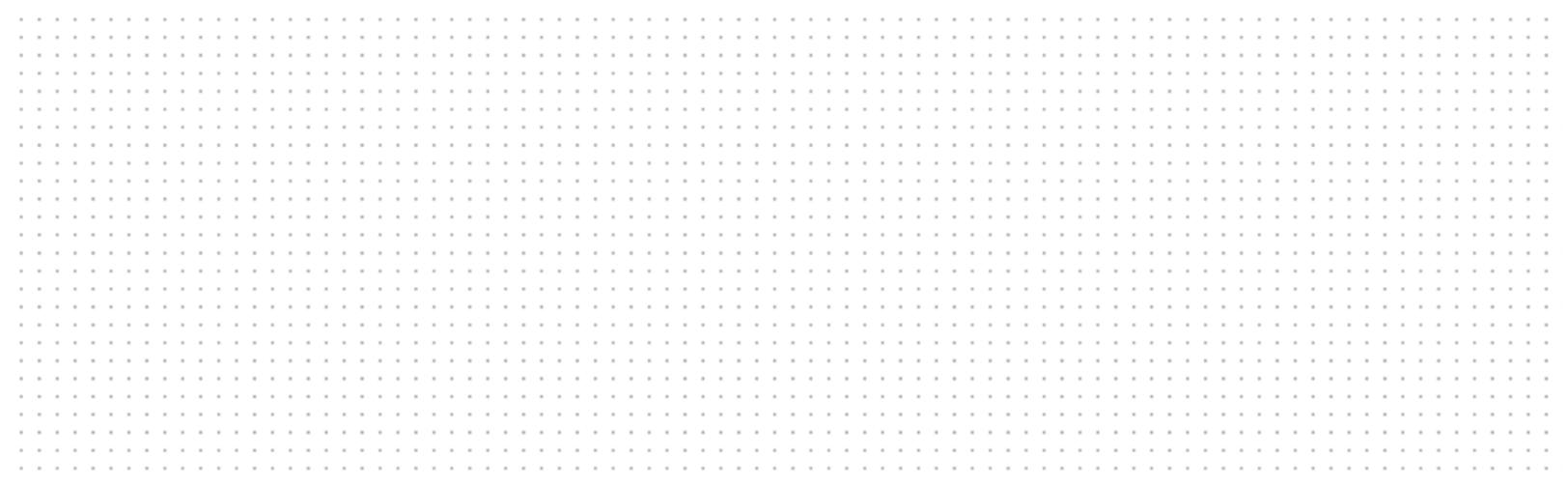# From why to why not

The top 5 risks of delaying a move to the cloud

The time is now

There was a time in the United States when people were told that everything about the way they measured their world was going to change. There was a different system—a much better one—being used by pretty much everyone else on the planet; and it was time to change the country's antiquated ways. Inches? They were going to become centimeters. Miles? A thing of the past. Everyone from school children to grandmothers prepared themselves for the change to the metric system—which never came to pass.

At times, the discussion around cloud deployment of software solutions has had a similar tone. We all got the message that broad adoption of cloud hosting was only a matter of time. Just how much time has been the difficult part to predict, leaving many to wonder if those carrying the cloud banner would eventually become known as the boy who cried SaaS.

Unlike the metric system, however, it appears that the moment for cloud has finally arrived. Precipitous drops in the cost of cloud computing are making it difficult to ignore the bottom-line advantages of choosing cloud-based enterprise solutions over on-premise implementations. Research shows that most organizations rapidly realize significant cost savings that increase over time as they leave behind the array of indirect costs related to on-premise software. A recent IDC study showed that cloud solutions offer an average payback period of 7.1 months and 5-year average ROI of 626%, a level that few other investments can equal.[1]

With these types of economic benefits on the table, attitudes toward cloud are rapidly changing, and discussions about the potential downsides of cloud deployment are quickly evolving into evaluations of the risks associated with not making the move. Those risks are far from trivial. Let's take a look at the potential impact of maintaining the on-premise status quo.

[1]   Randy Perry, IDC Whitepaper, "The Business Value of Amazon Web Services Accelerates Over Time," December 2013

The top 5 risks of delaying a move to the cloud

1 Ongoing hardware costs

A data center that cost millions to build consumes even more millions for ongoing maintenance, upgrades, power, cooling, administration, and more every year; yet, the fallacy of sunk costs often seduces managers into throwing good money after bad. Cutting the cord on costly data centers can be a painful decision to make; but in many cases, the money devoted to supporting them can be used more productively.

2 Delayed response to disruption

In a world of instant communications and viral markets, the ability to respond rapidly to unforeseen events is essential. New competitors can now spring up overnight, disrupt existing industries, and claim overwhelming market share in months. A surprising proportion of the world's fastest growing businesses choose cloud solutions to rapidly structure, expand, and scale up operations to seize market positions before slower competitors can respond. Brands such as Pinterest™, Foursquare®, Etsy™, and Yelp™ all grew to become household names in months, and all of them built their businesses in the cloud. The business value of the cloud's ability to scale up rapidly is difficult to ignore.

3 Barriers to beneficial mergers and acquisitions

In an environment where consolidation happens in the blink of an eye, an increasing number of organizations are being forced to deal with the challenges that mergers and acquisitions present, not the least of which are the hardware, software, and infrastructure that each organization owns. The cloud can offer a safe, efficient, and economical way to avoid disruption, while smoothly folding in new organizations.

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4 Insufficient disaster preparedness

We all like to think it will never happen to us, but many organizations that host their own data centers are just one fire or flood away from a potentially irreversible business disruption. Backups help, but they only represent one part of the protection provided by an enterprise-class cloud service provider. Similar to the security issue described above, cloud hosting vendors offer recovery and failover capabilities that most companies simply cannot match independently. Even if a system fails, a cloud provider generally can restore service quickly at another facility to ensure continuity. Few companies can afford to maintain an IT infrastructure with that level of redundancy.

5 Lagging sustainability

The pressure for organizations to reduce their environmental footprints is growing, and it's becoming increasingly difficult for businesses to justify the heating, cooling, power, space, and resource demands of data centers when their solutions could easily live in the cloud. Cloud hosts can optimize resource consumption by virtue of greater scale, and then reduce the impact even more by spreading it across hundreds of customers. Moving on-premise solutions to the cloud is a quick and economical way to save money, while showing significant, measurable improvements in environmental sustainability.

Examine actual costs

Now that we've taken a look at risk, let's move on to hard dollars. Because while the value of using cloud-based enterprise software goes deeper than immediate cost savings, it's those reductions that typically present the most pressing argument for switching to the cloud sooner rather than later.

Put simply, cloud-based software typically replaces a wide array of direct and indirect software costs with a single, use-based subscription fee. Although the direct costs look comparable at first, it's worth digging deeper to uncover the real savings that come from considering indirect costs, as well.

The cost breakdown

Line item	Cloud	On-premise
Initial license fee	None	Extensive
Subscription fee	Charged by usage	None
Maintenance fees	Included	Percentage of license fee
Support costs	Included	Extra
IT staffing	Significant reductions	Significant
Data center upkeep and maintenance	None	Large, ongoing
Upgrade fees	Included	Significant
Hardware costs	None	Large

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