

# Cloud over government

Cloud computing stands centre stage in government policy as we move into a new political era – says the government's CIO. But are outsourcing providers listening? **Chris Middleton** reports.

Cloud computing has shaken up the software business and is poised to wreak havoc on the services sector, say analysts. Research firm Gartner predicts that by 2012, 20% of businesses will own virtually no IT assets. If true, that poses a dilemma for outsourcing firms: if prospective clients have no on-premise technology, then what is there to outsource?

Outsourcing providers that continue to base their business models on a 'your mess for less' sales proposition could find themselves facing diminishing revenue bases. Such companies can only see cloud computing as a threat.

On the other hand, there are the traditional BPO and IT outsourcing firms that have woken up to this. Some are adjusting their approach to the market accordingly, tapping into what could be a lucrative opportunity.

The global recession was a driver for organisations to put cloud computing on the corporate IT agendas. 'The' cloud – software, platform and infrastructure as a service – plus the promise of lower total cost of ownership, increased flexibility and scalability, all add up to an appealing proposition for cash-strapped organisations across all business sectors. Some outsourcing firms have taken this

on board. "The slowdown has forced companies to look at cloud computing seriously. If we are not adapting to that change we may get caught out," says S ('Kris') Gopalakrishnan, CEO of Infosys. Accenture CEO Bill Green says: "Our value propositions have been aligned with today's business needs, not yesterday's. We have built new offerings around the cloud."

## Integrating with a new system

Some firms are being more imaginative than others. Capgemini and other systems integrators have set up their own cloud or software as a service (SaaS) divisions to exploit the market for integrating cloud applications with legacy on-premise ones.

That may be capitalising on the new market opportunity, but it remains an extension of the 'gluing components together' practices in which systems integrators have specialised for years.

India's Genpact says it is the first vendor to deliver a new model: a cloud-based BPO platform, built on SaaS player NetSuite's offering. "Our corporate DNA is focused on process effectiveness, not just efficiency," explains Perry Santia, Genpact SVP Business Development, Global IT Solutions at Genpact.

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government CIO**

"It's not just a case of deciding that you're going to use cloud computing. You still have to sort out your own processes as an organisation. You have to use the right sourcing model for your business."

Whether or not this approach is replicated by other vendors, cloud credentials are going to be an increasingly vital portfolio offering to pick up new business – and hold onto existing clients. Evidence is already there in the customer base of obvious candidates for conventional outsourcing beginning to turn to cloud-based technologies instead.

For example, Royal Mail Group (RMG) has an existing 10-year deal with CSC's Prism Alliance (which also includes BT and Steria) to run RMG's data centres, data networks, voice services, desktop computers, and hundreds of business application systems. When RMG wanted to cut some high-cost services and convert others into commodity ones, it signed a cloud services contract with CSC to provide 30,000 employees with access to Microsoft's Business Productivity Online Suite (BPOS).

The deal was part of a wider push to cut 10% from its annual IT budget of £110 million by pulling back on outsourcing. "We were looking to remove unwanted costs, switch things off and dial down the service levels to make bigger savings," admitted Antony Hayes, commercial director for RMG.

## The cloud over government

In the public sector, cloud computing capabilities will be essential in the post-election period. All three of the main parties acknowledged one point of common ground during their campaigns: the need for more effective and efficient ICT procurement and deployment.

Cloud computing is a cornerstone of that. Last summer's 'Digital Britain' report noted that "substantial savings" can be made in public spending from a government-wide cloud computing platform. It said: "The G-Cloud computing delivery model would also help make other parts of the government IT marketplace more

cost-effective, flexible and competitive. It would support and encourage the adoption of higher levels of standardisation and sharing of IT services."

Speaking exclusively to our correspondent at the NASSCOM conference in February, government CIO John Suffolk said: "We have listened to the market and we are going to create a private cloud because we have lots of estate on UK shores. Why wouldn't we do that? We will begin to put in there all of the common services. Take Directgov, which is currently outsourced to five suppliers in two data centres running that application. Why not put it on a common infrastructure? There are many other examples.

"For us, cloud will mean a common infrastructure – a rationalised estate, software as a service, pay for use, common services, shared services, 'hosting world' and 'testing world' – and basically drive costs down and efficiency up, with outcomes much quicker than current procurement."

## Googling for health

Such a commitment would be a sea change for outsourcing providers to the public sector. Never again would something like the controversial NHS National Programme for IT (NPfIT) be structured around on-premise technologies delivered by traditional outsourcing vendors.

Many of the 'big ticket' features planned for the NPfIT could be handled by commodity cloud offerings, such as Google Health, argue the pro-cloud lobby, suggesting that the vast expense of an on-premise electronic Summary Care Record is unjustifiable in retrospect.

For the forward-looking outsourcing provider, being able to offer innovative cloud services will be critical in picking up new business, judging by moves within the public sector – one of outsourcing's biggest markets. For other providers, there is still short-term money to be made from hosting clients' applications and gluing components together; but those days seem numbered.

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