Red Circle Strategies

A recent LinkedIn post generated quite the debate regarding a particular aspect of the utility charging model which applies, or should apply, to cloud. The lively debate which followed included interesting views, which I think are worth capturing for readers to reflect on. LinkedIn comments reproduced in italics.

How do you feel about the challenges raised?
How is your organisation affected?

The simple statement posted considered:

"Utility based charging is a key fundamental of cloud. Or so it was …

How many organisations are now playing major cloud vendors twelve months in advance for estimated future use? ... And worse still if you do not use what you have paid for in advance there is no refund. Doesn't quite sound like a utility pay-per-use OPEX cloud model!"

— *Good point and even if demand stands still you should expect to see 10-15% fall in unit compute cost. Do these upfront commitments reflect this??*

True. In general, they do not. If in doubt read the contract. But so many do not do that either. And ask yourselves – how many people actually have read a cloud contract? Never mind understanding what is in the contract!!

— *Absolutely Mark. Could not agree more. It is crucial that organisations right size their cloud environments and continually seek to optimise their environments. Otherwise, the meter is running and as you rightly say there are no refunds. Upfront commitment or not if there is overage this will still be billed and often at a higher price. No disrespect to AWS or Microsoft but they are not your friend, yes, they will provide a service, but it is your responsibility to ensure that you are managing that service both in terms of SLA's but also from a commercial standpoint.*

I like the... 'it is your responsibility to (then fill in the blanks)' ... far too many forget that they retain a lot of responsibility even after outsourcing to the cloud. Cloud provider gives you an SLA but how does that match to the SLA or commitments you have signed up to provide to your internal or external customer / consumer?

— It is ironic that in many years of partnering with organisations to deliver Software Asset Management advisory services across Europe I have on

average provided 47:1 ROI But yet a few years ago a new form of objection started to rear its head. "We've moved to the cloud we don't need SAM." I have never heard such a short-sighted statement other than the utter gem of "we've always done it this way." Yes, in the on-premise world SAM's key deliverables are around minimising financial risk that would only hit home upon a software vendor audit. However, the benefit of accurately defining a bill of materials for a true up or renewal are huge.

— I never can grasp why folk would not go to (insert supermarket brand here) and do their weekly shop without looking in the cupboards to see what they already have but will happily sign into an ELA or Enterprise-wide commit based on nothing more than sticking their finger in the air and thinking aye that sounds about right.

The ground has shifted beneath our feet and now in a cloud first world it is no longer a case of doing whatever you think you can with software licenses until the audit letter arrives.

These are very interesting comments from an expert in the Software Asset Management / Licensing business. Isn't cloud meant to take away the headache of licensing – or is licensing in the cloud more Dark-Arts than ever before?

— One of the major issues here is that you can acquire it with a simple swipe with your credit card. At that moment, you explicitly agree with the T&C and you forfeit on the long run all your procurement department negotiation space when your need increases (or reduces). It is very easy

to acquire cloud services (Compute Power, Storage, Cloud Solutions). They are only one click away - but afterwards they are nearly 'always' neglected or become somebody else's problem. It is a business model though, but you are not necessarily more lean and cost efficient by switching to a cloud solution.

IMHO a procurement team should state a clear policy how to engage with cloud providers and have them involved as from the first minute. (speaking for a medium to large enterprise now). e.g., An IT architect swiping his credit card for a test environment should be a NO GO if he (you) is not willing to accept the consequences of mismanagement. Been there - terrible for your budget at a certain moment.

Absolutely. Ten seconds - that is all. 10 seconds. An ID, Password and Credit Card is all one needs to get started in cloud. In that time, they have signed up to terms and conditions mostly never read nor understood and with no appreciation for how that cloud service / SaaS / IaaS etc will work with existing IT.

The procurement team should have a policy you mention. Many still do not because they do not understand this cloud model. Worse still IT function should educate procurement about what they need in place to prevent all we have discussed in the comments - and they do not. Generally, because they do not know the business side of cloud. 8 years educating in this very field.

The earlier years were hard to get interest in these conversations. Now it is changing; there is much more interest as the cloud panacea, shiny new cost-saving, productivity-gaining solution is not quite delivering. Interest is growing actually understanding how to do the right things with cloud in the right way.

Cloud is a different model to traditional IT, delivered differently, funded differently, used differently, managed differently etc.

So why don't we think differently when it comes to cloud?

Does this sound relevant?

Mark O'Loughlin

CEO

Red Circle Strategies