



CLOUD: GOOD FOR NZ BUSINESS AND THE CIO

by Jess Meyer Maria

New Zealand and Australia businesses are proving to be ready adopters of cloud services. The most recent Asia Pacific Cloud Index, released by Forrester Research in August, showed a surprising level of interest and activity in the cloud. The survey revealed that New Zealand and Australia lead the Asia Pacific region in cloud adoption, with 67% of respondents using cloud technologies, up from 60% a year ago. But what does all this mean for the New Zealand CIO? And how are New Zealand businesses adopting cloud technologies?

According to the same survey, conducted by Forrester Research on behalf of VMware, private clouds far outweigh public clouds, in terms of adoption, at this stage. While cost savings continue to represent a significant driver for cloud adoption, this year more NZ respondents view the cloud as a strategic initiative than a way to reduce spend. Cloud adoption can open up the role of the CIO, particularly in the NZ SME landscape, allowing for greater focus on business level requirements.

"Commonly, organisations spend around 70% of their IT budgets on IT operations

and 30% on innovation," explains Gavin Greaves, Country Manager, Enterprise Services, for Hewlett-Packard New Zealand. "However, efficient and cost-effective cloud delivery models can enable a CIO to shift the balance of spending from IT operations to innovation projects, thereby delivering additional value to the business as well as enhancing collaboration."

Cloud growth is happening worldwide. In fact, recent IDC research shows that global revenue from public IT cloud services exceeded \$16 billion in 2009 and is forecast to reach \$55.5 billion in 2014, representing a compound annual growth rate of 27.4%. This rapid growth rate is more than five times the projected growth for traditional IT products (five percent).

Part of the prolific growth can be attributed to the economic atmosphere – cost cutting measures make cloud adoption more attractive.

"Cloud computing is reshaping the IT marketplace, creating new opportunities for suppliers and catalysing changes in traditional IT offerings," says IDC. Over the next three years, the research company expects spending

on public IT cloud services to grow almost threefold, reaching \$5 billion in Asia/Pacific by 2014.

With adoption of cloud technologies increasing around the world, New Zealand still manages to stand out. "New Zealand and Australian businesses are embracing cloud technology more strategically than the rest of Asia Pacific, providing IT-as-a-Service, and enjoying the flexibility to respond to business demands at short notice. It illustrates that business leaders view cloud technology as an opportunity to make a tactical investment in the future success of their companies," says Glenn Stokes, ANZ Product Marketing Manager for Trend Micro.

Cloud computing may appeal to Kiwis because its benefits can be harnessed particularly well by SMEs – the mainstay of the New Zealand business market. Cloud computing models offer CIOs the potential to deliver IT services to their businesses in far more agile ways. This fundamentally removes many of the constraints that businesses face in acquiring, implementing and scaling value-creating IT processes", says Craig Nielsen, NZ Country Manager for Red Hat. "I'm personally very excited about the potential cloud





computing holds for small businesses and start-ups, particularly in the way it provides them with access to capabilities they would not have been able to afford a decade ago, at very low price points." The cloud offers both flexibility and cost efficiencies at a time when both are critically important to a business's success.

"Because Australia and New Zealand are both mature services markets, cloud initiatives have been a way for service providers to reinvent themselves and modify the way IT services are delivered," says HP NZ's Greaves. The flexibility and cost savings offered by the cloud have been significant contributors to the early adoption of cloud services across the ANZ region. "Businesses have been motivated to utilise cloud services as a unique business advantage."

The benefits offered by the cloud are many, repeated so often they've become buzzwords with little impact. Speculation abounded in years past that the rise of the cloud would spell the fall of the in-house IT team, but that has proven to be untrue. If anything, the cloud has created more and greater opportunities for the CIO and his/her team.

"A common misunderstanding is that cloud computing will make the role of the traditional IT department redundant. In reality, most organisations will migrate their IT pragmatically to the cloud, one piece at a time," tells Neil Osmond, Strategy Manager for Gen-i. "Hybrid IT infrastructure and operations will be the norm for some years to come, and IT requirements – such as security, application performance and policy management – become more critical when utilising hosted, off-premise services."

Indeed, the New Zealand market is in the

early stages of an evolution to hybrid cloud environments, with studies indicating that the majority of adoption will take a mixed approach. A recent global KPMG survey of over 800 senior executives found that 81% of respondents were evaluating cloud services, planned a cloud implementation or had already implemented a cloud strategy – including public and private services – while fewer than one in 10 said they had no immediate plans to start using the cloud. Above all, the survey revealed, a hybrid implementation method is preferred.

But what does it all mean for the CIO? By removing a lot of the traditional operational requirements for reliability, scalability and performance, the cloud enables businesses to focus on their business level requirements and core objectives, says John Ashcroft, CIO at Jade. Cloud computing initiatives can actually enable the CIO to operate at a more strategic level 'now that someone else is responsible for keeping the lights on', he explains.

The role of the CIO is shifting to that of a change enabler, rather than an operations delivery manager. New Zealand has seen several examples over the past 12-18 months of CIO positions expanded significantly into what have been coined 'CIO+' roles. As recognition grows that IT can be a key differentiator in the marketplace, the CIO is increasingly finding himself/herself as a key member of the executive business team.

"CIOs have traditionally been responsible for assembling and maintaining the lifecycle of technology and application stacks used by the business," says Red Hat's Nielsen. "The span of control in this model is vastly different from the span of control in cloud business models. The challenge for CIOs in moving to cloud computing will be to create new capabilities in

their teams to manage policy, vendor selection and contract management, including service level management and monitoring. In essence, it's about managing service delivery and risk management in a new paradigm. What's interesting is that in most organisations this will be evolutionary and the CIO will play a critical part in determining the speed of that evolution."

With cloud computing, a CIO has access to increased capacity and capability, without the need for capital investment. "The CIO has the opportunity to harness the power of the cloud to respond to business needs more rapidly, and to deliver compelling, agile business outcomes faster," says Gen-i's Osmond. "Cloud services provide CIOs with the ability to focus on IT functions that are core to business competitive advantage and contribute to the bottom line."

HP's Greaves sees the future of IT as a multi-sourced, hybrid service delivery system that provides the right outcomes, in the right timeframe, at the right price, and cloud services are a key delivery mechanism to do just that.

CIOs can use the cloud to not just expand the scope of their own roles, but to help transform IT as a service. Trend Micro's Stokes sums things up perfectly: "IT infrastructures have become too complex for the pace of business today. With users expecting faster response times and management demanding lower costs, IT needs a better strategy, which cloud computing offers. Cloud technology provides a new model that cuts through IT complexity by leveraging the efficient pooling of on-demand, self-managed virtual infrastructure, consumed as a service. It's a more efficient, flexible and cost-effective way for IT to meet escalating business needs." ■

