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Video Transcript: Identifying Savings and Value in Cloud Solutions

An ROI Innovation Report

From the Cloud Computing Innovation Series

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This document contains an edited transcription of a video roundtable session from December, 2009. Participants include Mark Kovarski, Senior Business Technology Consultant for Bank of Montreal; Rene Marquis, IT Director for the Laval School Board; and Doug Jones, Business Unit Executive, Cloud Computing for IBM Canada. The session was moderated by Michael O'Neil, Chief Content Officer for IT in Canada.

Michael O'Neil: Welcome to the IT in Canada discussion on the benefits of cloud computing. I'm Michael O'Neil, chief content officer for the IT in Canada network. I'm grateful to be joined today by Mark Kovarski, senior business technology consultant for the Bank of Montreal; by Rene Marquis, IT director for the Laval School Board; and by Doug Jones, Business Unit Executive for cloud computing for IBM Canada. Gentlemen, welcome and thank you for joining us.

In our first session on Cloud Computing Innovation, we looked at business triggers that indicate an opportunity for cloud-based solutions. Today, we're here for our second cloud computing session – this time, focusing on how cloud enables sources of new savings and new capabilities within an organization.

In this segment, I'd like to try to understand where you look for the business justifications supporting a cloud computing initiative. Generally when we think about the rationale for a new IT solution, we look at how the new system will cut costs, how it will provide compelling new capabilities to an organization in terms of increased agility, which we talked about in our last session, or in terms of the ability to respond quickly to new IT or business opportunities, ways of making staff more productive, and similar benefits. Let's explore these issues from a cloud perspective now. First off, Mark, what were the most compelling hard dollar benefits you looked at when you were assessing the business benefit of your cloud computing initiative?

Mark: Well, when we looked at it, on CAPEX in particular, it's the upfront cost to the of purchase hardware, as an example, versus going to a flexible cost model. Those were definitely very important factors from a cost perspective. Then there's additional cost savings obviously at the end coming from OPEX perspective as well, once you get that going.

Michael: Where do the OPEX savings come from?

Mark: Well, again, it will depend on the different scenarios, but from a support perspective, the ability to provision new desktops very, very quickly instead of the traditional method of taking traditional desktops and reimaging them if they're not working.

Michael: Yeah, if there's a static image, you don't have to rebuild.

Mark: Correct. The answer is, "It depends." It depends on the scenario, but the savings are definitely there.

Michael: We talked a little bit about development and testing, QA, as one of the environments where you first encountered payback on the cloud initiative. Where are the real savings and the real benefits, real new capabilities from that perspective?

Mark: Well, instant availability right on demand, a self-serve model that you can leverage in that computing environment. As an example, speaking before, the ability, for example, to do load testing instantaneously, without building up load testing infrastructure. Those benefits out there are great.

Michael: Thanks! Rene, I know that many of these examples that Mark just mentioned are – even though Bank of Montreal is, from a business perspective, very different from the School Board in Laval – many of the conditions Mark's talking about echo conditions that you've encountered. Where do you find – when you look at the reasons for going with the cloud-based solution, what did you initially look at in terms of the key sources and savings and new capabilities?

Rene Marquis: Well, actually the driver, the first driver for us was the dollars. We think a laptop will last about three years within the school system, a desktop about five years. We hope to achieve about 7.5 years with a thin client. When you do a connection to this and when you add on the lower mechanical cost involved with the cloud computing, it is a very significant savings for us as a school with 10,000 units.

Michael: Well, let me just stop you right there for just one second. So, you got a three year life cycle for laptop, five years for desktop, seven and a half years for a thin client, but the thin client is also lowest of those three items on a CAPEX basis, as well. Is it not?

Rene: Yeah, as you know, with those, there are no mechanical parts. There's no hard drive. There's nothing in that machine. All you need to do is you keep your centralized functions up alive and you add on as you need them. We think, actually, with the thin clients we have, we might actually be looking at about eight, nine years ahead of us, a significant savings over time.

Michael: So, you mentioned lower cost of operation, as well. Is that because the maintenance is lower with the absence of moving parts?

Rene: Well, to us, for example, a new version of a purchase of the software, whether that be Microsoft or someone else, would take us quite a few months just to go around to all the different clients. With thin client we can actually now upgrade overnight. Within 30 minutes, I can actually move from one version to another version and that's very significant within the school. So, it keeps everything centralized and very quickly. It's easy to do. Actually, the human resource was the second most compelling reason why we went that route.

Michael: Thanks. Mark, how about you? Were there any savings other than the up front CAPEX costs that you found that were really compelling when you looked at the cloud solution?

Mark: Well, like Rene mentioned, as well, we had virtual desktops, a thin client model going through. While our upfront costs might be today very close to a desktop, it's the lifespan and taking it across seven

years, that makes it more attractive, on a desktop side in particular. So we definitely hope that will be helpful.

Michael: And in the absence of moving parts, I would think your energy consumption across these 10,000, or God knows how many computers you've got in Bank of Montreal, would also yield a real dividend.

Mark: There's definitely a green story behind this, as well, and green advantages to this model, as well.

Michael: Sure. So, there'd be green advantages. There'd also be OPEX advantages from an energy perspective, as well.

Michael: Rene, is that something that factored into your evaluation of the success or the benefit of a cloud solution is to reduce the energy costs associated with operating these units?

Rene: Yeah, we do come into problems when you put 30 desktops within a classroom. You just don't have the resources in physical power potentially to drive all of these machines. As you know, thin client will function between seven and 15 watts. That's about 1/10 of a desktop. So, to us, it was just a natural way to look at it. I forgot to mention this, but actually this came in as well within our decision was the fact that we wouldn't have to put in so many plugs, so many outlets within the school, as well. So, those are a significant saving, as well.

Michael: So, Doug, we've heard now some of the benefits associated with cloud from a cost or agility perspective, are the ability to reduce upfront capital costs, the ability to reduce OPEX in terms of administrative support, in terms of the software versioning, in terms of power consumption. Are these typical of what it is you hear from your clients?

Doug Jones: They're very typical, but quite often clients are finding savings in other areas, as well, such as Rene just mentioned, now there's less power consumption.

Let me use an example where a client is using a cloud for a dev test environment. In a dev test environment, it speeds up the whole dev testing. So, there's less labor required in general in order to develop applications and get them out the door. Less rework required, quality goes up. All those have cost savings, as well.

If you break down the cloud a little bit more and you look at what's inside a cloud. The virtualization part of a cloud really saves the hardware/software costs, and those are some examples. The automation part of a cloud saves labor costs. It's putting those things together that really creates a huge value proposition.

Michael: So, that must be one of the reasons why this ball is moving so fast is you get the combination of the labor savings and the hardware/software savings. I had a question there. I'll be darned. [laughs] Sorry, now I remember what that question was!

So you have a combination then of hardware savings, product savings, as well as labor savings and agility connected to that, because, as Mark said, to get to do some self-serve provisioning and rapid roll out. If you were to look across the spectrum of clients that IBM deals who are either implementing cloud or planning to implement cloud, what would you say tends to be the primary driver? Does it tend to be, reduce my CAPEX, so that I can roll out more horsepower more quickly – or does it tend to be, the

business is pushing me to be more agile? As Mark said in our last session, we're moving into the era of business agility. Does that tend to be the primary motivation?

Doug: Yeah. Well. I think these clients are coming out of the recession right now. They're not so much looking to reduce with the current operational spend. They're looking at, what you said, do more with less. So do it faster, do it quicker. And as companies are coming out of the recession, they need to get the business application to function, the business models to deliver very quickly. So to me, it becomes a huge driver. And as I mentioned previously, clients first start to look at cloud computing for cost savings and once they look closer they find all the other backup benefits.

Michael: Great. Can you give us just one example that's different from what it is you have been talking about, that demonstrates a completely different area of cloud, in terms of benefit that customers might find? If they're expanding their minds to think about potential plans in which they can use cloud to achieve that kind of "do more with less" agility objective?

Doug: Absolutely. So we've got a plan today where they've got business intelligence spread amongst the organization. Each department tends to have their own BI-type implementation. So in a cloud environment there is an opportunity to consolidate that into one centralized cloud. And when you do that the information in that cloud becomes a lot richer, the user experience becomes richer, and the costs drop.

Michael: And, Rene, I know that in our last segment, you were talking about the importance of, from a privacy perspective within the school board, centralizing information and backing it up and also securing it, to make sure that it didn't get into hands that it wasn't supposed to get into. Is that a benefit that you found after you started down the cloud path? Or is it something you factored into your position starting from day one?

Rene: Actually, that was one of the primary drivers that just came as a benefit as we looked at it early on. And we realized that on the privacy side we were leaning to a centralized management for the space and decided on that. So, obviously, we are very careful about the privacy part for the students and, in fact, now we keep everything centralized. You know, all of this comes from a vision. The vision being that eventually we feel that at least what we need for the school, eventually will be available through the web. So basically, what we need to provide with IT is the solution that will be available through the Internet, through web browser, and that's connected, anywhere/anytime, as you said earlier. And privacy in such a way that it is being kept in the right place.

Michael: That is a really interesting point. Mark, can you amplify on that at all? Are there benefits you found after you started down the cloud path that you hadn't initially considered as part of your evaluation, but one you started actually experimenting with cloud and working with it, you said, hey, that's a really compelling benefit that hadn't been anticipated.

Mark: Yeah. Yeah, we did. One of the scenarios that I saw as we went down the road and talked to our business – as an example, in our downtown locations, finding the real estate for a new initiative contractors had become an issue. So with a cloud-type offering, and having an ability for people to work from home and spinning up their desktops anywhere in the cloud, and then the ability to log into our infrastructure, are very, very large benefits. So those are the things that as we've traveled down that road, we've encountered, and I'm sure, if you travelled further down that road, we'll encounter more of them.

Michael: Well, as I was going to say – that benefit in turn springboards into a green IT benefit, and you folks are part of the Carbon Disclosure Project...

Mark: Right. And leads to the security that we mentioned – with the data centralized in our data centre, the users are free to do their work without concern...

Michael: So, the last question on this topic. If you were asked -- and Rene, I'm going to go ahead and pick on you first, just like I did in the last section...If you were asked, what are the big wins that come from cloud computing, the most compelling sources of savings or business advantage, what would you answer? What are the two or three or even five most important areas to look at if you or one of your peers or somebody else in the Canadian environment looking to deploy a cloud strategy is looking to understand the benefits that cloud computing delivers?

Rene: I would say that the most significant savings is we have is from centralized management. Centralized management for compliance, and for all the different printers and equipment attached to it. It just makes our jobs a lot easier to do. And, in this way, we can keep the customers happy because they have access to their clients seven days a week, or five days a week, during classroom time. So our centralized management is the biggest issue now. As you know, prices have come down quite a bit. We're checking costs, and the desktop have come down. So the initial savings which were anticipated on the purchase actually were pretty much reduced. And now the savings we see are more on the centralized management.

Michael: That's terrific. So, Mark. Rene's point is that the OPEX rather than the CAPEX is really the number one key benefit. Not to say that there's no CAPEX benefit, because as we discussed, you get a much longer a useful benefit of the product.

Rene: Lifecycle, yeah.

Michael: So, can you tell us if you were advising, which you are, the folks watching this video or reading this transcript over, they might be wonder what the key benefits are. Where would they look?

Mark: I think, although it will vary from industry to industry, what the greatest benefits will be for an organization – but what we've seen is definitely time to market. And the other thing is, while we focus on banking, it's really the question of what you want to focus on within your own organization. And just focus on your core business from a process...Banking, right? That's what we want to focus on. And cloud computing gives us an opportunity to adjust that focus, right?

Michael: That's a great point. Doug, you get the last word here. What would you advise our viewers, our readers, to look for as they're looking to say, here are the key benefits that I'm going to use to move me down the path of building a business case around the cloud, a cloud strategy.

Doug: Well, certainly, it's the globalization of customer, the trend to become mobile and globalized, the cost savings for sure and, and, the other points that we've already mentioned. But I'd like to add to it, in terms of; there's always been a natural tension between IT and business. What cloud computing does is it tends to break down those barriers. Because IT has to focus on the services that are delivered back to the business. And it takes all the umpteen stuff away from the end user. It just works. So that in itself tends to speed up business.

Michael: I wish I had started with you now, because you made two really great points there. One was you started with globalization, but your customers want to be more mobile and more global. And I think everybody at this point wants to be more mobile, and I think the ability of the cloud which you tap into from wherever you are, to enable mobility is a really interesting point that we haven't managed to cover off until now, so thank you for adding that. And the other is, this point of the natural tension between IT and business, I mean – you mention that, Mark says it [cloud] allows us to focus on banking, and Rene says our vision for the future is we make all of our resources available through a browser. And so I think all of this has kind of landed on the point that, one of the key business benefits of cloud - beyond the straightforward cost-savings from the CAPEX and OPEX and management perspective, is this ability to align the need for agility of business with the ability of IT to support that.

Everybody's nodding, so we're going to call that a wrap of this session. On behalf of everybody here, I'm Michael O'Neil, thank you very much for joining us.