Prophix

Cloud & Business Continuity

Leveraging the cloud to support your company's operations is no longer optional – it's become a top priority.

According to industry analysts, organizations are accelerating their move to the cloud and vendors are seeing the majority, if not all, of their new sales as cloud deployments.

By Paul Barber

A Prophix white paper

Inside this document

Introduction

One of the key benefits of the cloud model, and one that is often overlooked, is how cloud computing can help to ensure business continuity and speed up disaster recovery.

Companies of all sizes must look for affordable ways to deliver reliable and quality services to customers and employees. Cloud computing presents itself as a low-cost disaster recovery and business continuity solution for businesses of all sizes.

Traditional disaster recovery and business continuity methods can be cumbersome and extremely expensive. They typically require buying and maintaining a complete set of hardware that matches or “mirrors” a company’s business-critical systems, including sufficient storage to house a complete copy of all the company’s business data.

These days, businesses of all sizes are looking to cloud computing to deliver services more efficiently to users. Cloud-based solutions offer a cost-effective way to maintain high availability and reliability for applications, especially if they support mobile workers, telecommuters, or field-based teams.

What is the Cloud?

One thing is clear – there is no dictionary definition of what "the cloud" means. As with many of the terms used in the software industry, it can have different meanings depending on which vendor is defining it. At a very basic level, "the cloud" means that a user is connected to the Internet and can access data or applications.

In practise, the more we delve into the technology, the more confusing it becomes for most people. Terms such as Public Cloud, Private Cloud, SaaS, IaaS, and PaaS all have subtly different meanings.

People's perception of cloud computing has also been muddled by the fact that the most talked about cloud apps are the ones that get the most media coverage are B2C (i.e. used by consumers). These are very different from B2B applications that are used by companies. It is not just the technology but also the business model that is different.

When cloud apps were first marketed, they were promoted as systems that could be turned on or off based on a customer's needs; in this nirvana, customers could change the number of users they bought or the power of the computer resources month-by-month or even day-by-day.

In the B2B world, this is no longer the case (if it ever was). Most B2B SaaS vendors expect customers to sign up for a fixed term (usually three years for FP&A cloud applications) for a fixed number of users and/or a fixed set of resources and a defined set of software capabilities (e.g. financial reporting).

For the purposes of this white paper, “cloud app” means a public B2B SaaS application that:

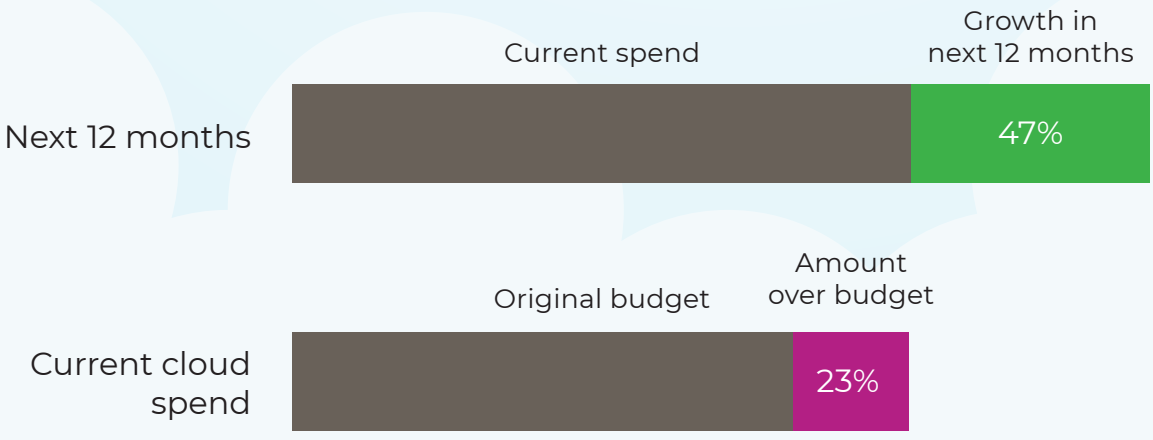
- Can be accessed from a browser such as Google Chrome, Microsoft Edge, or Apple Safari.
- Is hosted in a SaaS environment that is publicly accessible.
- Is paid for on a subscription basis; the application is licensed to be used for a fixed time period, usually three years

When a company buys a cloud app, it is buying a service, not software. Obviously, one component of that service is a license to use the software, but the cloud app also includes other services. This can include telephone support, upgrades to the software, as well as services that would usually be provided by an IT department. These services include commissioning hardware, monitoring security, ensuring availability, and similar operational services.

But this doesn’t answer the question of why companies move to the cloud or how cloud apps are changing the world.

Organizational Spend on Public Cloud

% of all respondents



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Source: Flexera 2020 State of the Cloud Report

What the Cloud Has to Offer

More and more companies are migrating to the cloud. Each company has their own reasoning, but some reasons are more prevalent than others. Let's look at three important motivations – ease of use, security, and mobility.

Ease of Use & Convenience

Business users are drawn to cloud products because of their ease of use. This is partly because internal IT involvement with cloud apps is minimal. Some cloud apps, such as Salesforce automation, can be used completely independently of a company's other business systems. Other cloud apps only require IT involvement for interoperability – i.e. interfacing data. Typically, department management controls the application and the relationship with the vendor.

Cloud apps are instantly available, and they are easily scalable. There is no need to wait until IT commissions or buys a new server when more users need access to the software. Applications can also be easily expanded; new users can be added, and computing resources can be enhanced with minimal effort by a customer. A new system can be up and running in days instead of weeks or months.

Cloud apps are also more convenient. Using an on-premise application remotely raises security issues that are mitigated by firewalls and Virtual Private Networks (VPNs). But this technology is expensive to buy and maintain and can also be challenging for end users. Cloud apps do not require a VPN and are typically much easier to use than legacy on-premise systems.

Security

Built-in security makes most cloud apps very attractive. In the cloud, vendors must ensure their app is always available, and their data is secure from hackers. Vendors also perform the appropriate backups that would otherwise be the responsibility of an IT department.

When cloud apps first became available, many business users were, quite rightly, very concerned about data security. In many cases, the vendors were small companies that hosted their cloud apps on servers that they owned and managed. This was especially concerning for applications that held sensitive financial or personal information, such as data found in an FP&A or HR application.

Criminals who create malware have become much more sophisticated, but Internet security has changed for the better in two major ways.

Firstly, the software industry has responded to security challenges by creating standards. Any reputable vendor of cloud apps will be audited by an AICPA accredited auditor (often an accounting firm) to be compliant with international standards. Adhering to these standards is not taken lightly and involves rigorous testing of processes and procedures. In most cases, regular audits by the auditor ensure the standards are being adhered to.

The most common standards are:

- Service Operational Controls Standard (SOC2)
- International Standard on Assurance Engagement (ISAE3402 Type 2)
- International Standards Organization standard ISO27001

A second important factor also gave rise to enhanced security for cloud apps. This is the rise of cloud computing web services such as Amazon Web Services (AWS) and Azure (Microsoft). These vendors provide much better security and infrastructure than would be possible from any small vendor or from a company's IT department. Some of AWS' and Azure's revenue comes from selling services directly to companies outside the computer industry, especially large companies. But a large part of their business comes from software companies who find it easier, more secure, and less expensive to host their cloud apps on these platforms instead of building and maintaining their own server farms. Even large vendors in the B2C world, such as Netflix, have moved to AWS instead of running their own physical infrastructure. Because of these two reasons, cloud apps often have better security than IT departments can provide for their on-premise applications. When decision-makers become aware of this, using cloud apps for sensitive financial and personal data becomes the optimum choice.

Mobility

Mobility is another reason that companies use cloud apps. Mobility is not just sales reps at airports; any office worker who works at home is also a mobile worker because their employer has limited control over where the employee is physically located. One day they might work from home but the next day they may need to work from the home of a family member or from a coffee shop.

Working from home is nothing new. People have been promoting digital mobility and working from home for many years, and some companies have embraced this wholeheartedly. But any company that doesn't enable its office workforce to work at home is liable for serious business disruption in the event of an external threat, whether its comes in the form of a financial crisis, pandemic, labour disruption, social unrest or criminal activity.

In any of these crisis situations, using on-premise systems remotely requires secure infrastructure that also has the bandwidth to enable all office-based employees to work at home instead. This involves a major investment in technology, a highly skilled IT department, regular planning, and regular stress testing of the infrastructure. These are not initiatives that all companies can implement or afford.

Therefore, to derive the benefits of mobile technology, most companies are migrating B2B applications to cloud apps instead of doing it themselves on-premise. Companies benefit from B2B cloud apps that are secure, scalable, and easy to use remotely with minimal investment in infrastructure.

How Cloud Apps Are Changing the World

The success of B2B cloud apps is influencing the direction taken by the computer industry.

- Just as mainframe/DOS “green screen” software became dated when vendors moved to the Windows environment, there is another major shift away from Windows to the cloud. B2C cloud apps are influencing the look and feel of B2B solutions. People are used to easy-to-use and attractive user interfaces from B2C apps like Google, Facebook or Twitter, but many on-premise B2B software looks old fashioned and tired.

- Individual departments can buy best-of-breed cloud apps to meet their needs instead of having to depend on IT to implement solutions from a single vendor. This makes it much more difficult for on-premise software companies to ‘own’ their customers and make themselves the vendor of choice for all B2B applications.

- As a result, the cloud is changing the types of software offered by B2B companies. Nimble vendors that have a deep understanding of the vertical or functional requirements of their customers are the ones that produce high-quality best-of-breed cloud apps.

The cloud is also changing the way, from a finance perspective, that companies acquire technology. Instead of a capital cost for a server or a software license, when companies buy cloud services, they are essentially renting the technology. This is no longer a capital cost but an operating cost that more closely matches the related benefits of using a cloud app.

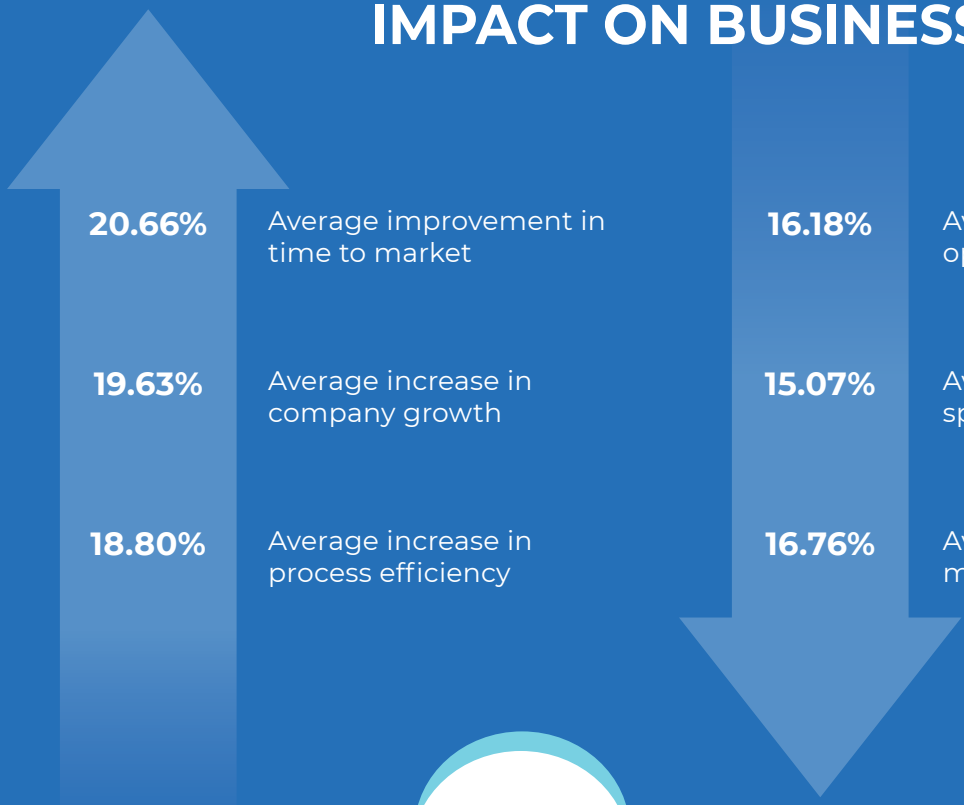
But it is with mobility that B2B cloud apps may have their biggest impact for change. Even in a “mobile” company, not all office workers will work from home every day. But if an office worker spends two or three days in the office every week instead of five, then this halves that person’s need for personal mobility, whether that is public transit or driving a car.

The macro effects of increased workforce mobility are potentially enormous.

- Fewer people in offices means less demand for office space, affecting the commercial property business and retailers or restaurants who cater mainly to office workers
- Fewer people commuting means lower demand for transit, lower demand for automobiles, lower demand for fuel and less pollution
- Companies need to be able to support a mobile workforce. More people working at home means higher dependency on the Internet, higher investment in digital infrastructure, and higher demand for cloud apps

Some effects are tough to predict. For example, what are the legal responsibilities shouldered by an employee who works at home? Should insurance companies lower the premiums for companies that have a mobile workforce? When society accepts digital mobility as the norm these types of questions will become more important.

THE CLOUD IS HAVING A MEASURABLE IMPACT ON BUSINESS



Source: Vanson Bourne "The Business Impact of the Cloud"

Conclusion

The software industry is continuing the migration of B2B applications to the cloud. We are now at the tipping point; most future business applications will be cloud apps.

Cloud security has matured to the point where cloud app vendors provide better security than most on-premise environments. Hosting cloud apps in secure environments like AWS and Azure are becoming the norm.

Using B2B cloud apps gives office workers digital mobility and is essential for minimizing business disruption during crises. People can now work at home as productively as in an office. This will have major effects on many different industries, from automobile manufacturing to commercial real estate. Just as Uber disrupted the taxi business, workplace mobility will potentially disrupt many other industries.

Overall, SaaS and the cloud are a positive initiative for the B2B software industry. Companies that develop best-of-breed products are being favoured over established software application vendors.

About Prophix

Your business is evolving. And the way you plan and report on your business should evolve too. Prophix helps mid-market companies achieve their goals more successfully with innovative, cloud-based Corporate Performance Management (CPM) software. With Prophix, finance leaders improve profitability and minimize risk by automating budgeting, forecasting and reporting and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovation that flexes to meet your strategic realities, today and tomorrow. Over 1,500 global companies rely on Prophix to transform the way they work.

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