The Cloud: Tackling TCO

The Pain Point

Total Cost of Ownership (TCO) is an assessment conducted by executives that essentially evaluates what it really takes to run a business. From people to processes, TCOs get down to the nitty-gritty of expenses in any given organization.

However, the practice of TCO has been disrupted by the emergence of the cloud onto the IT scene. Organizational leaders have had to take a closer look at the formula for creating an accurate TCO. The major roadblock involves stacking up Software-as-a-Service (SaaS) to the cost of on-site IT.

The most common issue derives from nailing down accurate numbers in terms of continuous internal operational costs – employees constitute much of the confusion. Sure, cloud services cut costs but when they don't completely replace an organization's staff (which they never do) how do you calculate the savings in a concrete way?

IT leaders have been grappling with this question for decades. As such, there have been extensive studies on the subject. So, what exactly are the TCO benefits of the cloud? And what still remains a mystery? Let's take a look.

Cloud Data Centers will account for

94%

of workloads and compute instances by 2021.

Source: Cisco Global Cloud Index

Demand for IaaS has grown

35%

since 2016.

Source: Cisco Global Cloud Index

The Good Stuff

It's no coincidence that Infrastructure-as-a-Service (IaaS) grew 35% since 2016. The cloud has allowed organizations to eliminate ongoing operational costs and enabled the swift adoption of the latest and greatest innovations. The benefits are considerable and when TCO is truly calculated, the cloud stands strong.

According to an in-depth analysis by Hurwitz & Associates, cloud adoption shows considerable economies in the realms of scale, skill and decreased TCO. In essence, TCO with cloud-based integrated solutions is considerably lower than with an on-premise equivalent.

LEARNING TREE™
INTERNATIONAL

VISIT: LEARNINGTREE.CA
CALL: 1-800-843-8733

The Mysteries of Cloud TCO

We know what you're thinking: Cloud TCO is great, so what is the problem? For many IT leaders, the issue lies in the varying nature of cloud TCO. The tried-and-true method of TCO analysis just doesn't cut it when it comes to cloud solutions. While the Hurwitz & Associates analysis was promising, the TCO calculations required intensely detailed processes and a significant time investment. Not to mention that the numbers associated with cloud processes continuously vary.

If the amount of resources devoted to cloud applications fluctuates, how can overall costs be assessed?
Luckily, there are some key ways you can nail down an accurate evaluation of TCO for cloud:

1 **SPECIFY WHAT GOES TO THE CLOUD**
Just because you have chosen a cloud solution doesn't mean all your services will function through this stream. Determine what will and will not be running through the cloud and take those variables into account.

2 **ACCOUNT FOR ALL THE COSTS**
Different service providers offer different pricing structures and add-on services. When conducting a TCO analysis recognize the total cost of a cloud solution is comprised of multiple streams. These different charges or structures will significantly affect TCO.

3 **BRAINSTORM AN IDEAL COST ADVANTAGE**
The goal of any effective TCO is to determine what is worth the investment and what is not. Cloud deployment requires change and change requires resources. Leaders should determine from the start how much of a cost advantage they need to justify these shifts.

4 **INCLUDE THE ROLE OF VARIATION**
In any business, change is the only constant. TCO cloud calculations need to account for variation. Every organization has a natural ebb and flow when it comes to storage needs and other cloud-related functions. Make sure periods of heavy influx are accounted for in your analysis.

5 **LEAVE ROOM FOR INNOVATION**
Numbers are comforting because they make sense. However, it is important throughout your TCO process to remember that a cloud investment is about more than numbers. IT professionals without cloud infrastructure spend much of their day dealing with maintenance when their time (and brainpower) should be devoted to innovation. Our pro-tip? Don't forget to factor in the values of cloud solutions beyond the numbers.

Primary Takeaway

While TCO is tricky to pinpoint for cloud solutions, it is hard to argue that the cloud is not a superior solution in terms of long-term cost. In fact, much of the resistance to cloud systems stems from a reluctance to hand over critical data to a provider. Trusting the cloud isn't easy. But when you put your qualms aside and look at the numbers, the TCO benefits of cloud adoption are obvious.

For the remaining skeptics out there, Learning Tree offers training in Agile Business Analysis that provides insight on working with Total Cost of Ownership – cloud included.

Check out this course and others like it today, visit LearningTree.ca

Sources:
https://www.cisco.com/c/en/us/solutions/collateral/service-provider/global-cloud-index-gci/white-paper-c11-738085.html
http://www.cloudstrategymag.com/articles/86033-understanding-tco-cloud-economics
http://insights.wired.com/profiles/blogs/3-reasons-why-tco-cost-calculators-don-t-work-for-cloud#axzz435rtN0U4
https://www.learningtree.com/

LEARNING TREE™
INTERNATIONAL

VISIT: LEARNINGTREE.CA
CALL: 1-800-843-8733