

Study Says Economics Not A Driving Factor in Cloud Computing Adoption



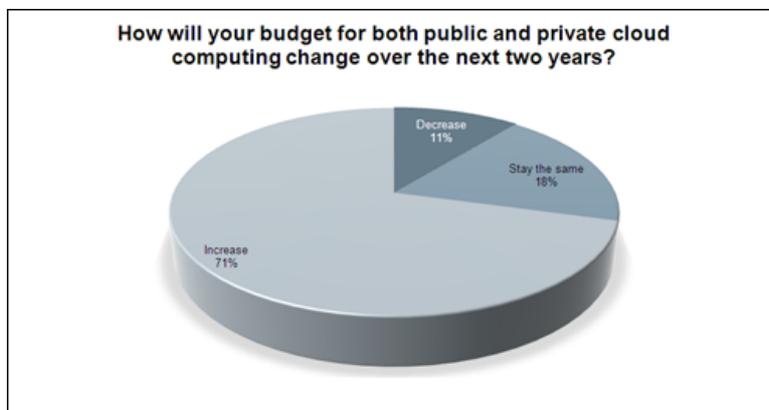
Lori MacVittie, 2009-23-10

Paul Miller, who pens [Cloud of Data](#), had an interesting perspective during a chat this week on what effect infrastructure upgrade cycles might have on cloud computing adoption. Paul postulated that as [these servers fail](#) and organizations have to make the decision to replace or not replace them that cloud computing becomes a more viable option. That seems a reasonable assumption, especially if the primary reason organizations are evaluating cloud computing is driven by a desire to reduce costs. But in a recent post Paul posits this might not be the case, citing a [recent ongoing study from Avanade](#) in which C-level executives were asked, among other questions, how the economic climate effected their decisions regarding cloud. Interestingly “only 13% suggesting it had ‘helped’ adoption plans and 58% reporting ‘no effect.’”

“In my conversations with Nick Carr and others, there’s been an underlying presumption (on my part, as well as theirs) that cost-saving arguments with respect to Cloud Computing would prove persuasive and compelling. It would appear not. This would suggest, of course, that Enterprise adopters are taking to the Cloud for reasons other than the budget sheet...”

I’ll come back to this, as I’m not convinced there is a direct correlation between external economics and internal budgets, at least in this case. But let’s go with that for a moment. Assuming there *are* budgetary constraints on organizations what else would drive adopters to cloud computing and where are they getting the money?

Our own research on this subject found that efficiency, not reduction of costs, was the primary driver for public cloud



computing adoption and that despite budgetary constraints 71% of organizations would see an *increase* in fund allocation for the purposes of public and private cloud computing initiatives. But a reduction in capital expenses still ranked high with 68% of respondents citing a reduction in capital expenses as a driver toward public cloud computing and 63% citing the same as a driver for private cloud computing.

ISN'T THAT CONTRADICTIONARY?

It seems so, doesn't it? If organizations are interested in cloud computing as a means to *reduce capital expenses* then why would we be seeing an increase in spending on cloud computing initiatives, especially private cloud computing which almost certainly requires capital expenditures to achieve? After all, there's virtualization software, improvements in infrastructure, and management systems that need to be in place for the successful implementation of a private cloud computing environment.

Perhaps the budget increases are coming at the expense of other areas in IT. Let us consider the [aforementioned study on server failure](#):

“In round numbers, the scheduled replacement of some three million servers worldwide, or about 3 percent of all servers, has been delayed, Peter Sondergaard, Gartner's global head of research, said today at the research firm's Symposium/ITxpo 2009 conference here. He added that the number of delayed replacements should reach 10 percent of all servers by 2010.

Certainly one way to reduce capital expenses is to not purchase new servers. But the servers that will begin to fail certainly have applications deployed on them that are if not critical at least important to the business, otherwise they would not have hardware dedicated to them. So where are those applications going? Virtual machines, most likely. [Consolidated onto newer, more reliable hardware capable of supporting many applications contained within virtual machines.](#) Virtualization is a primary enabler of consolidation efforts, which in turn reflects in IT budgets as reductions in capital expenditures.

Shifting the budget that would normally be allocated to acquire new hardware to virtualization and cloud computing initiatives, both public and private, would certainly explain an increase in funds available for cloud computing. This would also explain why external economic factors do not appear to be, according to Avanade's study, a driving factor in cloud computing adoption.

COSTS STILL A FACTOR

It's still important to remember that Avanade's study doesn't indicate that reducing costs *isn't* a driver for cloud computing, it just says that external economics aren't really playing a role in decision-making at this time. In fact within the study is this little nugget indicating cost savings are, in fact, an important factor in cloud computing adoption:

“Companies are **under equal pressure to innovate and save money** and, many are turning to new technology as a way to do this. The vast majority of respondents (85 percent) report that their company's rate of new technology adoption is either increasing or staying the same (83 percent in the United States).

But if we assume that organizations are shifting allocation of funds rather than asking for bigger budgets, then it is possible that economic constraints have little effect on adoption of cloud computing. If cloud computing initiatives required funding *without* reducing other existing budgets then it would be more likely that adoption rates would be slower than what is shown in both [Avanade](#) and [F5](#) research and more folks in the Avanade research might have indicated that economics were in fact impacting their adoption plans.



- [Budget cuts could increase server failures](#)
- [Avanade finds growing Enterprise enthusiasm for the Cloud](#)
- [The Thing Private Clouds Can Do that Public Clouds Can't](#)
- [Paradox: When Cloud Is Both the Wrong and the Right Solution](#)
- [Virtual Machine Density as the New Measure of IT Efficiency](#)
- [We Don't Know What Cloud Is But What We're Doing It](#)

F5 Networks, Inc. | 401 Elliot Avenue West, Seattle, WA 98119 | 888-882-4447 | f5.com

F5 Networks, Inc.
Corporate Headquarters
info@f5.com

F5 Networks
Asia-Pacific
apacinfo@f5.com

F5 Networks Ltd.
Europe/Middle-East/Africa
emeainfo@f5.com

F5 Networks
Japan K.K.
f5j-info@f5.com

©2016 F5 Networks, Inc. All rights reserved. F5, F5 Networks, and the F5 logo are trademarks of F5 Networks, Inc. in the U.S. and in certain other countries. Other F5 trademarks are identified at f5.com. Any other products, services, or company names referenced herein may be trademarks of their respective owners with no endorsement or affiliation, express or implied, claimed by F5. CS04-00015 0113