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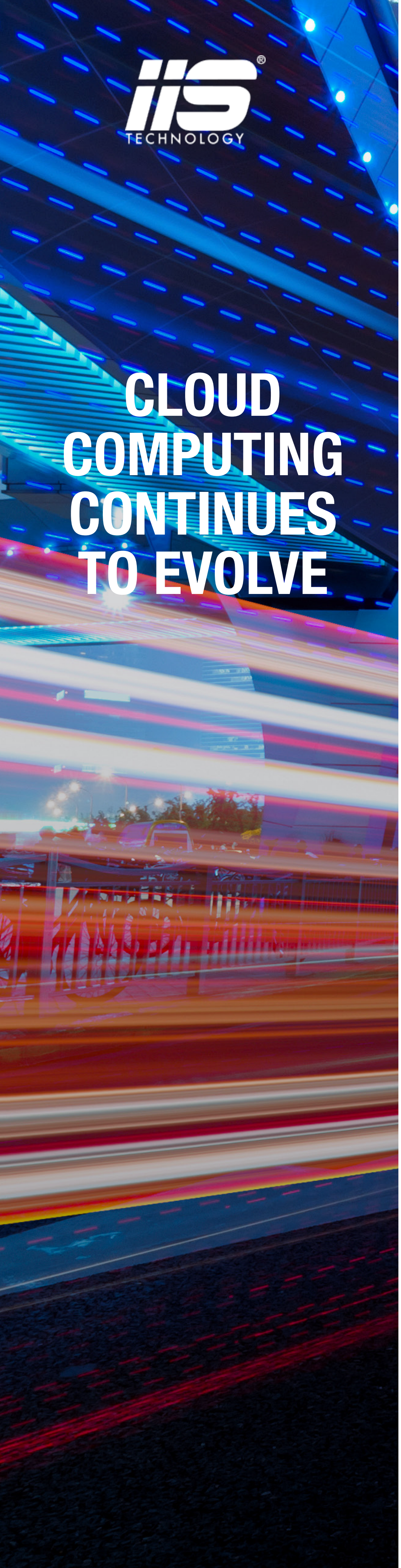
THE NEW PARADIGM FOR FINANCING CLOUD IMPLEMENTATIONS

TECHNOLOGY



THE NEW PARADIGM FOR FINANCING CLOUD IMPLEMENTATIONS

As the era of cloud computing continues to evolve at an astounding pace, digital enterprises face a critical decision. The question moving forward is, how can executives bring the benefits of cloud implementation to fruition without suffering the financial quagmire of new technology run amok? Read on for a different take on financing cloud implementations from the thought leaders at IIS in partnership with HPE.

INTRODUCTION

Today, there is no doubt that cloud computing in the digital enterprise is the new catalyst for IT transformation. As digital enterprises choose to transform IT from the ground up, the number of options at their disposal is staggering. New players enter the cloud market every week, including public cloud services and private, hybrid clouds that cater to the needs of large enterprises.

The problem is that the popular narrative of cloud computing at the enterprise level does not coincide with the reality of the hidden costs of lackluster alignment between IT acquisition, hardware maintenance and the world of business. Costs continue to be volatile and unpredictable, whether in the context of capital expenses or operating expenses, and executives are far too often at the mercy of lines of business that acquire their own cloud solutions without IT's blessing.

This white paper provides executives with a new way to frame the problem at hand and a new approach to financing cloud implementations. The overall premise is simple: Architect financial solutions that create synergy between the worlds of IT and business; however, the journey to this ideal is fraught with pitfalls and hidden risks.

UNINTENDED FINANCIAL CONSEQUENCES OF CLOUD COMPUTING

As with any budding technology, the road to successful implementation is treacherous. From a financial perspective, the sheer number of risk variables gives executives plenty of reasons to lose sleep. Without doubt, if implemented shrewdly, cloud can be a boon to digital enterprises. Unfortunately, moving to the cloud often leads to unintended financial consequences that can derail even the most carefully orchestrated IT budget.

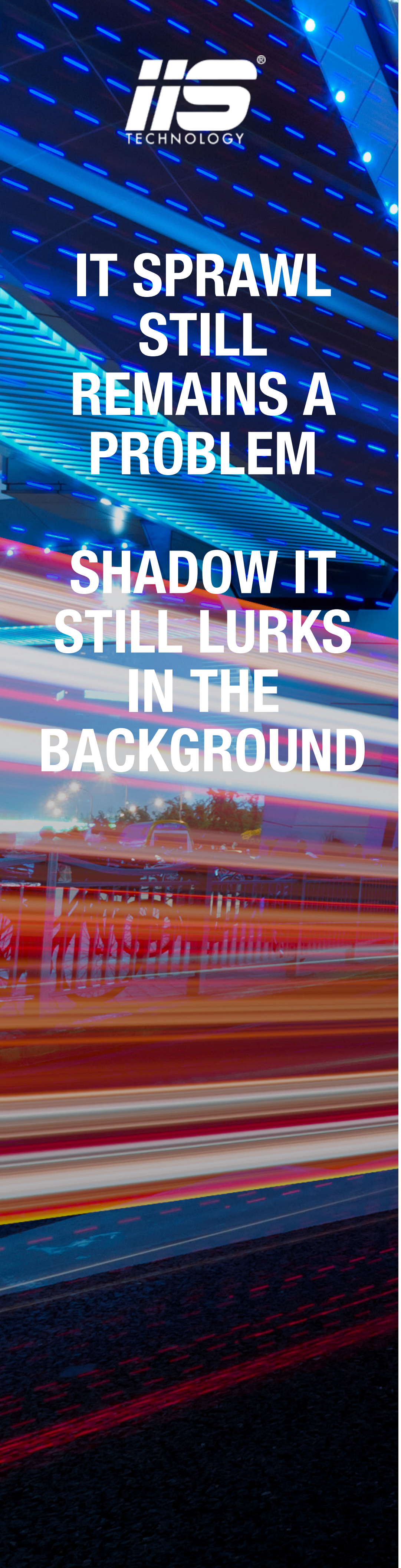
THE TYPICAL CLOUD MARKETING PLAYBOOK: CLOUD AS A ONE-SIZE-FITS-ALL SOLUTION

The truth is that cloud computing at scale is nothing new. What has changed over the last few years is the fact that cloud has progressed to the bleeding edge of ubiquity. A few years ago, moving to the cloud was not a matter of if, but a matter of when. At the time of this writing, transitioning is no longer the issue; it is how to transition affordably while aligning IT with business growth to avoid unintended financial consequences.

As such, the basic marketing playbook for cloud computing has been:

- ***Cloud moves IT from a capital expense to an operational expense***
- ***Cloud is easy and fast to implement***
- ***Cloud makes IT more affordable***

When implemented correctly (i.e., aligned to business needs), cloud can indeed bring these three benefits to fruition; however, few digital enterprises are fortunate enough to execute perfect, seamless cloud implementations.



IT SPRAWL STILL REMAINS A PROBLEM

Converged infrastructure and resource consolidation has laid the groundwork for cloud in the digital enterprise. Data centers are more efficient than ever, which has fostered creative use cases that directly relate to mobility, big data and advanced analytics. Unfortunately, IT sprawl continues despite these advancements in efficiency.

Wasted capacity and poor provisioning still lead to a large segment of IT resources lying idle. Research has revealed that as much as 30 percent of a data center's physical servers have not been utilized for more than six months. This stark finding certainly does not coincide with the claim that cloud transforms IT resources to a predictable operating expense, which reduces the fixed costs of hardware depreciation.

When speaking of virtual resources, IT employees can provision servers quickly, but far too often, IT employees do not remember to deprovision these resources after use, which effectively leaves the meter running, spiraling allocated cloud costs out of control. It is not unheard of for software development and testing teams to leave dozens of virtual servers idle for days, if not weeks. The problem becomes even more worrisome when you include shadow IT in the risk equation.

SHADOW IT STILL LURKS IN THE BACKGROUND

Research has revealed the troubling reality of shadow IT, which directly ties to how easy it is to turn to the cloud as a quick fix. When lines of business cannot communicate their needs to IT, they simply implement their own cloud-based solutions without IT's blessing. As many as 35 percent of software-as-a-service implementations never received approval from IT, and the worst offenders, ironically, are IT employees themselves who know the risks and blatantly ignore safeguards.

SaaS products, such as business productivity tools, file sharing, storage services and even social media, continue to find their way into an enterprise's software portfolio without IT's knowledge. More disturbingly, shadow IT often remains undiscovered until a data breach occurs. The financial consequences of trading convenience for security can easily exceed millions of dollars.

In this context, cloud only introduces more uncertainty and more risk, not less. The financial benefits of cloud implementation do not materialize on their own by simply deploying a one-size-fits-all solution. To manage risk and costs efficiently, executives require a new approach to financing cloud implementations, and International Integrated Solutions in partnership with Hewlett Packard Enterprise Financial Services fills this need.

A NEW APPROACH FROM HPE FINANCIAL SERVICES: IT CONSUMPTION

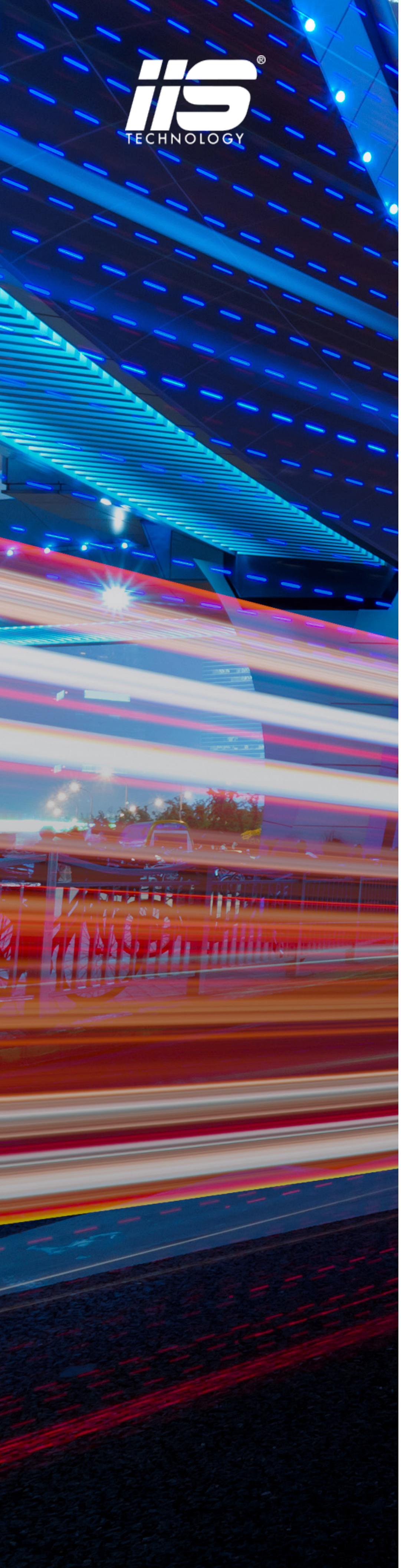
To give executives more flexibility, HPE Financial Services has shifted the paradigm of IT acquisition and asset management to a model based on IT consumption. Today, digital enterprises no longer have to view cost benefits of cloud computing as merely a transition from capital expenses to operating expenses. With HPE Financial Services, digital enterprises can leverage financing to support business growth both ways.

IT ACQUISITION THE OLD WAY

In the past, businesses acquired IT based on a hardware-centric model that focused on data centers as the seat of total cost of ownership. Essentially, businesses could own their own data center infrastructure, outsource infrastructure or lease infrastructure to meet their needs. Hardware costs remained high, and enterprises calculated return on investment based on a depreciation cycle over a period of time.

Unfortunately, this IT acquisition paradigm often incurred additional costs several years later. Legacy infrastructure began to take on a life of its own and required more maintenance than original costs of asset depreciation anticipated. As such, IT executives were locked in a financial quagmire as simply “keeping the lights on” devoured a large proportion of their capacity.

To make the situation even more untenable, IT often made educated guesses as to how much computing power and storage they would require. As a result, over-provisioning and under-provisioning became a fact of life alongside rising costs. These factors, among many others, led to the rise of cloud computing as a quick, cheap solution.



A NEW PARADIGM

Today, digital enterprises that are making a wholesale move to the cloud require financial flexibility. HPE Financial Services has developed solutions that shift the paradigm to a model based on IT consumption. Digital enterprises at the forefront of their industries can now leverage highly customized financing and payment structures that take into account units of consumption, the duration of services and contractual considerations as well.

The idea is to shift the financial conversation, especially when talking about controlling the hidden costs of cloud computing at the enterprise level, away from total cost of ownership to total cost of use. Digital enterprises can leverage pay-as-you-deploy cost structures to align IT acquisition with growth, or businesses can utilize subscription-based models to acquire technology on an ongoing basis via pre-configured bundles of solutions.

With an IT acquisition strategy based on consumption, executives can provide their organizations more flexibility by working alongside HPE Financial Services, which can deliver many different financial constructs to finance cloud implementations.

IIS’ EXPERTISE

For more than 25 years, IIS has partnered with industry leaders to deliver end-to-end consultancy and integrated services, including financial services at the enterprise level. For more information on the value of HPE Financial Services, contact IIS to discover how digital enterprises can continue to innovate without the cost of cloud implementations spiraling out of control.