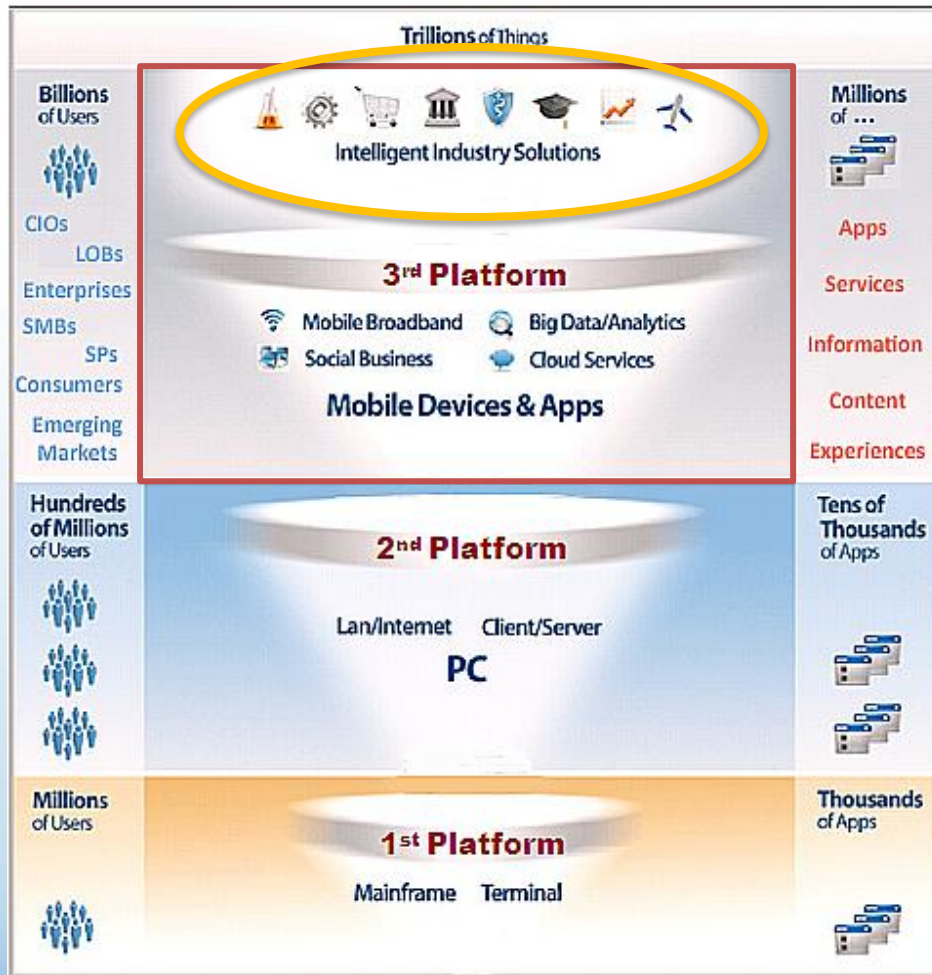
## 6. The 'Right' Partners?

### No Clear Consensus Around Vendor Offering Problem Areas



Q. What can technology vendors do to make cloud computing offerings more attractive?

# 7. The 'Right' Destination?



**Public Safety**

**Payment Fraud  
Management**

**Connected Health**

**Medicine Supply  
Chain**

**Smart  
Buildings**

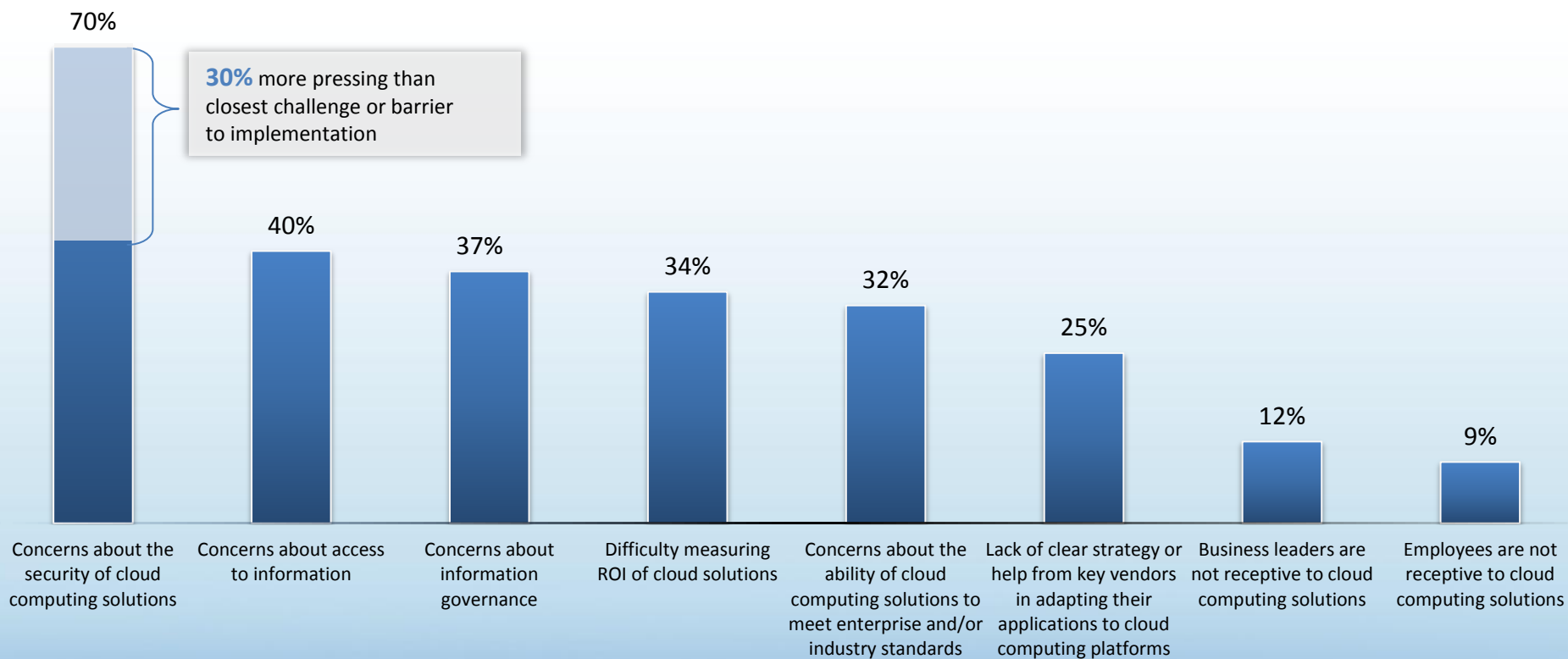
**Demand Response**

**Social Mobile Commerce**



## 8. The 'Right' Answers?

### Hurdles for Cloud Computing: Security, Access and Governance



Q. What are the top three challenges or barriers to implementing a cloud computing strategy at your organization?

