

# Something in the air

With the outsourcing industry booming and set to grow further, Rob Shepherd speaks to three business leaders who all operate in the cloud outsourcing space to find out what the major issues are

▶ Outsourcing in itself refers to a process by which an organisation subcontracts its work or in this case, IT to a third-party service provider. This is done by the parent company itself, but is outsourced primarily to cut costs.

## Background

Research by the Centre of Economics and Business Research (CEBR) reported widespread adoption of cloud computing could give the top five EU economies a €763bn boost over five years and create 2.4m jobs.

The report suggests that the rapid uptake of cloud computing services will take hold and, as service offerings mature, this will subsequently reduce the overall cost of employing them.

## The panel

- Piers Linney is currently joint-CEO at Outsourcery, a leading communications and hosted IT company.
- Ravi Pandey is the UK head of NIIT Technologies, a leading IT solutions organisation.
- Chris Papa is at the head of Qubic, a technology company specialising in delivering integrated voice, data solutions and support services.

RS: Firstly, how would you describe outsourcing technologies such as

cloud computing?

PL: Cloud computing can sound like a very vague concept and often raises questions about control and security. But the reality is a lot more down to earth and it is quite simply the future of IT.

Cloud computing uses tried and tested software that is delivered in a highly innovative way. It is already empowering thousands of SMEs in the UK whilst saving them money,

increasing productivity and allowing them to get on with running of their business operations instead of their IT management.

RP: Outsourcing is a strategy whereby companies can access new systems and managed services on the back of new platforms offered by specialist providers. Each business has different requirements, and may therefore need different

applications of hosted IT. A good provider will understand that one size does not fit all.

CP: Cloud computing has a number of different 'forms' including the public cloud, private clouds and hybrid clouds. The public cloud is cloud computing in its most widely recognised sense with resources being provided over the public Internet through an off-site third-party service provider. A private cloud adopts the same principles, however, in this form an organisation owns and builds its cloud infrastructure allowing its users to access resources irrespective of location and platform, allowing them to work remotely. A hybrid cloud would be the most typical implementation for an enterprise, the infrastructure is a composition of two or more clouds that remain unique entities but are bound together by standardised or proprietary technology. There are many other variations on the cloud computing model that are given differing names by differing organisations.

RS: Why do you think this technology has grown in popularity in recent years?

PL: Cloud computing offers numerous business benefits both operational and financial. Understanding the financial benefits of using cloud technologies lies with the understanding of capital expenditure (CAPEX) within companies. As capital investment is limited, companies usually focus their investment into revenue generating activities. Shifting



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companies' IT needs from CAPEX to operational expenditure (OPEX) requires a fundamental change in the way businesses' IT is procured and financed. The key difference with the two comes down to who owns the technology and how it is financed.

Added impetus is coming from Microsoft through an aggressive national advertising campaign. 90 per cent of businesses are Microsoft users and if Microsoft invests in a technology you know it has to be taken seriously.

RP: In a cloud based solution, IT will become a complete service and the whole concept of plan, build, implement, run and optimise will collapse into a single block of service. Cloud computing is about virtualising everything. Infrastructure, platforms, applications, integration and services are all virtualised and made available to the user community in a matter of seconds on a flexible usage based payment mode.

CP: The biggest advantage of the cloud is its ability to change the way IT is 'consumed' allowing a business to avoid hefty upfront investment costs associated with buying IT equipment. The cloud allows businesses to focus on their core activities and is rightly one of the fastest growing areas of technology.

RS: Is this outsourcing revolution confined

to the UK?

PL: The cloud is now a global trend. Successful businesses will already be looking to outsource their IT needs and will be planning the transition to suit their business needs. There will be those that equip themselves for a deeper understanding of cloud based solutions and those that don't. I predict the ones that don't will struggle to compete on a wider scale.

RP: Europe is adopting the cloud on a mass scale, however, recent research produced on the India Cloud Computing Market by IDC expects the industry to grow by 40 per cent by 2014. The IT buzzword is cloud, it is a global phenomenon and businesses which fail to move with the technology will get left behind by those that do, not just in their home market but internationally.

CP: The CEBR report calculated that by €177.3bn per year will be generated by 2015, if companies across France, Germany, Italy, Spain and the UK continue to adopt cloud technology as expected. According to the CEBR Germany is set to benefit the most. The UK came forth in the list behind Germany, France and Italy. It appears UK businesses are currently behind

other European countries moving into cloud based solutions. This is likely to have a detrimental effect on the economy in general. IN, What advice would you give to



Piers Linney



Chris Papa



Ravi Pandey

companies thinking about moving into the cloud?

PL: Moving to the cloud isn't just a shift in technology but a shift in a company's culture. Business leaders need to consider this when looking to migrate into the cloud. If and when companies look to outsource their IT needs I believe they need to think about the following factors:

- How much customisation do they require? Many cloud providers may not find it financially attractive to offer highly customised services.
- Do you have any specific in-house applications that would require integration with the cloud app?
- Is the application mission critical and what SLA can the service provider offer?
- Do your applications have to meet stringent compliance needs, what are your internal policies for sending data offsite?
- How does the company prefer its costs to appear on the balance sheet? Cloud services generally appear as operational expenditure.
- Can the service provider offer a network solution into the cloud with clear service demarcations?

RP: Companies migrating into the cloud

will need to manage the transition of data migration from existing systems. In addition, companies will need to manage effectively the amount of time and money that will be required to train staff.

CP: For those businesses that are looking into cloud solutions, they need to choose their partners carefully and formulate strategies to add value to their business. There is a right time to move in to the cloud – I recommend companies look into when that time is for them and prepare for the future if they want to continue to survive and grow in a competitive marketplace. □



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