

# Professional Services Cloud: What cloud computing means for the services industry

Professional service firms of all stripes have been telling their clients for years to focus on their core competency. This very advice is what drives the existence of the professional services industry—companies deciding that some tasks are best handled by external specialists. What if you started taking that advice for your business? What activities do you spend resources on that aren't your core competency?

For many services businesses, IT operations fall into this category. How much do you spend maintaining your own email server, or customizing your own back-office systems? Is this really your core competency? What if you could move these operations to "the cloud"? What do these cloud platforms offer that would improve your ability to attract and serve clients?

This whitepaper will explore cloud computing, and explain why this technology is increasingly important to the services industry. We'll look at our experience at Appirio—a rapidly growing professional services organization that operates entirely on the cloud. And we'll look at some practical ways that you can get started using cloud computing in your services business.

## What is cloud computing, and why is it important to a professional services firm?

Gartner defines cloud computing as "a style of computing where scalable and elastic IT-related capabilities are provided 'as a service' to external customers using Internet technologies."

Think of how you consume electricity in your organization, and contrast that with how you would have consumed electricity in the 19th century. There was a time when every company needed to spend lots of time and effort thinking about how to create their own electricity on their own private infrastructure. Today, we just plug in and use electricity as a service. That doesn't mean that electricity is any less important to us today (indeed, it's far more important!). It's just that most organizations today can focus their time on how to apply this relatively plentiful and inexpensive resource to meet the needs of their customers, and not think about how to generate it. Companies moved from generating 90 percent of their own electricity to consuming 90 percent from public utilities over a period of 50 years. That same shift is occurring in computing today—and it's likely to happen much faster. Maintaining your own data center will someday soon seem like maintaining your own power plant—a wasteful distraction for the vast majority of organizations.

The IT services delivered by the cloud are often divided into three categories. The first and most familiar is software-as-a-service (SaaS), or on-demand business applications delivered over the Internet. Some SaaS applications (like Google and Salesforce) are built on top of a platform-as-a-service (PaaS), the second service, which can be reused to build out custom business applications. The final "service" in the cloud is infrastructure-as-a-service (IaaS), which is defined as the ability to access raw computing power and storage over the Internet.

Why is this important to a services company? Because each of these "cloud services" represent an opportunity for you to spend less attention on your IT and more attention on your customers and growing your services business. There's opportunity for improvement along two dimensions:

- **Cost and efficiency:** Modern, multi-tenant cloud platforms allow thousands of customers to share the same IT resources. This results in tremendous economies of scale—IT resources that would sit idle in your data center or the data center of your hosting provider can be kept fully utilized in a data center operated by Google, Amazon, or salesforce.com.
- **Innovation and growth:** Without fixed assets at the core of its business, an agile services firm can grow quickly to meet new market demands. With cloud computing, IT can enable this agility instead of inhibit it. Cloud computing can scale up or down very rapidly to meet new requirements, and the leading cloud providers have made it extremely easy to configure their applications or build entirely new ones at a fraction of the development time of on-premise IT.

## Case Study: Using the cloud to engage with clients and grow your business

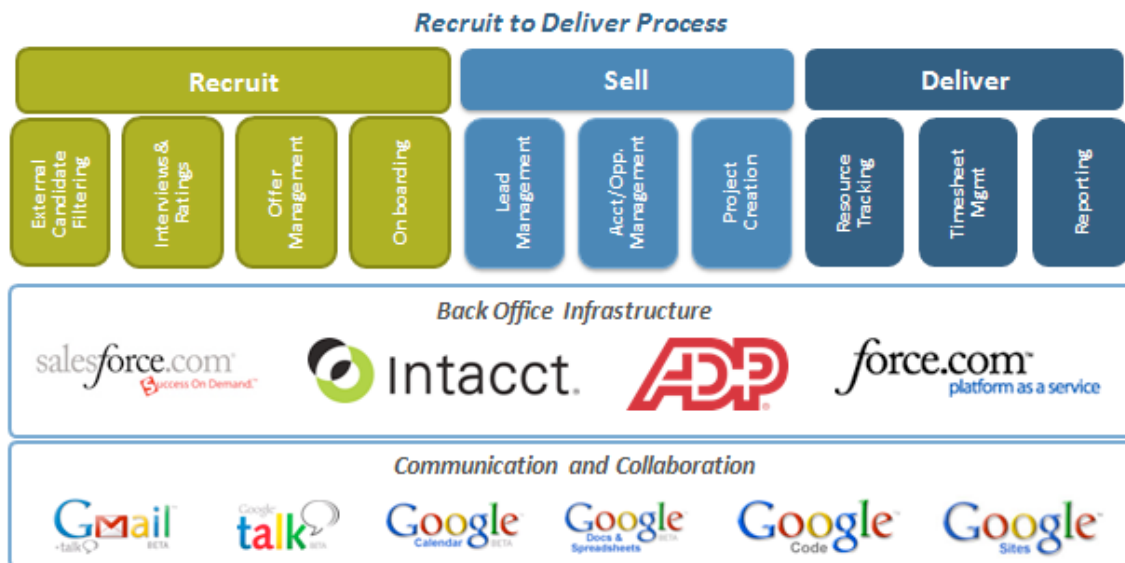
Let's look at the impact of "the cloud" on the growth of one specific services business—our own. Today Appirio has hundreds of services customers, including some of the largest, most innovative companies in the world. We have over 150 consultants across 23 states and three countries. We run a services business with double-digit profitability, and grew our revenue over 400 percent last year.

How have we supported this sort of growth? By building our business entirely on the cloud. From the beginning, we made the decision to operate as a "server-less enterprise." We run our communication and collaboration on Google Apps, our CRM on salesforce.com, our marketing on Marketo, our financials on Intacct, and the core operations of our services business on PS Enterprise, the PSA application we've built on Force.com.

The result? The first impact is on our cost structure. We spend less than two percent of our revenue on IT, far less than the 6.8% spent by most companies our size, according to Gartner benchmarks. And this is completely elastic—we have no capital tied up in IT infrastructure.

But far more important is the sort of innovation that this infrastructure has enabled. Our cloud-based applications allow us to engage with our clients, our consultants, and the broader community using next generation sales and marketing techniques that simply aren't possible using traditional on-premise applications, including:

- **Client engagement:** Thanks to Force.com and Marketo, we have a single view of our multiple engagement points with clients: phone, email, and even website visits. Our client team always has the latest touch points with clients at their fingertips.
- **Consultant engagement:** We encourage every consultant in our services business to contribute to our sales process—the whole company is really one big "virtual account team." Because our CRM and our PSA are on the same platform, consultants have the chance to identify and influence new opportunities with previously engaged customers—always the most important source of new business.
- **Community engagement:** Our cloud infrastructure also allows us to engage potential customers, partners, and employees in the broader community through social networks like Facebook, LinkedIn, and Twitter. We recently closed our first project that started as a Twitter exchange with a CIO, and have even tapped into our consultants' social networks where our people are alerted whenever a friend in Facebook becomes a lead for the company, or when there's a potential match with an open job position at Appirio. These cutting-edge capabilities just appeared in our CRM system one day—no upgrade or migration was required.



## Adoption of the cloud in the services industry

Appirio is just one example—enterprise adoption of the cloud has been accelerating over the past several years, driven by the combined business case of cost, efficiency, and ability to support innovation and growth. “Cloud” is now the most searched term on Gartner.com, recently passing searches related to “cost” in Q3 of 2009. And Gartner named cloud computing the number one “strategic technology to watch” in 2010. SaaS applications are already “mainstream” in many enterprises—6,000 professional service firms use salesforce.com, for example. Also common are pilots of custom applications built on cloud platforms like Force.com, and burst and test/development on cloud infrastructure like Amazon. This current state of affairs is represented in the first column of the diagram below.

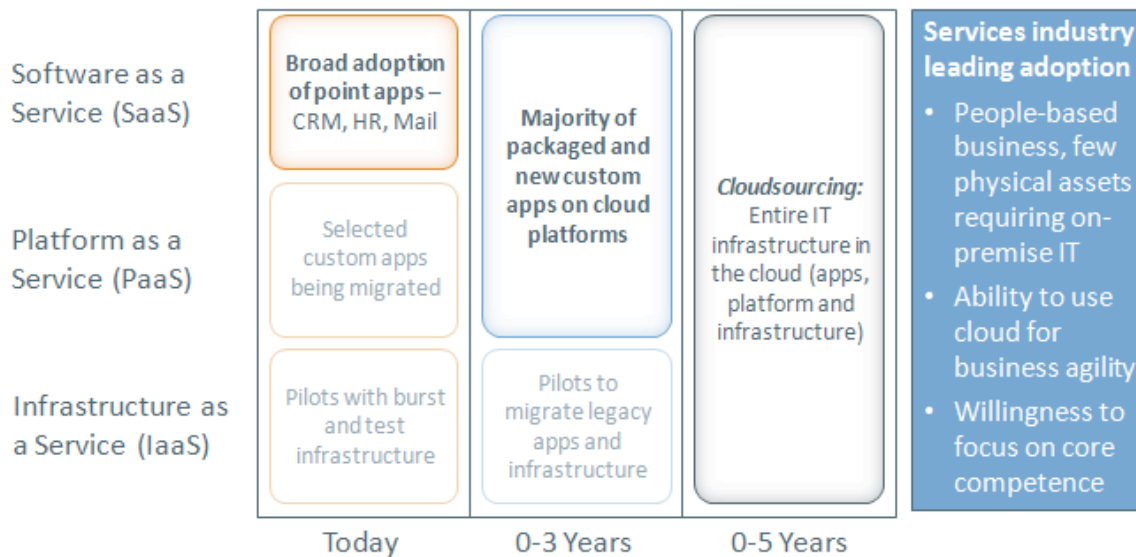
How will adoption of the cloud evolve over the coming years? Here's one common pattern of adoption: an enterprise adopts a point SaaS implementation, and sees the project come in on time and under budget, with off-the-charts business results. This causes the CIO to ask “what else can I do with this platform?” This results in the migration of more and more custom applications to that same platform. This pattern of decisions is represented in the second column below.

Where is this heading? In our perspective, over the next five years, you'll see even the largest professional services organizations run the majority of their IT infrastructure in the cloud. We call it cloudsourcing— where cloud computing meets outsourcing. Cloudsourcing represents an emerging approach for managing IT across the enterprise that relies on partners to provide cloud-based IT applications and services necessary to support the business. It reflects the natural convergence of shifts that have taken place in computing as well as sourcing over the past decade—in how IT is delivered (i.e., from mainframe to client/server to internet and cloud based solutions) and in

how IT is consumed (i.e., from a strictly internal function to an activity that is multi-sourced to specialist vendors inside and outside the business).

The services industry is well positioned to continue leading the way in this transition. Services firms are people-based businesses, without complex supply chains or large amounts of physical assets that require on-premise IT management (e.g., factories, warehouses). This should lend itself to tremendous agility; an ability to capture new business opportunities by redefining core business processes or even the boundaries of the firm as business conditions warrant. IT should be an enabler to this agility, not an inhibitor. The entire professional services industry is based on the premise that organizations are best served by focusing on their core competency, relying on external experts for the rest. Services firms are increasingly deciding that managing infrastructure, application platforms, and software applications is not their core competency, and are leaving these tasks to expert providers of cloud services. Adopting SaaS applications is a good starting point—building custom applications on the cloud and considering cloudsourcing are the next steps in this evolution.

### Professional Services Adoption of the Cloud



### How to get started with cloud computing?

What is the best way to get started with cloud computing? For some organizations, the answer is a business-case driven roadmap. An analysis of your business IT requirements will help you identify what the right first step is for your organization, and how to ensure that each step pays for itself. For other organizations, the answer is to get started with a prototype—a concrete illustration of how quickly cloud solutions can be built.

Either way, you'll need to resolve a couple of core strategic questions that will drive your adoption of cloud computing, including:

#### Do I want to be in the business of running a data center?

This is the most fundamental question—deciding what business you want to be in. Remember that operating a data center is becoming more and more like operating a nuclear power plant—a task best left to experts. Google has engineers researching how to build data centers in the ocean to harness wave power for power and cooling. Do you want to benefit from this type of innovation, or try and replicate it within your four walls? Even companies who are in the business of offering enterprise applications are increasingly looking to get out of the business of building and maintaining their own physical or application infrastructure.

#### What is a private cloud, and do I really want one?

In many cases, what's called a "private cloud" is just a data center with a fancy name. Of course anyone with a data center should be thinking about optimization, virtualization, etc., but NOT at the expense of thinking about the public cloud, where massive economies of scale drive transformational benefits. If you answered "no" to the question of whether you want to be in the business of running a data center, then think about "private cloud" technology as only a stepping stone, and expect only incremental benefits.

#### What's the right benchmark for security and performance?

Oftentimes, the desire to build a private cloud is driven by a belief that security and performance are higher when you run your own data center. It's important to have the right facts on the table before you make this determination for your organization. CIOs are concerned when they read about an outage of a cloud platform in the newspaper, but anyone who's worked at a big company using Exchange knows how often email is unavailable for one reason or another, sometimes scheduled, sometimes not. Nobody notices or even

measures the impact. When Gmail is unavailable, on the other hand, it's a big deal, it makes headlines, and Google fixes it. That's part of the reason why SaaS solutions will become better and better suited to enterprise adoption over time—constant, iterative improvement. The same holds for security. Your enterprise data is most vulnerable when it's on the laptops or thumb drives of your employees. Cloud providers are hiring the sharpest minds in security to protect the data in their systems—ask again whether you want to benefit from that innovation, or try and replicate it within your company?

#### **How will I make the business case for cloud computing?**

It's important to have well defined business objectives when considering how best to use the cloud for your organization. The business case for cloud computing can be driven by the cost savings, as IT organizations everywhere are being asked to do more with less. It can be driven by the financial model, as your CFO asks you to reduce Capex and run a more efficient balance sheet. It can be driven by the need for speed and agility as the pace of change accelerates in the global economy. It can be driven by the need for elasticity and scalability as your organization grows and shrinks in different areas with market opportunity. Of course it's possible to capture many or even all of these benefits, but only by laying out clear objectives will you be able to assess how cloud computing can help you achieve what your business needs to achieve.

#### **What do I do next?**

Once you've answered the above questions, it's time to take your first step. The right first step will be different for every organization, but here are some guiding principles to keep in mind as you define what's right for you:

- **Start small.** You don't need a full roadmap and go-forward enterprise architecture to get started with cloud computing. Next time you find yourself setting up a spreadsheet or Lotus Notes application to track some small part of your business, sign up for a Force.com Free Edition Account instead. Or sign up for a free Google Apps account and create a cloud-based spreadsheet with an online form. You'll quickly get a taste for what's possible.
- **Think big.** Once you're convinced of the potential of cloud computing, chart out a path to move the core parts of your business to a cloud-based solution. Consider the benefits of managing your people, projects, customers, and transactions on Force.com, using a solution from the AppExchange—they range from free PSA applications to our own PS Enterprise, designed for larger services organizations. Calculate how much you'd save by switching your email and file sharing from Microsoft to Google Apps. Pick a place to start and build the business case for making the move.
- **Ask for help.** And of course, don't be afraid to ask for help. The cloud ecosystem is a little bewildering, and Cloud FUD is rampant from vendors who have a lot to lose in the transition to cloud computing. You need clear advice from a partner who specializes in helping organizations move to the cloud, freeing you up to focus on your core competency.

After all, wouldn't you make the same recommendation to your clients?

Appirio ([www.appirio.com](http://www.appirio.com)), a cloud solution provider, creates products and delivers professional services that help enterprises accelerate their adoption of the cloud. With over 2500 customers, Appirio has a proven track record of implementing mission-critical cloud solutions and developing innovative products on cloud platforms such as [salesforce.com](http://salesforce.com), [Google Apps](http://Google Apps), [Facebook](http://Facebook), and [Amazon Web Services](http://Amazon Web Services).

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