

GOVERNING THE CLOUD PARADOX

Balancing Flexibility and Oversight

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Large global organizations seeking to add cloud-based capabilities to their service delivery mix face a wide range of challenges. Key among them is to achieve the flexibility and agility enabled by cloud technologies without unduly compromising oversight of IT service delivery throughout the enterprise.



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In this respect, the cloud presents a "careful what you ask for" dilemma. While on-demand computing and pay-as-you-go consumption models appear attractive both to clients and service providers, in reality these benefits can undermine control and pose a variety of risks if not properly governed. Effective cloud initiatives must therefore be integrated into the organization's existing service delivery model, and governed like any other delivery method.

This ISG white paper examines the challenges businesses face in managing cloud initiatives, and examines the role of governance mechanisms to ensure smooth integration as well as continued alignment to business needs over the long term.

DEFINING THE CLOUD PARADOX

As a “self-service” delivery model, cloud offers significant potential advantages across the enterprise. Consider: Infrastructure as a Service (IaaS) models can allow business units to directly provision computing and storage resources; Platform as a Service (PaaS) can free developers from ever-present concerns about the underlying infrastructure; and Software as a Service (SaaS) can enable business users to rapidly configure software to match requirements, rather than waiting months or years for IT to deliver a solution.

Despite these benefits, this emerging model presents risks. For one thing, delivery “as-a-service” is a dramatic departure from traditional IT, which focuses on buying hardware and building software – usually over months and years. Even for customers who source a significant portion of their IT and buy it “as-a-service,” cloud delivery dramatically speeds up the delivery cycle – to a speed that most traditional outsourcing firms are not yet ready to embrace.



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Perhaps a bigger concern is decreased certainty and predictability around who's ultimately in control of the environment – and who's accountable for results. Traditionally, accountability stopped with the CIO, since all solutions were sourced from his or her department. Cloud changes the game dramatically by democratizing technology throughout the organization, leaving accountability gaps around key areas like demand management, information security and cost oversight.

In a traditional service delivery environment, moreover, a customer pays essentially a flat monthly rate for infrastructure and software, making budgeting and planning relatively straightforward. In a self-provisioned, on-demand cloud delivery model, meanwhile, variations in usage raise the specter of dramatic spikes and valleys in monthly spend.

WHO'S IN CHARGE?

The decentralization that accompanies cloud delivery complicates oversight and raises some thorny questions: Who is matching capacity with demand? Who is ensuring we're not paying more than we planned to pay? Are we in compliance?

The challenge is exacerbated by the manner in which cloud technology is currently being deployed in many enterprises. Ideally, development and implementation of a cloud strategy is a partnership between the CIO, COO, business unit leaders and other senior executive stakeholders. In reality, business heads who perceive the CIO as not moving fast enough often circumvent the IT department to work directly with providers across the entire cloud stack. As a result, many CIOs now face the unenviable task of reining in renegade business units that pursue *ad hoc* cloud initiatives. And that task becomes more onerous if the CIO lacks a credible, flexible, on-demand IT platform to offer internal customers.

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The goal, is to strike a balance between the benefits of self-service delivery and the imperatives of corporate oversight.

There's no silver bullet to solve this quandary. Ultimately, the CIO typically remains accountable for the cloud delivery model. But as noted earlier, if the CIO isn't up to the task, the business will find a solution without him. Governance oversight is therefore essential if a CIO is to address the cloud's flexibility/control paradox. But as in traditional environments, getting governance right is easier said than done. The goal, specifically, is to strike a balance between the benefits of self-service delivery and the imperatives of corporate oversight. Going too far in one direction poses unacceptable risks, while going too far in the other negates the benefits offered by the cloud in the first place.

In a cloud environment, governance mechanisms address the myriad challenges discussed earlier around the fundamental operational and architecture changes cloud delivery models bring to the enterprise. Specific areas where governance plays a role include demand management, capacity and utilization planning and analysis, and service level and chargeback management.

- 1. Demand Management:** Many large organizations have developed sophisticated IT service delivery frameworks, processes and tools to ensure the right IT projects are selected, funded and implemented. These frameworks are typically business-driven, and are commonly based on the "funnel" premise, whereby a set of projects goes into the funnel for the IT organization to work on. The size of the funnel depends on the size and maturity of the IT organization. Cloud technology changes this model by widening the funnel, giving business units and individual analysts more power to move projects forward. Demand will always be unlimited, but supply will, conversely, always have constraints. As such, ensuring a demand management framework is still in place – even with the new service delivery model – is crucial.
- 2. Capacity Planning:** Tightly linked with demand management, capacity planning is typically performed by IT, and is designed to ensure that "IT capacity" is adequate to meet business demand. When a funnel is in place, capacity is easier to predict and secure. However, when the funnel widens or becomes more flexible, predictability becomes far more elusive. Public cloud solves this problem by ensuring excess capacity is always available. However, many large organizations currently favor private and virtual private clouds, which don't have the scale of the public cloud model. The dynamism and "on-demand" nature of capacity in private and virtual private delivery is therefore limited. Ultimately, the business needs to understand that, even with cloud, capacity is not infinite.
- 3. Utilization Analysis:** Once demand and capacity plans are developed, day-to-day operations must remain consistent and aligned. While this requires tools that provide visibility into cloud utilization, many of today's cloud platforms and services offer only a very basic level of visibility. Organizations are therefore finding they need to invest in smaller third-party tools or build bespoke applications to gain the required insight into their environments.



- 4. Service Level Management:** Today's cloud service levels tend to reflect the platforms they support: simple and standardized. The price of this standardization is that service levels cannot be easily negotiated or changed. Nonetheless, effective monitoring and management of service levels in a cloud environment is just as critical as in a traditional managed services agreement.

- 5. Invoice and Chargeback Management:** Unlike in traditional managed services, cloud costs are very closely linked with business decisions: Use more service, pay higher fees to the cloud vendor; use less service, pay lower fees. Awareness of the consequences of business decisions is therefore critical in this new delivery model, and effective organizations use cloud invoices and associated chargebacks to establish linkages between business decisions and cost outcomes. While the processes involved may seem straightforward, scaling invoice and chargeback management across an enterprise can be a daunting task. Simple questions like, "Is my invoice accurate?" can be exceptionally difficult to answer without effective governance mechanisms and tools in place to ensure visibility.

Effective management of the cloud paradox enables businesses to be smarter about their use of cloud as a new service delivery model, and ensures companies get the expected value from their investment. In many respects, integrating cloud into the service delivery mix is only the first step. The true challenge lies in effectively balancing the "democratization" of IT services via cloud with the need for corporate governance over this new service delivery model.

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Stanton helps enterprise IT and sourcing leaders rationalize and capitalize on emerging technology opportunities in the context of the global sourcing industry. He brings extensive knowledge of today's cloud and automation ecosystems, as well as other disruptive trends that are helping to shape and disrupt the business computing landscape. Stanton has been with ISG for more over a decade. During his tenure he has helped clients develop, negotiate and implement cloud infrastructure sourcing strategies, evaluate and select software-as-a-service platforms, identify and implement best-in-class service brokerage models, and assess how the emerging cloud master architecture can be leveraged for competitive advantage. Stanton has also guided a number of leading service providers in the development of next-generation cloud strategies. Stanton is a recognized industry expert, and has been quoted in CIO, Forbes and The Times of London. You can follow Stanton on Twitter: @stantonmjones.



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