HOOLIPAT
White Paper

Utility Computing

Why Isn't Everyone Doing It?

As businesses across America look for ways to control costs and operate more efficiently, the topic of utility computing is often coming up in discussion. The idea itself sounds so appealing – why not just consider your computing resource as another utility – in the same way that we think of gas, electricity, water and telephone? Just plug a cable into any socket on any wall, and start work!

Of course, the other big benefit of utility computing – especially in these tough economic times – is that it removes a distraction and provides businesses with an opportunity to focus on their core business and their own customers. This allows them to strengthen and grow their business, and reinforce their customer relationships – in a time when these relationships are vitally important.

So, why isn't everyone using this model today? Probably due to some common misunderstandings:

- **FALSE: Utility computing is a new fad.** Actually, the concept has been around for almost 50 years. In 1961, John McCarthy (the inventor of Artificial Intelligence) said:

  > *"If computers of the kind I have advocated become the computers of the future, then computing may someday be organized as a public utility just as the telephone system is a public utility... The computer utility could become the basis of a new and important industry"*

- **FALSE: I can't outsource such an important part of my business.** Actually, you already do … and probably have been doing so for years. When you get your tax prepared; your car repaired; your dry-cleaning done; your documents couriered; your office cleaned; or your dinner delivered, you are outsourcing. Simply put, you are asking someone else to do a job that you *could* do yourself but you don't, because they do it better/faster/tastier!

- **FALSE: Utility computing is expensive**. In fact, the reason that people move to utility computing in the first place is to save money. Utility computing means that you don't have to make investments in infrastructure, labor, maintenance and electricity – rather, you just pay for what you use, as you use it.

- **FALSE: Utility computing means you lose control of your business.** Quite the opposite. Utility computing means that you have more time to focus on your core business, and means that you spend less time worrying about non-core tasks. Imagine if you had to perform every task in your business – you would spend so much time dealing with administrative issues that you would never have time to do any work!

Unfortunately, these misconceptions are commonly held, and are probably the main reasons why utility computing isn't more common today. Information Technology (IT) is an area where outsourcing has been getting significant traction with larger companies – because they have been able to identify enormous savings though this approach. IT shops that outsource infrastructure management and application services can expect to save 12% to 17% annually on average, which means U.S. companies are sitting on about $10 billion in potential savings, according to a recent Forrester Research report[1]. Add to this the other benefits they realize in the areas of customer relationships and product development, and the argument is hard to beat.

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1 "Outsourcing vs. keeping it in-house" - Network World - http://www.networkworld.com/news/2007/102607-arguments-outsourcing-inhouse.html

So why should small/medium businesses (SMBs) miss out on these benefits? In fact, SMBs are better candidates for utility computing due to their tighter cost-controls and the fact that they typically don't have in-house IT expertise. SMBs have a greater requirement for flexibility, and the safety of their customer and employee information is just as important as it is in any large business.

These opinions about IT outsourcing for SMBs are echoed by thought leaders like David Berlind at ZDNet who said *"there are those businesses that can probably justify insourcing their infrastructure. But those businesses are fewer and farther between and if you ask me, sales in the SMB infrastructure channel are basically surviving on a myth: the myth that SMBs should be insourcing"*[2]. Of course, the infrastructure and storage vendors want to continue to sell their products to SMBs … but do the SMBs actually need to buy it?

This perspective is also shared by Nicholas Carr (of "IT Doesn't Matter"[3] fame) when he makes the point that *"Ironically, even as many smaller companies are embracing hardware hosting, software-as-a-service, and other forms of utility computing, many others are currently building up their IT assets, drawn by low component costs. I think those companies are going to end up regretting a lot of the investments they're making. They'll soon find that the highest IT costs aren't component costs but labor costs, maintenance costs, electricity costs, and other secondary expenses - and that owning your own gear ends up reducing your flexibility rather than increasing it"*[4].

So, utility computing should certainly be considered as an alternative to self-maintained IT systems. But how do you know whether this is an option that your business should be thinking about? Consider the following checklist:

- ✔ Does your business need to keep information in computer systems/applications, or use those systems to process transactions?
- ✔ Do your systems/applications require a degree of maintenance and/or support from you (including application updates, patch application, operating system upgrades, hardware installations and the like)? This may be as little as an hour each week, but it places the data at risk and removes you from your core business.
- ✔ Is the data contained in those systems/applications essential to the operation of your business (usually containing customer information and records) and does it need to be protected and adequately backed up?
- ✔ Is your business is looking for flexibility, and needs to be able to increase, decrease or otherwise modify your IT requirements quickly – without capital impact?
- ✔ Do you not want to worry about whether they have enough memory or hard-drive space, nor whether your backups can be actually used to re-start your business in an emergency?
- ✔ Might you like to have remote access to your business applications (from home or anywhere else) so that you can operate remotely if you need to?

If you are able to check three or more of the items on this list, you should take a good look at whether utility computing is right for your business. You could save money, spend more time on your core business/expertise, gain flexibility and be assured of the security and accessibility of your business information.

To discuss what utility computing options might work for your business, call Hoolipot on (408) 679 0582 or visit our web site at http://www.hoolipot.com

2 "SMBs should outsource everything and vendors must adjust" - http://blogs.zdnet.com/BTL/?p=3642
3 Available at http://www.amazon.com/exec/obidos/ASIN/B00009MBYN/amazingbooks0b0
4 "An IT Sea Change for Smaller Companies" - http://www.roughtype.com/archives/2006/09/an_it_sea_chang.php