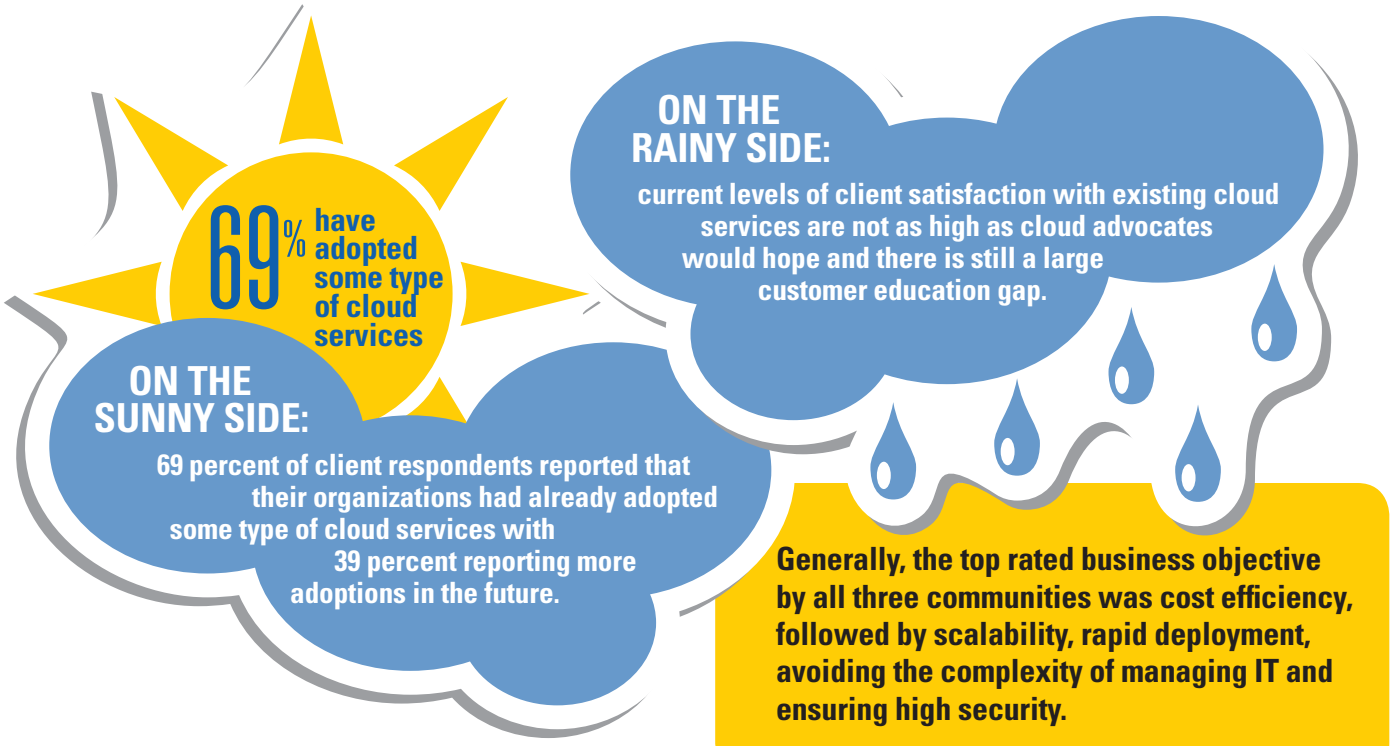
Cloud Services Forecast: Rain and Shine

Findings from the 2013 IAOP World Summit Survey

by Mary Lacity, COP and Leslie Willcocks, COP

At The 2013 IAOP Outsourcing World Summit, 133 delegates were surveyed during the customer-only and provider/advisor-only networking sessions on cloud services' current status, perceptions, and the expected and actual business value delivered.

The results forecast both rain and shine for cloud services.

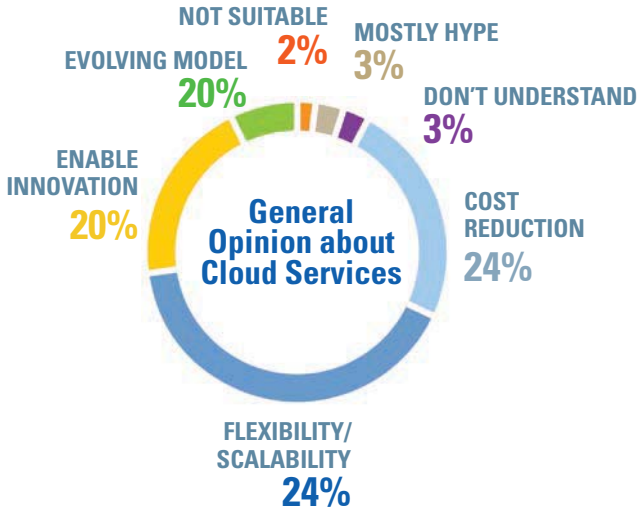


Shared Opinions on Cloud Services

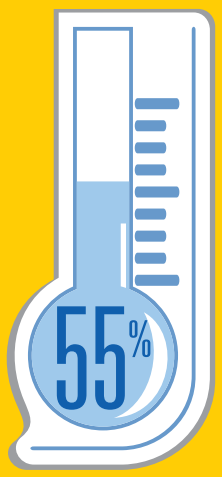
We asked 55 customers, 59 providers and 19 advisors about their general opinion of cloud services. All three communities agreed that cloud services' main value is flexibility/scalability (see Figure 1). The second most frequent response by each community was that cloud services provide cost reduction/cost avoidance, followed closely by the opinion that cloud services enable customer innovations.

A minority of respondents view cloud services as an evolving model that is years away from a business reality. Only 5 percent of respondents think cloud services are mainly marketing hype or that current offerings are not suitable to their organizations. Three percent of respondents felt they did not understand enough to offer an opinion, but we suspect this number under-represents the total customer population.

FIGURE 1:

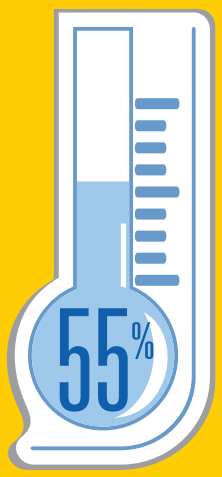


IAAS ADOPTION



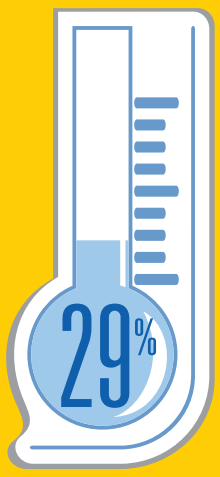
Customers reported that 55 percent of their organizations have already adopted IaaS in a private cloud but only 20 percent have adopted IaaS in a public cloud.

SAAS ADOPTION



Customers reported that 55 percent of their organizations already have adopted SaaS and 11 percent will adopt in the future.

PAAS ADOPTION



Customers reported that 29 percent of their organizations already have adopted PaaS and 18 percent will adopt in the future.

Cloud Services Adoption

We asked the 55 customers who did respond to the survey about the current state of cloud services adoption in their organizations. Sixty nine percent of customers reported that their organizations had already adopted some type of cloud services. Customers also indicated the degree to which their organizations have adopted Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS).

IAAS ADOPTION

Customers reported that 55 percent of their organizations have already adopted IaaS in a private cloud but only 20 percent have adopted IaaS in a public cloud. The customer organizations represented by this sample clearly prefer private clouds over public clouds, with nearly 42 percent of respondents claiming their organizations had no plans now or in the future to adopt public cloud. This finding reports lower rates of adoption for IaaS public cloud compared to other surveys. For example, an August 2012 Everest Group survey of 346 people found that 31 percent of respondents had already adopted IaaS public cloud and another 52 percent said adoption would occur in the future.

SAAS ADOPTION

Customers reported that 55 percent of their organizations already have adopted SaaS and 11 percent will adopt in the future. Only 4 percent said their organizations have no plans to adopt SaaS, although 29 percent confessed they did not know whether their company had adopted or planned to adopt SaaS. Compared to the Everest Group Survey, SaaS adoption rates are nearly identical; Everest found that 57 percent of companies had already adopted SaaS.

PAAS ADOPTION

Customers reported that 29 percent of their organizations already have adopted PaaS and 18 percent will adopt in the future. However, given that PaaS is primarily used by software developers, it is not surprising that 36 percent of respondents said they did not know about PaaS adoption within their company. For comparison purposes, the Everest Group survey found that 38 percent of respondents had already adopted PaaS and another 52 percent would do so in the future.

The customer organizations represented by this sample clearly prefer private clouds over public clouds, with nearly 42 percent of respondents claiming their organizations had no plans now or in the future to adopt public cloud.

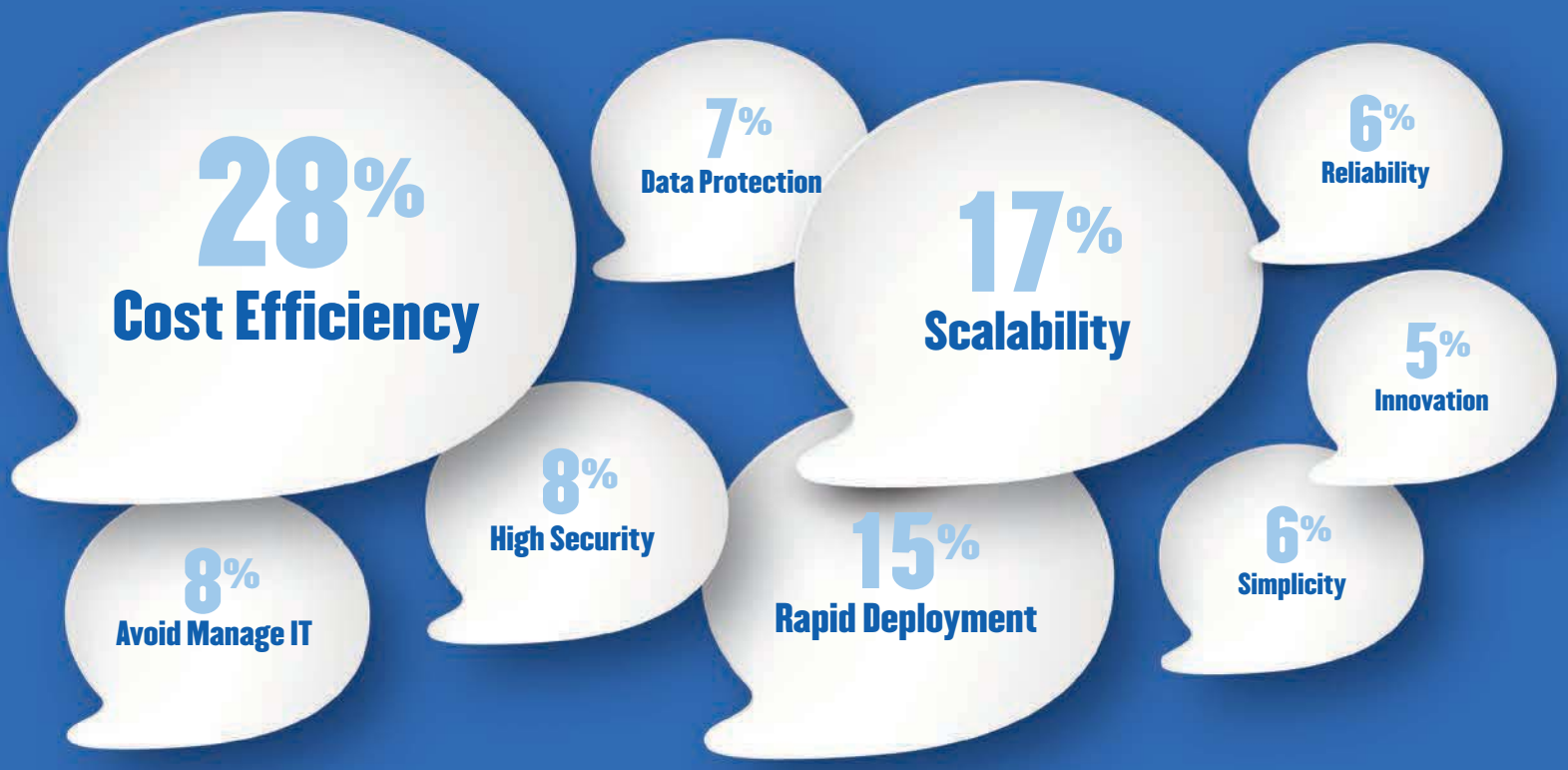


FIGURE 2

Top Ranked Business Objectives Clients Seek

Business Objectives

The three communities were asked to rank the top five business objectives clients seek from cloud services from among nine choices. In contrast to the answers to the opinions about cloud services, the top rated business objective by all three communities was cost efficiency, followed by scalability and rapid deployment (see Figure 2). Specifically, 28 percent of respondents said cost efficiency is the number one ranked business objective; 17 percent of respondents said scalability is the number one ranked business objective, etc.

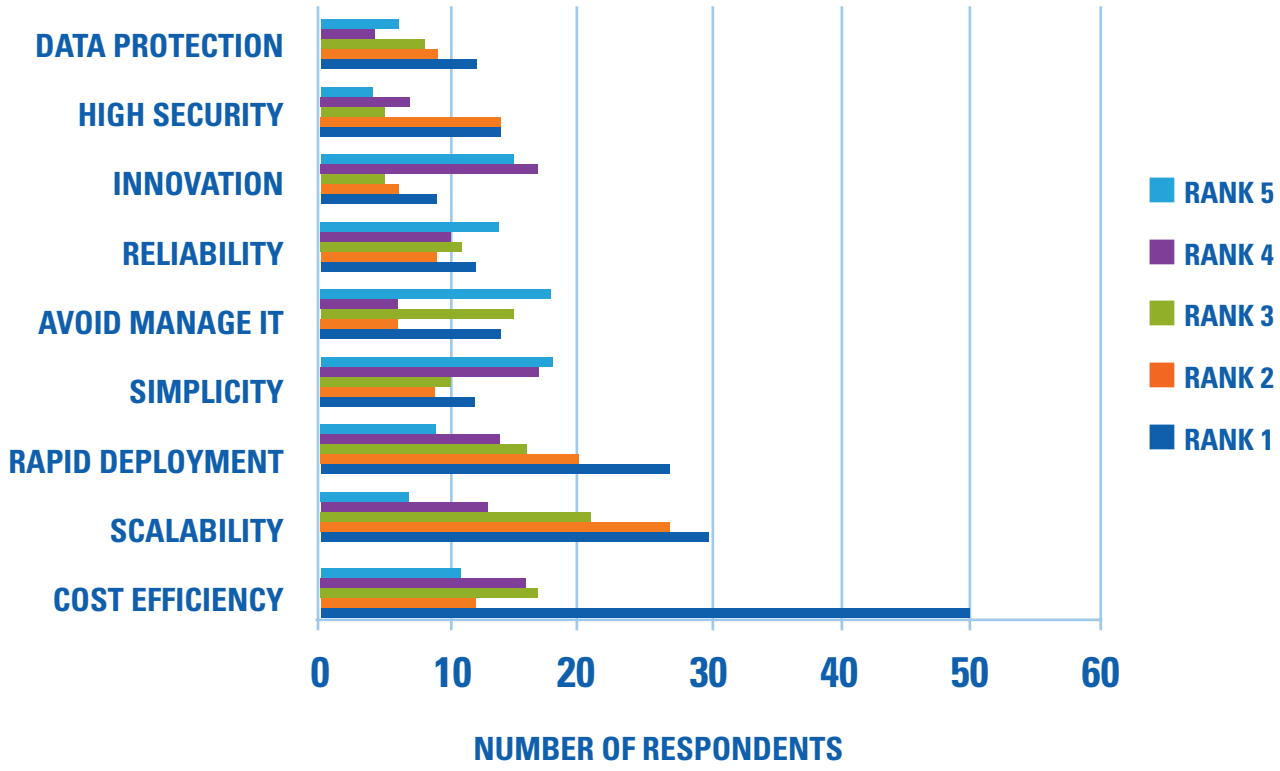
Clearly, cost efficiency, rapid deployment and scalability are the most frequently sought after business objectives, but there are a couple of surprises in the responses. First, 55 percent of survey respondents did not rank innovation among their top five business priorities when buying cloud services even though respondents viewed innovation as the third most common value delivered by cloud services (see Figure 1).

Surprise: 55 percent of survey respondents did not rank innovation among their top five business priorities when buying cloud services even though respondents viewed innovation as the third most common value delivered by cloud services.

Our current case study research on "Cloud Computing as Innovation: Studying Diffusion" finds that cloud services enable significant business and IT innovation, but that innovation must be designed into a cloud strategy. Second, although prior research on "Enterprise Cloud Adoption Survey Results," by the Everest Group, has found that security concerns are the primary barrier to cloud services adoption, 61 percent of respondents did not include "High Security" and 65 percent did not include "Data Protection" among their top five priorities.

FIGURE 3

Number of Respondents Ranking Top 5 Business Objectives



Security Concerns

We asked the three communities, "To what degree do you believe security concerns are based on fear or reality?" Participants indicated their responses using a seven point scale ranging from 1, meaning "Security Concerns are based mostly on fear" to 7, meaning "Security Concerns are based mostly on reality."

Across all the communities, the average response was 4.47, indicating a slight lean towards security concerns as being based on reality. The average customer response (average = 4.70) was slightly higher than the average provider (4.29) and the average advisor (4.39) responses.

Combining this result with the result from the previous question, survey respondents clearly acknowledge that security concerns are valid, but that they are not preventing organizations from adopting cloud services.

Our current case study research looking at relationships between cloud service customers and providers, sponsored by Accenture through the Outsourcing Unit at the London School of Economics, actually is finding that for small-to-mid sized enterprises (SMEs), security improves in the cloud. Prior to cloud adoption, some of the small-sized client firms did not have adequate data replication or business continuity in-house.

Satisfaction Delivered?

Are clients satisfied with the business value they are getting from cloud services and with the overall performance of their cloud service providers? Thirty-nine customers answered these questions on a scale of 1 to 7, with a 1 indicating "completely dissatisfied" and a 7 indicating "completely satisfied." The average customer response was 4.90, indicating customers are slightly satisfied with the business value from current cloud services. Pertaining to the overall performance of cloud service providers, the average customer response was 4.94, also indicating customers are slightly satisfied.

For provider and advisor respondents, we asked them to focus on one significant cloud computing contract and client for which they are familiar. We then asked: "Overall, how satisfied do you think the client is with the business value it is getting from cloud services? How satisfied do you think the client is with the overall performance of the cloud services provider?"

Surprisingly, providers and advisors both reported that clients are slightly dissatisfied with cloud services (average = 3.69) and with cloud service providers (average = 3.39). The average advisor responses were even lower -- 3.33 for business value of cloud services and 3.17 for overall performance of cloud service providers.

More Education is Still Needed

Across the sample of 55 knowledgeable customers, 59 providers and 19 advisors, the three communities mostly agreed with each other about cloud services. All three communities agreed that cloud services' main business value is flexibility/scalability, but the number one business objective driving cloud computing evaluations is still cost efficiency.

We believe there is still a large population of customers who need a better understanding of cloud services. There were 85 customers in the customer-only networking session when the survey was administered and 30 customers chose not to respond. When asked why they did not answer the survey, the customers told us they did not know enough about cloud computing to respond. Furthermore, among the 55 customers who felt they could answer the survey, many did not know about their organizations' cloud services plans for the future. Thus, organizations need to better inform their stakeholders about current and future cloud strategy.

Mary Lacity, COP is Curators' Professor at the University of Missouri-St. Louis and Visiting Professor at the London School of Economics. **Leslie Willcocks, COP** is Professor of Technology Work and Globalization at the London School of Economics.

Acknowledgments: *We thank Matt Shocklee, Chris Long, Jane Siegel and Miguel Gabriel Custodio, all COPs, for their suggestions on and support of this survey.*