A TECHAISLE WHITE PAPER

AGILE CLOUD: NAVIGATING THE TRANSITION TO MANAGED IT

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AGILE CLOUD: NAVIGATING THE TRANSITION TO MANAGED IT

Guidance to creation of an Agile Cloud strategy for mobile world is provided through a series of three Techaisle research white papers. This document covers "**Navigating the Transition to Managed IT**".

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Executive Summary

Too often, the debate about IT is dominated by a narrow focus on near-term objectives: shrill cries claim that the business will stop (or fail) if a feature isn't added to the ecommerce site, if the mobility platform isn't improved, if the network and compute back end aren't upgraded, if storage and database performance isn't accelerated. Often, these changes are truly essential, and demand immediate attention. However, midmarket firms can't assemble a meaningful strategy from point responses to near-term issues. Increasingly, midmarket enterprises are finding that continued operational success requires an "agile-cloud" – an agility-oriented, cloud-based IT strategy that addresses the three core changes faced by midmarket firms: *the changing nature of business infrastructure*, *the accelerating pace of change in business*, and *the expanding scope of IT*.

Each of the three issues presents challenges and opportunities. Changes in business infrastructure require both IT and process evolution, but promise greater responsiveness. The increasingly-rapid shifts in business environment demand greater agility, but open new market opportunities. And the expanding scope of IT strains traditional infrastructure management approaches, but allows the midmarket business to empower customer-facing staff in new and important ways. To navigate these changes, midmarket businesses need to move beyond point requirements and build out the core capabilities that support the business as a whole.

Other white papers in this three-part series are:

- Managing the Empowered User
- Orchestrating Virtual Data Center Services

Agile-Cloud: Navigating the transition to managed IT

> Nobody knows exactly what is meant by vision and strategy…we just don't have a good business discipline for converging on issues this abstract. And that does not bode well for setting a clear trajectory"
> - Management guru Geoffrey Moore, in his book *Escape Velocity*

Management with IT responsibility in midmarket businesses (100-999 employees) can certainly empathize with the position that Geoffrey Moore articulates in *Escape Velocity.* We are navigating through a series of simultaneous changes that affect our understanding of what IT is, and its role in accelerating our business processes and relationships within our companies and with our customers and other stakeholders. Three critical factors are forcing midmarket executives to reconsider IT within their businesses:

- ***The nature of 'business infrastructure' is changing***. It's clear to virtually all executives that their businesses can only function with the reliable support of IT. But the IT component of "IT/business infrastructure" is changing: cloud computing is driving efficiencies in some areas, and opening up entirely new avenues for automation in others. This isn't an overnight, one-time transition: midmarket businesses are working through a multi-year migration from conventional on-premise infrastructure to a hybrid reality in which some IT services are based on physical devices, while a growing number of others are delivered remotely by third parties.

- ***The pace at which business moves is accelerating, thanks in large degree to advances in cloud computing***. There must have been a time in the past when business was 8x5 rather than 24x7, when change was gradual, when 'the core business' didn't include continuous alignment of technology and processes, and when professionals could define narrow windows within which they were available to colleagues and customers. But it's hard to remember that time today.

- ***The scope of IT is changing***. Traditionally, IT has been used to support core internal processes, primarily in 'back office' (corporate, rather than customer-facing) functions. Today, though, IT extends to all corners of the business, and beyond. Cloud applications are making inroads in areas like HR, which were lightly automated in the past, and are being used to great advantage in front-office areas like sales automation (CRM systems). Additionally, Techaisle research has shown a tremendous uptick in SMB businesses extending their collaboration infrastructure to include customers and prospects, and platforms like social media that 'live' entirely outside the walls of the company.

It would be difficult to deal with change in any one of these areas, but that is not the challenge faced by today's midmarket management team: to stay competitive, they need to allocate resources and attention to cope with simultaneous change in all three areas. It is not possible to rely on a handful of core competencies as the basis for sustainable competitiveness. Businesses need to understand how to capitalize on the multiple opportunities associated with cloud-enabled IT, business and market agility. Management's grasp of this "agile-cloud" is not just about better IT management – it's about **improved operational execution** and **overall business viability**.

There are no easy-to-use templates that can guide businesses through these changes: they require that businesses adjust to changes in technology, market and process requirements on a continuous basis. Perhaps the absence of certainty around vision and strategy that Geoffrey Moore has observed is just a consequence of today's business environment; increasingly, Techaisle sees that vision is dependent on business context, and an overarching strategy is less important than the agility and adaptability needed to capitalize on efficiencies and new opportunities as they arise. If you recognize your midmarket business in this description, this white paper provides the insight you need to seize the opportunities that wait in the balance between technology, process and business efficiency, and guidance on how to plot the next steps in your *agile-cloud* trajectory.

Keys to building an agile IT/business infrastructure

Too often, the debate about IT is dominated by a narrow focus on near-term objectives: shrill cries claim that the business will stop (or fail) if a feature isn't added to the ecommerce site, if the mobility platform isn't improved, if the network and compute back end aren't upgraded, if storage and database performance isn't accelerated. In many cases, these needs are acute and have to be addressed. Yet this "tyranny of the immediate" can make it difficult for management to establish a longer-term framework that will address the migration from traditional infrastructure to hybrid/hosted systems, from a tight focus on back office functions to support for the devices used by line staff (and customers) – and from an IT function that 'keeps the lights on' to IT as an essential component of business competitiveness.

There are a number of different issues involved in navigating this journey. As a starting point, though, it makes sense to build out the core capabilities that support the business as a whole. Key technologies that are – or should be – tightly integrated within the IT/business infrastructure include:

- Virtual data center services
- Application virtualization
- Cloud orchestration
- Hosted/virtual workspaces

Integrated together, these technologies represent the core elements of an "agile-cloud" strategy that can support a midmarket business through the transition from traditional to an evolved, cloud/hybrid IT/business platform.

Virtual data center services

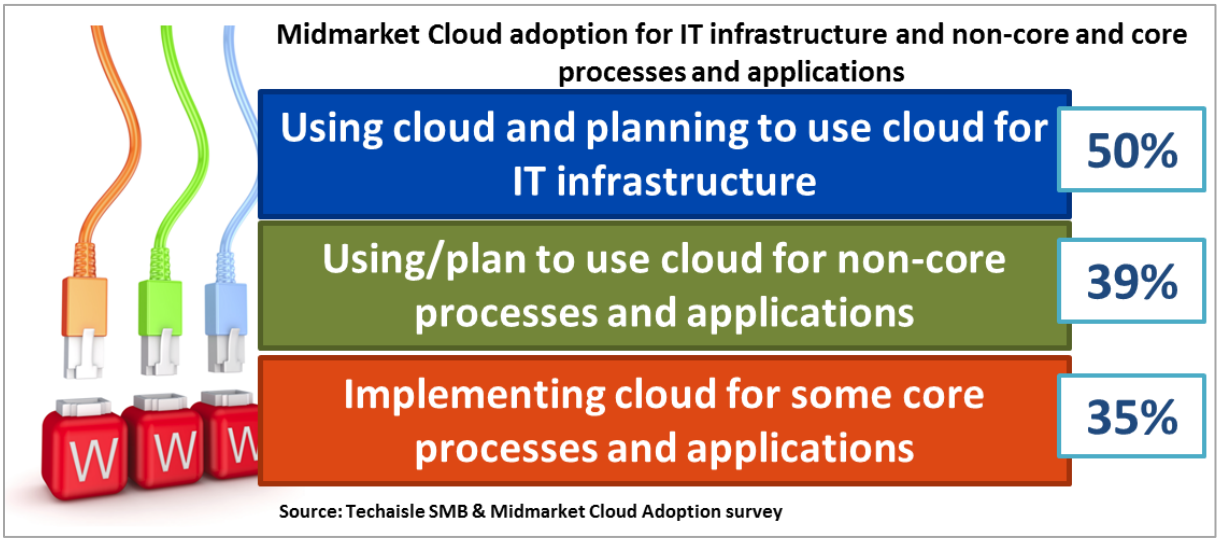
The best-known use of cloud is as a means of accessing virtual data services, or IT infrastructure (and associated management services) on demand. This use of cloud, generally referred to as "Infrastructure-as-a-Service" (IaaS), allows midmarket firms to tap into resources and management practices that have traditionally been available only to very large enterprises.

There are three factors that are essential to evaluation of the virtual data center in a midmarket business: the role of cloud within IT strategy, its contribution to top and bottom-line success, and the ways in which midmarket firms work with suppliers to secure cloud benefits.

What cloud is used for: the role of virtual data center services?

In past years, midmarket IT departments often positioned cloud as a cost-effective means of supplementing or extending existing, in-house IT infrastructure resources – for example, by procuring cloud-based storage to offload data from on-premise drives, or by using cloud for back-up. Cloud has also made its way into midmarket firms as a means of supporting non-core applications and related processes; for example, cloud might be used to automate previously manual tasks in HR or customer support that aren't linked to financial and production systems. But data from a 2015 Techaisle survey of 360 midmarket IT managers found that use of cloud is expanding even into business-critical applications.

Figure 1

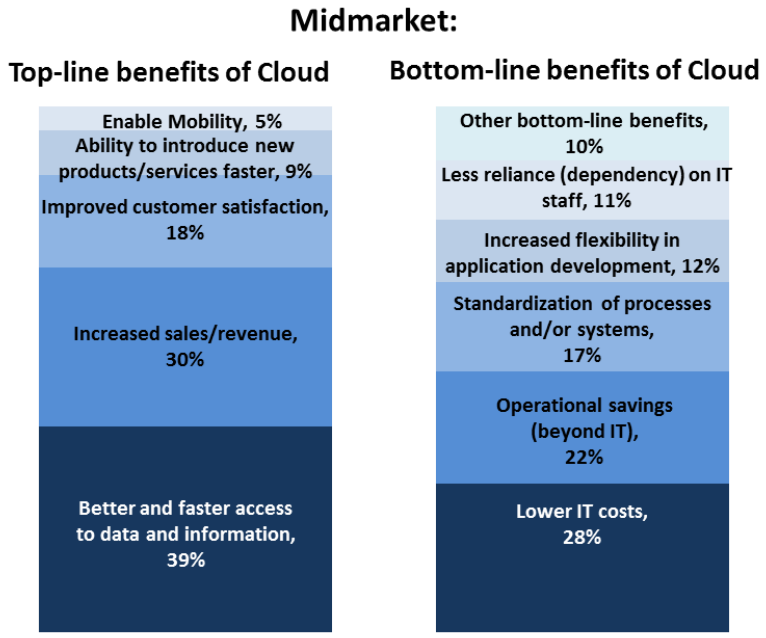


When midmarket IT managers were asked to indicate the areas of their operations where cloud has been or will be applied, 50% reported that they are using/planning to use cloud for IT infrastructure, and nearly 40% stated that cloud will be deployed to support non-core processes and applications. However, more than one-third (35%) reported that they are using or are implementing cloud to run at least some of their core applications. Given that core applications (such as financial/ERP) are not changed or re-platformed very often, 35% is a surprisingly high figure. It demonstrates that even core workloads are expanding beyond the walls of the midmarket data center, and that virtual data center services are increasingly seen as a viable platform for all types of workloads, including business-critical process support.

The advantages of being virtual

Techaisle's research finds that spending on cloud/virtual data center services will grow strongly for at least the next several years. This outlook is based on responses to our 2015 survey, in which respondents state clearly that cloud provides both top line (growth) and bottom-line (margin) benefits to their organizations.

Figure 2



Source: Techaisle SMB & Midmarket Cloud Adoption survey

Figure 2 demonstrates the business benefits that cloud delivers to midmarket firms. On the left-hand side, we see that midmarket companies benefit most from improved access to data/information, but that fully 30% of midmarket respondents find that cloud improves sales/revenue generation within their

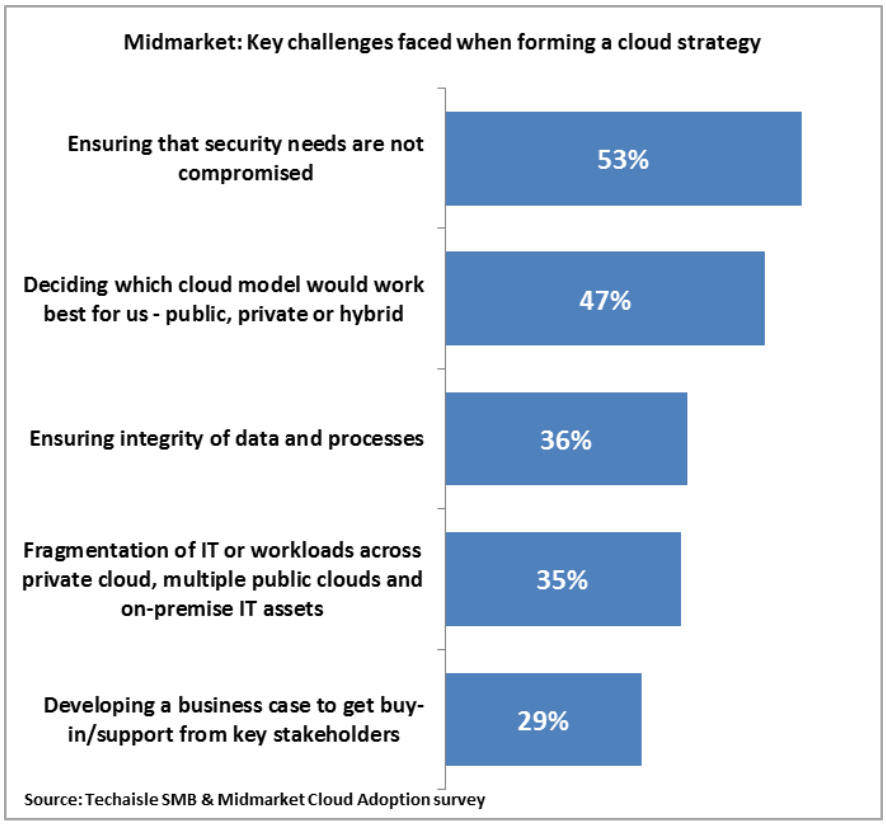
businesses, and that sizeable proportions view cloud as enabling improved customer satisfaction or an ability to introduce new offerings more quickly.

On the right-hand side of Figure 2, we see that cloud indeed delivers the IT savings that are assumed with the approach – but also, that more than 20% of midmarket companies find that virtual data center services deliver operational savings outside of IT, that 17% believe that the standardization/automation of processes and services provides savings to the business, and that 12% are realizing savings via increased flexibility of application development. Across both sides of the graphic, we see multiple sources of contribution to the business success of midmarket firms. This is the best reason for believing that momentum for virtual data center services will continue to build within the midmarket: it makes good business sense.

The role of cloud/virtual data center service providers

If cloud benefits are so compelling, why isn't everyone using it today? The answer, as would be expected, is that there are adoption challenges that midmarket firms need to overcome in order to capitalize on the benefits of virtual infrastructure.

Figure 3



In the 2015 survey of midmarket companies, Techaisle explored the key barriers to cloud adoption. The survey found that there is still concern over security (despite the fact that hosting providers are typically *better* at securing data and applications than midmarket IT shops), confusion over the best approach to cloud, and a lack of clarity with respect to ensuring data and process integrity and/or preventing fragmentation of workloads.

Cloud also requires midmarket firms to develop close, meaningful partnerships with suppliers. In a traditional IT environment, vendors operate at arm's length, supplying hardware and software that is configured internally (or with the help of contractors) to meet specific business needs. In a virtual data center environment, the supplier is much more a partner: the relationship includes not only service supply but assistance with defining and addressing the types of issues identified in Figure 3. Midmarket firms need to face the challenges of cloud to reap the benefits of virtual infrastructure – but they don't need to do so on their own; a well-chosen supplier can help navigate the path from traditional to advanced IT resources.

Concluding observations

Despite the clear opportunity for more effective deployment of IT capability and more efficient IT management offered by cloud, most midmarket workloads are still hosted and managed on site. There is a clear trend towards greater use of managed services, and clear business benefit to embracing this hybrid IT model. The question isn't really "will we move our midmarket business to cloud/hybrid infrastructure?" but rather, "how quickly will we effect this transition, and how will we prioritize workloads and capabilities along the way?"

Techaisle believes that the different technologies covered in this report series – virtual data center services, application virtualization, cloud orchestration and hosted/virtual workspaces – are all poised for strong growth in the US midmarket because they address specific high-priority IT and business issues. It is important to remember, though, that different technologies are aligned with different requirements. Virtual data center services respond to the need to control costs and improve responsiveness in core back-end infrastructure, orchestration is a key aspect of delivering on these promises, and application virtualization allows business users to reap benefits from the improvements to the core service delivery architecture. VDI and DaaS, on the other hand, are oriented towards greater flexibility in automating customer-facing staff, and provide control options for mobility solutions.

To keep pace with accelerating business cycles and capitalize on new IT/business infrastructure opportunities for improved business efficiency and customer engagement, midmarket companies today need to be working with each of these technologies as they plot their own "agile-cloud" strategies. There is no one-size-fits-all template that can be used to create an action plan for development of a robust cloud platform. By combining virtual data center services, application virtualization, cloud

orchestration and hosted/virtual workspaces to support 'front line' staff, midmarket businesses can build a framework that can align their activities and investments with an agile-cloud strategy – one that will deliver an approach to IT that truly contributes to the success and viability of the enterprise.

About dinCloud

dinCloud is a Cloud Service Provider that helps organizations rapidly migrate their entire IT infrastructure to the cloud. Our Business Provisioning includes migration of desktops, servers, storage, networking and applications to a Virtual Private Data Center. dinCloud provides subscription-based services tailored to fit a range of business models resulting in reduced cost, enhanced security, control, and productivity.

For more information, see our case studies (www.dincloud.com/cloud-case-studies)

Related articles and content on **Navigating the Transition to Managed IT** from dinCloud, a cloud services provider who helps ease migration to the cloud with turn-key services and support.

Cloud Drives Tech Democracy
More About dinCloud and Its Support Services
About IaaS

About Techaisle

Techaisle is a global SMB IT Market Research and Industry Analyst organization. Techaisle was founded on the premise that Go-to-Market strategies require insightful research, flexible data, and deeper analysis. Understanding the value of data consistency across markets to inform strategic planning, Techaisle has remained holistic in its approach to Insights and provides globally consistent SMB and Channels analysis across geographies. To achieve its objectives Techaisle conducts surveys with SMBs and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Besides covering emerging technologies such as SMB cloud computing, managed services, mobility, social media usage, virtualization, business intelligence, big data, collaboration, networking its channel research coverage provides in-depth understanding of resellers and channel partners globally. Techaisle's insights are built on a strong data-driven foundation and its analysts are conversant with both primary research and industry knowledge, which is a rare combination. Techaisle offers its clients: Syndicated Research, Custom Primary Research, Consulting Engagement, Competitive Intelligence, Segmentation and Predictive Analytics services. For more information, visit www.techaisle.com

Contact:

US
San Jose
Ph: 408-459 7751
Email: inquiry@techaisle.com

India
Gurgaon
Ph: +91-9810412226