

Cloud Computing

By David Linthicum

The Cloud Won't Save You Money -- And That's OK

The industry's dirty little secret: Cost savings aren't the actual value of the cloud.

When you think of cloud computing, you probably think of lower costs. However, a recent Forrester Research report concluded that companies now spend as much on new projects as ongoing operations. I see that in the field as well, both in formerly moth-balled projects that are brought back to life and in the many new projects that kick off each week.

There are a few factors at work. First, we seem to be in a recovery. Second, we have avoided spending, so there is a huge application backlog. Finally, and **perhaps the largest driver, is the movement to cloud computing and the mobile applications that leverage cloud computing.**

What is strange is that we have promoted cloud computing as a means to reduce IT spending, yet it is causing the opposite, at least initially. However, instead of hardware and software costs, enterprises are buying cloud services and high-end consulting services, and they are hiring anybody out there who knows what AWS (Amazon Web Services) stands for. The bubble is beginning to inflate, and the spending is rising sharply, thanks to the backlogs and the cloud.

What you need to watch out for is not the spending, but the value delivered. The dirty little secret in the world of cloud computing are those operational cost savings do not provide the value. Rather, the value comes in the operational agility of the cloud-based applications, considering elasticity and agility.

Although many cloud projects are sold as cost-reduction efforts, they often do not provide cost savings. You need to approach them instead for what they really are: **strategic investments**. Understand that the high initial spending at the front end will lead to a huge ROI and value in the back end -- at least if you're doing cloud computing the right way.

Article from:

<http://www.infoworld.com/d/cloud-computing/the-cloud-wont-save-you-money-and-thats-ok-923>