

Potentially transformative for many businesses, the cloud has its share of pitfalls too if you're not very careful

# LOOKING AT THE CLOUD FROM BOTH SIDES

It seems like the distant past now but just five years ago, in the heat of the 2011 general election campaign, a reporter thought it would be amusing to ask one of the party leaders for his opinion on the emergent phenomenon of cloud computing. The humorous response, which was greeted with much hilarity among the assembled press, was an effective confession of ignorance.

We've come a long way since then and even the smallest businesses now have cloud strategies of one form or another.

Ian Cahill of Grant Thornton believes this is as much to do with changes in businesses as it has to do with the maturing of cloud technology.

"What we are seeing with companies of all sizes is that digital and IT strategies are no longer just additions to, or components of, the business strategy – they are actually becoming business strategy in some ways," he says.

"Companies that sold stuff through normal channels and then added an online channel are now finding that most of their sales are coming through the web in one way or another. We are seeing companies doing this all the time; the switch to digital business is happening – sometimes whether we realise it or not."

He believes this has further implications for both the technology and the wider business communities and one of those is a move to the cloud. However, he warns that it is very much a case of looking before you leap when it comes to this technology.

"Don't get me wrong, I've studied the cloud, I've followed its growth and develop-

ment, I use it myself and I love it. I come from an era where if you wanted to get in some new technology you put it out to tender and you ended up signing a contract for a piece of kit that would last three years. It was very much a one size fits all approach and quite often you ended up using only 20 per cent of what you had paid for.

"The cloud takes away a lot of those headaches," he adds. "It offers just enough computing power to run what you have to run and you can switch it off when you don't need it. That's what I love about it, but there are certain things you have to be conscious of before you commit to it."

One of the dangers is simply rushing to the cloud because it seems to be the right thing to do.

"I get worried about this," he says. "Cloud technology keeps evolving and the providers are very innovative but users haven't necessarily kept pace with this. I hear companies say they want to put their sys-



**I HEAR COMPANIES SAY THEY WANT TO PUT THEIR SYSTEMS AND DATA IN THE CLOUD AND WHEN YOU EXAMINE WHY THEY ARE DOING IT THERE IS A SENSE OF BOX-TICKING THERE**

tems and data in the cloud and when you examine why they are doing it there is a sense of box-ticking there. That can lead to problems very quickly because they haven't really looked at what the cloud is offering them or what it might cost in the long run. Companies which don't look at these things properly can quickly find themselves hitting capacity constraints and other issues."

But the temptation is very strong. "I know a lot of very smart people who are saying that it's going to be 'cloud first' for everything in their businesses from now on. And it's hard to blame them. The great thing about moving onto the cloud is that your CFO will love you as there is no big cheque to sign upfront."

#### Hidden costs

The first thing he warns about is the hidden costs which may not be apparent at first sight. "It can look very attractive when the package is advertised as €2 per month per user," he says. "But that's just the headline figure. After that you find you've got additional charges for things like backup fees, storage fees and so on. It can really start piling up and by the time you get your bill for the third month it can be unpleasantly surprising. Then there are penalties for exceeding your storage limit – a bit like exceeding your data limit with your mobile phone.

"It's one of the things I have to smile at. The cloud is often described as elastic capacity. It stretches and contracts as needed but what you can find is that while capacity and power are elastic the prices are more rigid and they can rack up very quickly."

And then there are the added extras. "After that you can find that you have signed up for instances training or sandboxes you didn't know you needed. The other thing you see is language packs – English is often standard but then there is another €10 charge for Mandarin and so on."

#### Security

After that comes security. He is quick to point out that the vast majority of cloud suppliers are highly reputable and trustworthy but explains that the primary supplier is not necessarily the issue.

"Cloud suppliers offer great solutions for data processing and storage but there is an issue around the security of your critical data and your ability to get it back if you need to. In an effort to keep the service cheap the providers warehouse the whole lot in some place on the other side of the world and your data is housed along with lots of other customers' data. This is very cost efficient for them and it would probably cost more if they didn't do it that way."

But this does raise security questions. "You don't know who supplies the cloud supplier", he points out. "You don't really know who's doing what and that has to be a concern."

He points to a recent example of a major US retailer whose network was hacked with their cash register systems becoming infected with a virus as a result. "They had brilliant security systems in place and they were absolutely flummoxed trying to figure out how it happened."

They found the answer in the most unlikely place. The company had outsourced



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their air conditioning control system to a cloud provider and the attack came through that. “You have to ask if you can see far enough down the line. The quick and cheap solution might not always be the best one.”

#### **Availability**

Service level agreements aren’t necessarily the answer. “Of course they have agreements which specify service levels and penalties if they don’t meet them but an awful lot of these agreements aren’t quite what they seem. In many cases when you are signing up there is a button to click to go to the agreement and that takes you to a 200 page document which almost no one ever reads,” says Cahill.

“Also, this means that the agreement is made up of dynamic content controlled by the provider and it can change over time depending on the circumstances. You might start out thinking you had a guarantee of



### **SUPPLIERS OFFER GREAT SOLUTIONS FOR DATA STORAGE BUT THERE IS AN ISSUE AROUND THE SECURITY OF YOUR CRITICAL DATA AND YOUR ABILITY TO GET IT BACK IF YOU NEED TO**

99.9 per cent availability but find it is actually only 95 per cent. You also need to be clear on your renewal and exit clauses.”

He also warns of the need to be realistic in terms of what the cloud can actually do.

“There are a lot of myths about it. We are moving in the direction of having fully functional cloud-based ERP [enterprise resource planning] systems and that will be brilliant. But people think that this will be a lot quicker than it is and do things that it won’t. If you are bringing in a new cloud-based ledger or a new HR system to a business you will still have to go through all the same stuff as you do in the offline world such as systems integration and change management. It should be quick to do it in the cloud, but it will only be as fast as you are.”

Cahill concludes by reiterating his positive view of the cloud. “I think the cloud is brilliant, it’s just a case of being careful. The headline price can often bear no relation to the final price paid. To be fair to the cloud suppliers, they have to make a profit as well. It really is a case of users having to be on top of it – as with everything else: *caveat emptor*.”