

Hosted Private Cloud Positions SMBs for IT Efficiency, Growth

The 451 Take

Digital transformation is a business imperative felt across companies in every industry and geography, and of every size, as both internal and customer-facing tasks become increasingly reliant on new technology, and organizations become increasingly reliant on web infrastructure in their operations. Cloud platforms are a key piece of that transformation – most companies surveyed by 451 Research indicate that cloud is the technology they expect to have the most transformative impact on their businesses in the next few years. This belief is held nearly as commonly by SMBs as by large enterprises.

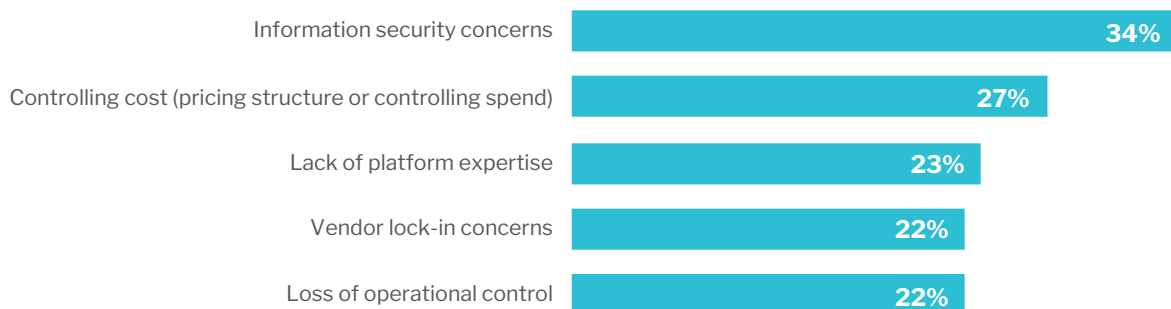
Most companies expect the same benefits from cloud adoption – improvements to agility, performance and availability – but public cloud doesn't typically deliver these benefits by default without significantly refactoring the applications being deployed. Each of these objectives, along with cost and security requirements, pose engineering challenges in the increasingly complex public cloud. For SMBs, whose access to IT resources and advanced cloud platform expertise are comparatively limited, deploying applications into public cloud in ways that deliver the desired benefits may be out of reach.

Responses to 451 Research's Voice of the Enterprise: Cloud, Hosting and Managed Services study (see figure) indicate that, among SMBs (fewer than 250 employees), the top inhibitors to using public cloud platforms include information security concerns (34%), difficulty controlling costs (27%) and lack of platform expertise (23%). Hosted private cloud is often regarded as a means of achieving the key benefits of cloud, while inherently addressing these concerns via isolation of resources and data, fixed and predictable monthly costs, consistency of systems (not necessarily requiring significant engineering or application refactoring), centralized controls, and the availability of managed services.

Inhibitors to Public Cloud Use Among SMBs

Source: 451 Research Voice of the Enterprise: Cloud, Hosting and Managed Services, Workloads and Key Projects, 2019

Q: Which of the following challenges - if any - are the greatest barriers to broader implementation of IaaS/public cloud for production applications at your organization?



Despite cost improvements being among its key potential benefits, hosted private cloud is often perceived as a costly enterprise technology that is beyond the means of many smaller businesses. But not all hosted private clouds are created equal, and offerings that more directly target SMBs are able to deliver many of the benefits of enterprise-level solutions with smaller footprints and price tags.

SMBs engaged in transformation are likely to find that hosted private cloud offers an opportunity both as a destination for workloads migrating out of on-premises environments, and for the consolidation, operational improvement and cost optimization of workloads currently running across other hosted and cloud environments – particularly for applications that don't benefit directly from the elasticity of public cloud. 451 Research currently sees growth in the use of hosted private cloud solutions among SMBs; however, we expect this to accelerate as the availability of offerings increases among service providers, and SMBs increase in their awareness of the opportunity and benefits these offerings represent.

Business Impact

CONSOLIDATING HOSTED RESOURCES BENEFITS IT OPERATING COST. For SMBs, consolidating resources from other hosted environments into a hosted private cloud can have an inherently positive impact on the cost of operating IT in several ways. These include alleviating the potential for unexpected cost and runaway spending that is possible in the public cloud and enabling the more efficient (and therefore cost-effective) use of resources by the full breadth of an SMB's IT operations.

MANAGED SERVICES ENABLE AGILITY, ACCELERATE SERVICE ADOPTION. Hosted private cloud services bundled with managed services extend the reach of the infrastructure offerings into businesses that lack either the general IT resource capacity or the specific cloud platform expertise to execute on their own – a common challenge for SMBs. Users report that managed services improve the speed, quality, and security of deployment while freeing IT staff to work on tasks that truly differentiate their business.

A CONSISTENT PLATFORM FOR INNOVATION AND OPERATIONAL IMPROVEMENT. Engaging with a hosted private cloud, and adding resources over time, allows businesses to rely on one consistent set of IT resources to operate workloads previously running in other hosted and cloud environments, alongside new projects being developed and workloads being migrated from on premises. This can enable interoperability between applications and data sets, and create new opportunities and efficiencies for the business.

Looking Ahead

Hosted private cloud is becoming an increasingly common part of the IT playbook for SMBs, and will continue to gain traction as a general tool for transforming their businesses and as a means of ensuring that investments in cloud technology deliver on the promise of performance and flexibility while giving them greater control over security and cost. Isolation of data, access to a dedicated supply of compute resources, and a fixed monthly cost for services are all factors that allow hosted private cloud to natively address business requirements and are likely to be drivers for continued adoption among SMBs.

For SMBs, the greatest potential benefits of hosted private cloud include improving IT operating costs by eliminating the potential for overspending and improving utilization under a fixed cost; improving exposure to risk overall via the basic isolation of resources; and lowering the requirements for platform expertise via managed services, all while offering the flexibility and agility benefits expected of cloud. To realize the greatest benefit to their businesses directly, SMBs will have to clearly identify their requirements and align with a service provider that addresses them.

Hosted private cloud will not necessarily be the ideal platform for every workload, for every business. However, for SMBs that value performance and security as highly as flexibility and agility, hosted private cloud may prove to be the most cost-effective venue for executing many workloads, in comparison to public cloud or other hosted infrastructure environments.



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