

# TOP 10 CLOUD MYTHS DEBUNKED

Navigating to the Cloud - Maximize  
Operational Efficiencies and Minimize  
by Avoiding Common Cloud Myths

WHITE PAPER



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# Executive Summary

The adoption of cloud computing is increasing – more than 50 percent of U.S. companies have elected to take advantage of one or more cloud-based solutions or services. It is a compelling and appealing way to acquire IT capabilities while reducing costs. For core financial processes such as accounting and budgeting, the cloud offers new and innovative ways of working that are more economical and operationally practical than the traditional on-premise deployment of these software applications.

Financial executives have a vital role in ensuring business return on all major areas of investment and are becoming more actively involved in the selection and deployment of cloud solutions. In fact, IT investment is becoming an area that CFOs often have responsibility for or influence over. According to Gartner, 42 percent of organizations have IT reporting to the CFO, and 26 percent of IT investments require direct authorization by the CFO.

The potential for increased speed and flexibility coupled with reduced operating costs makes cloud technologies a top priority for any business conversation. However, critical functions like accounting and enterprise resource planning (ERP) often remain on-premise. Whether CFOs have concerns stemming from a perceived lack of control, data security, the ability to integrate with other applications or migration costs, many organizations are still questioning whether the cloud is right for their most critical processes and financial data.

As the cloud market has matured, the offerings related to integration, security and other implementation issues have become even more diverse. There are many lesser-understood challenges of moving accounting and ERP into the cloud including what to look for, and what to guard against. To enable CFOs to make a more informed choice when considering a migration to the cloud, Concerto Cloud has outlined 10 myths surrounding the potential challenges of using Software as a Service (SaaS).

SaaS as the deployment model for ERP implementations is the go-to strategy for finance executives looking to access the latest technologies quickly and cost-effectively. If CFOs approach cloud deployments with their eyes open and are aware of the options available to them, when it's time to move the back office into the cloud, this group of traditionally risk-averse executives will understand how to maximize the advantages.

# Introduction

Gartner states that by 2015 there will be an intersection where, at that time, we will have more deployments of ERP business software in the cloud than on-premise.

## TOP MARKET DRIVERS FOR CLOUD CONSIDERATION\*:

Mid-market companies were asked to choose one or more factors were driving their consideration for the cloud.

- Must reduce IT costs (35%)
- Need for collaboration amongst increasing number of locations (31%)
- Increasingly global workforce working in multiple time zones (24%)
- Cost of capital funding is too high (24%)
- Dated technology infrastructure (22%)

*\* Aberdeen report*

CFOs need to be focused on delivering strategic value. New technologies such as cloud computing involve legitimate worries about placing sensitive data and company information in the hands of others. Yet the recent advances in cloud computing now offer ERP initiatives a wide range of opportunities to save time, resources and money all while keeping important and confidential information more secure.

The cloud can ensure your business runs faster, more efficient and, when done right, it not only offers enhanced access to the newest technology, but also offers your IT department new opportunities to make technologies fit your company, rather than vice-versa.

## PUBLIC VS. PRIVATE

### There Are Two Types Of Cloud:

A public cloud is a third-party cloud service. Companies receive their own personal cloud space in a shared, "multi-tenant" infrastructure. Public clouds are standardized and built for massive scale with thousands of users. Public cloud solutions can be a cost effective option for many companies, but one must understand the limitations as a generalized offering:

- Engineered for the masses
- Uses commodity servers
- Limited customization

The coordination of the basic operational building blocks under the application layer is important to cloud computing efficiency. The private cloud approach is designed for a single enterprise, though it can be a large and extended one with multiple sites and data centers.

A private cloud can be built and managed similar to the public cloud, but offers more flexibility and customization to meet the business needs of each organization. Companies can leverage existing IT resources and benefit from additional layers of security:

- Engineered to meet unique needs
- No shared servers or log-in instances
- Can meet higher security requirements
- Can control upgrade schedule

# Top 10 Cloud Myths Debunked

Cloud computing enables a fundamental paradigm shift in how businesses deploy and deliver computing services. To appreciate the true value of the cloud, it is important to fully understand some of the myths surrounding its adoption.

## 1: Security And Privacy Issues Are Difficult To Control

The idea of externalizing data to a third party or remote source brings with it a number of questions over privacy and ownership. But if you look at the last five years, many companies that have deployed private cloud ERP have found security to be one of the main reasons to make the move.

A private cloud “single-tenant” deployment offers additional security benefits over a public, “multi-tenant” structure. Customization and added layers of security are readily available to meet the specific needs of each organization. Built-in encryptions and redundancies provide increased data protection, disaster recovery and the unique ability to keep systems available to use without the typical “maintenance window” internal IT departments use for on-premise systems. Intrusion detection (IDS) and intrusion protection (IPS) will ensure that nothing looks out of place when accessing data.

Businesses across various industries must meet a multitude of compliance regulations both in the U.S. and overseas. A cloud provider can absorb those risks as well.

Many companies have limited resources to dedicate to IT security and will benefit from a team of full-time IT professionals monitoring data and taking proactive measures any time there are security concerns – 24/7. A quality cloud provider will be contractually and monetarily obligated to security, privacy and uptime.

## 2: Integration With Legacy Systems Won't Work

It is critical for businesses to have the ability to integrate systems in order to achieve operational efficiency and improve employee productivity. In a private cloud setting, legacy applications can be integrated and will work just as efficiently as if they

were all on-premise or locally deployed. Many times organizations think if they move to the cloud, they are autonomous and won't be able to integrate with legacy systems. From an integration perspective, 95 percent of cloud deployments are completely transparent.

Applications available in clouds that do not have a high level of integration or sensitive data can fall into a category called public cloud, as opposed to private cloud. The private cloud deployment offers much more flexibility with customization, as well as the ability to control the upgrade schedule.

*(\*See Private vs. Public Side Bar)*

## 3: Putting My Application In The Cloud Will Affect Its Performance

Applications can perform at the same level in the cloud as they do on-premise. In fact, performance is actually faster in the cloud because you can add resources as needed and you are not confined by the amount of processing or memory within your own private data center.

Don't get boxed in! The cloud provider gives you a certain amount of resources that may not be enough as your needs grow or you hit peak usage. You will want to make sure your cloud offering is a “burstable” environment. You may have to pay for those added benefits, and that's okay as long as you understand it doesn't affect performance and pay for it as you go.

There are many different types of cloud providers, and organizations should ensure they are targeting ones that are architected for performance. A customized system requires a lot of horsepower and a significant investment in technology. That investment has a direct correlation to the performance businesses should expect with their cloud systems versus their on-premise or local system.

#### 4: I Don't Want To Be Locked In Financially

Over the last 12 to 15 years many companies have been in purchase cycles of investing in costly on-premise hardware to support their solutions. If you consider the out-of-pocket, up-front costs, you are locked in when buying your own systems.

If you consider the investment in technology from the cloud perspective, the same implementation fees apply, but the hardware and software costs are incremental over time. If you need to get out, you can, at a significantly lower cost.

With any cloud solution contract, organizations should ensure documentation that includes an exit strategy in the event there is a need to terminate the relationship. A cloud contract should be balanced, and reflect appropriate penalties and protections in the event of non-performance by the provider.

#### 5: The Total Cost Of The Cloud Is Actually Higher

Cloud computing presents a significant opportunity for businesses to reduce the capital costs of IT investments. To understand total costs, decision makers must consider software, maintenance, hardware and the people and processes that are in place to manage IT operations. The ability to provide remote access to data 24/7 can also drain internal resources and be very costly to manage.

Disaster recovery and business continuity is another factor to consider. How fast can your organization recover from a hardware failure? When IT operations are managed in house, those internal resources are under a lot of pressure with limited time to test procedures end-to-end. With the right service level agreement (SLA), businesses can be guaranteed 99.9 percent availability, which equates to approximately 3.5 minutes of down time per month. Consider how that compares with what internal IT is providing today.

With a cloud ERP implementation, there is no need to install and integrate hardware to support the software, nor to hire additional IT staff. All aspects of a cloud ERP implementation are the responsibility of the provider, making cloud computing a very cost efficient alternative to on-premise solutions.

#### 6: SaaS Is Not Customizable

Cloud providers should understand that each business has unique software requirements and a standardized "out-of-the-box" version where one size fits all may not always work. With ERP hosting

in a private cloud, there is much more flexibility with customizations and integrations with all required internal IT systems – without the need to add hardware, software or bandwidth. SaaS solutions can be highly configurable toward modern business processes, even as a company's user or usage base grows.

Cloud deployments have been estimated to cost one third of classic on-premise ERP deployments. Add to that the additional benefits of regular and tested backups, redundancy for disaster recovery and the time savings of a more strategically aligned IT team, and cloud deployments can net to be a lower total cost.

#### 7: Transition And Migration Are Risky

Even in the largest organizations, it is difficult for internal IT groups to manage all of the requisite technology skills needed to implement and properly maintain a customized ERP solution.

When considering a cloud ERP implementation, it is very important to choose a trusted provider experienced in cloud implementations. The cloud provider should have deep cloud computing expertise in creating the right IT solutions specifically for your business as well as a developed set of processes and procedures that simplify and almost eliminate the risks associated with data and system migration.

#### 8: We Can't Find What We Need In A SaaS Model

Over the last year more software and solution providers have adopted SaaS models. With a dedicated, single-tenancy environment, businesses can easily receive the right level of functionality. In fact, standardized hosted software offered by ERP providers today is on par with the functionality of onsite deployments and often at a lower price. As organizations question whether they should move to the cloud, increasing numbers will find that their business solution will be available in a SaaS model.

#### 9: Pricing Is Unclear Or Complicated

From a public cloud perspective, pricing can be unclear. Many times it is consumption based. As you consider a cloud solution, you need to determine your true costs first – what is included and what is not. Are there any future costs?

Look at a solution that is out-of-the-box and customize it for your specific needs. Many SaaS ERP services are based around per-user-per-month charges and sometimes metered usage, so businesses only pay for what they use; accounts can be added or removed at any time to accommodate

the changing needs of the organization. With a pay-as-you-go service model through monthly or annual subscription costs, the pricing will be much more straightforward.

#### **10: Internal IT Doesn't Support The Move**

A successful transition to the cloud requires intense planning and alignment across all areas of the business. Both the CFO and the CIO/IT department will need to understand the company's goals and objectives from a financial and a technical perspective.

When you look at who typically resists a cloud migration, 70 percent of the time it comes from IT – and many times the decision is not based on what's best for the company, it's based on fear. Internal IT may be concerned the move will be tied to possible job loss, that they will lose some sort of control, or even lack the expertise needed to support a cloud environment.

The CFO will need to work closely with internal IT so they will be on board with the move, knowing their department will be able to take on a more strategic role in the success of the company and provide a higher standard of service.

# Conclusion

Employing technologies delivered as a service rather than investing in on-premise solutions enables organizations of all sizes to take advantage of the latest efficiencies and innovations. Cloud computing offers a secure way to manage and track operations without many of the headaches associated with on-premise infrastructure by allowing an external cloud provider to shoulder the burden of maintenance and hosting. But the real benefit is its potentially transformative role in providing access to consistent resources across the business, sharpening decision-making and streamlining processes – key to an agile organization.

Cloud computing is rapidly becoming the new normal. With the right provider utilizing the most recent technology advances, businesses can realize significant opportunities to save time, resources and money, all while keeping important data secure. If businesses don't take advantage of cloud ERP today, they will be left behind tomorrow.

Cloud ERP is ready, and soon to be the standard.

# Resources

- 1: Forrester Research Enterprise and SMB Software Survey, q4 2009
- 2: Forrsights Software Survey, q4 2011
- 3: Gartner; Survey analysis: Buyers Tell Us about SaaS and Cloud adoption Through 2014 Published: 15 October 2012
- 4: Aberdeen Group; Top Market Drivers for Cloud Consideration
- 5: IDC; Cloud Computing in the Midmarket: accessing the Options in 2013



## The Cloud That's Up to Your Challenge

If the cloud you choose isn't ready to manage your most complex mission-critical demands, it's not ready for your business. Concerto Cloud Services combines application expertise with superior service and technical support to offer you a private cloud developed for the highest levels of performance, security and speed. Our team specializes in the rapid deployment of enterprise applications with seamless integrations across on-premise, third party and public cloud solutions to deliver a customizable, hybrid cloud platform.

We built Concerto Cloud for your toughest challenges and your most complicated applications. Concerto transcends public clouds designed for the masses by helping you leverage a platform that can tackle your unique business needs. We take a holistic approach to ensure your infrastructure supports your strategic objectives, from streamlining daily operations to scaling global growth.

