

a K2 Advisory press release



Cloud Computing Can Help Pull SMBs Out of Recession, According To New Research

CIOs of Large Enterprises Likely to Become 'Vendor Management Officers'

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In K2 Advisory's report "Cloud Computing: A Step Change for IT Services," which analyses the developing market for cloud services, the report's author Dr Katy Ring, Director, K2 Advisory says that the benefits of Cloud Computing can provide the business flexibility to help companies operate more effectively in the current economic climate. However, the report finds that adoption rates by smaller organisations of public cloud and SaaS services from vendors such as Amazon and Google will outpace the adoption rate of enterprises by a factor of two. By 2015 for organisations below 1,000 employees, a third to half of IT spend is likely to be with public cloud providers.

Commenting on the findings, Dr Ring said, "In five years' time the provision of IT to mid-sized and smaller businesses (of less than 1000 employees) will be quite distinct in terms of cloud adoption from enterprises. Indeed, it could be argued that small and mid-sized business use of cloud computing will enhance their agility and their ability to bounce back more quickly from the recession of 2009/10. Many Western enterprises, however, will continue to find that their IT systems are increasingly sclerotic, constrained by client-server ERP systems."

Cloud Computing is Internet-based computing, whereby shared resources, software and information are provided to computers and other devices on-demand, like a public utility. The main drivers for adoption of Cloud Computing for all sizes of organisation are its low cost and flexibility of use. This lack of expense and ease of access is part of the step-change that Cloud Computing brings to the delivery of IT solutions. For example, CIOs speak of using Skype HDTV for web conferencing because it is so inexpensive that it can be purchased without having to construct a business case, the services can simply be expensed on a credit card. New solutions are consequently easy to purchase and use. Cloud Computing also supports elasticity of usage – that is the customer needs only pay for what is used and can flex requirements up and down dynamically to suit the demands of the business. Ring finds that Cloud Computing has additional attractions for small to mid-sized companies where cloud services enable them to operate as an integrated global entity in a way that is quite difficult and expensive to duplicate via client-server IT. This begins to enable smaller businesses to operate more effectively in a global market.

K2 Advisory's report states that the biggest challenges for enterprise adoption of cloud computing lie with existing investment in legacy systems, and with the potential impact on the internal IT department. Ultimately CIOs suspect that the rise of cloud computing heralds the demise of retaining internal technological expertise. IT services will be delivered by external suppliers who will be managed with (yet to be) established procurement processes. As an increasing amount of an IT group's effort is spent on external providers delivering systems integration and managed services, this can be seen as evidence that the traditional enterprise IT we're familiar with is disappearing. In this world, a CIO is a vendor management officer, and most of the technology is taken care of by external suppliers.

*** All K2 Advisory estimates and views are based on our work with buyers and suppliers as well as from regular surveys among Sift Media professional communities.**

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About K2 Advisory - www.k2advisory.com

K2 Advisory provides research and advice to C-level executives that have responsibility for, or influence over, budgetary decisions for significant technology investments.

Its analysts use a unique Horizon Scanning methodology, and draw on 30 years of experience advising the CIO community, to help organisations develop strategies for possible future market scenarios.

Its approach to analysis is underpinned by its links into the professional networks run by parent company, Sift Media. These form a core part of K2's eco-system of professionals and senior executives, which includes CFOs, HR Directors, Marketing Directors, Procurement Officers and of course, CIOs.

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