PARTNER'S GUIDE TO

Making Money by Jump-Starting a Move to the Cloud

The road to the cloud is paved with good intentions, but it's also full of roadblocks for companies looking to move business-critical applications off-premises. Here's how partners can drive customers to the cloud and rake in cash along the way. **By Lee Pender**

Seven years ago, it was all still new and a little scary. Microsoft's then-CEO, Steve Ballmer, took the stage at the Worldwide Partner Conference in Houston and started talking about hosted applications. He said that Microsoft would host its own applications, thereby competing with partners. He said that Microsoft's hosting model would grow faster than partners' models would,

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predicting, basically, that Microsoft would beat partners at the hosting game.

Some partners freaked out. Some embraced Microsoft's model. Others just sat and stared. But from that moment in Houston on, there was no doubt that "the cloud" had arrived in the Microsoft channel in a serious way.

Or had it? July 2008 was a long time ago. The iPad was nearly two years away from its first release. Microsoft was also almost two years away from releasing, and then almost as quickly killing, a phone called the Kin. Even the iPhone was only about a year old, and a mobile OS called Android was still a couple of months away from its first release.

Seven years later, there's a strong argument to be made that the cloud is only now arriving for partners that deal with business-critical applications such as Enterprise Resource Planning (ERP), which Microsoft offers through its Dynamics product line. Back in 2009, a year after Ballmer's proclamation, *RCP* sister publication *Redmond* magazine ran an article advising IT departments not to fear hosted ERP. Nevertheless, in 2015, many still fear it, even as the concept of moving non-critical applications to the cloud has evolved from a vision to a trend to the norm in many businesses.

LEGITIMATE NERVOUSNESS
A recent survey by IDG Research Services, conducted on behalf of vendor Concerto Cloud Services, revealed that 68 percent of IT and business managers surveyed were already outsourcing software

development and testing environments to public-cloud services or were planning to do so. That might seem like an impressive number, but consider that 32 percent of respondents showed no interest in the public cloud at all.

And that survey asked about testing and development environments, not about the big, back-end iron of ERP. There are suggestions that ERP is moving to the cloud. Consultancy Sand Hill Group cites a variety of reports from 2014 on its Web site, including information from analysts at Forrester Research Inc., Gartner Inc. and Aberdeen Group. The consensus of the analysts seems to suggest that ERP is moving toward some form of cloud deployments among business leaders surveyed. Here's a look at some of the numbers.

In the Forrester report, "Twenty-four percent stated they planned to replace their current ERP system within two years and another 41 percent stated they planned to move to a hybrid solution within two years," Sand Hill revealed. Furthermore, the site said, Gartner reported that "47 percent of organizations surveyed planned to move a majority of their core systems to the cloud within five years. One-quarter of organizations surveyed planned to move within three years."

At first blush, those numbers look impressive. But read the fine print carefully. Only one-quarter of Forrester respondents plan to move ERP to the cloud, and even then only within two years, a caveat that casts the whole result in a shadow of conjecture and uncertainty. Overall, 65 percent of respondents said they planned some sort of ERP move into the cloud in the next two years—meaning nearly one-third did not. If this survey is correct, then one-third of companies surveyed will not be interested in cloud ERP a year from now, which will be nearly a decade after Ballmer thrust the cloud into the minds and balance sheets of Microsoft partners.

The Gartner numbers are perhaps more revealing. Fewer than half of business leaders surveyed suggested that their companies would move a majority of their core business applications into the cloud by 2019. Again, if these numbers prove to be accurate, not even half of the companies Gartner surveyed will have made major ERP cloud moves by the time Ballmer's speech reaches its 11th anniversary.

The cloud, then, remains uncharted territory for many organizations, at least as far as ERP goes. Sure, they're likely moving some capabilities into the cloud, such as customer-facing applications and development environments. But the heavy lifting of business-critical data will still take place, for the most part, entirely on-premises, at great cost and with enormous effort to keep everything running.

Why does the fear persist? Going back to the IDC survey, the numbers paint a familiar picture, at least with regard to outsourcing data management to a cloud provider. Nearly half of the respondents, 47 percent, cited legal and regulatory concerns as their main roadblocks to moving applications into the public cloud in some way. Nearly as

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many (43 percent) feared a move to the public cloud would necessitate a change in business model that would be too difficult to undertake. And nearly 20 percent feared limited opportunities for customizing applications. Only 19 percent of survey respondents reported having no reservations about moving apps into the public cloud.

Concerns about the public cloud are understandable and legitimate. Multi-tenancy public cloud architectures can leave critical information vulnerable and provide plenty of reasons for IT administrators to lose sleep at night, and strict regulations can make moving to the public cloud a near impossibility for companies in industries such as finance and health care. But that doesn't mean concerned CIOs and business leaders need to avoid the cloud altogether. There is an alternative, and it's one that can be lucrative for partners.

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PARTNER OPPORTUNITY

The cloud can be a perfectly viable option for ERP outsourcing. The benefits the cloud can bring to other application categories also apply to ERP, perhaps in multiples given the usually arduous nature of keeping ERP systems up and running. Companies can save money and resources moving ERP into the cloud without sacrificing security or compromising compliance. And partners can make money from the flight to the cloud, as well. The best part is that neither partners nor their customers have to do much of the heavy lifting of getting ERP off-premises. That's what Cloud Solution Providers, or CSPs, do.

CSPs are more than hosting companies. They're even more than typical providers of outsourcing services. CSPs manage private clouds for customers, as well as offer public-cloud outsourcing and integration with on-premises systems. Partners can profit from all of this by selling CSP cloud services. With a managed private cloud, an organization can customize how it deploys ERP into the cloud, mixing single- and multi-tenant architectures if desired, and deciding which applications should reside in which platform: on-premises, in a public cloud, or in a hybrid cloud that's a mix of the on-premises and public-cloud models.

The primary limitation of the strictly public-cloud model is also one of its major selling points: It's simple. Companies can turn everything over to an outsourced cloud provider, write a check every month and let somebody else handle everything. That's great for some types of applications, but it won't necessarily work with compliance-laden and security-sensitive ERP implementations. Companies need to be able to decide how to deliver certain applications and how to design infrastructures that protect the data and functions that need to be protected most—all while still cutting costs and moving as many applications into the cloud as possible.

That's where the CSP model shows its greatest strength. The real keys to the model are flexibility and security, two of the main areas of concern companies have about moving to a strictly public, multi-tenant, outsourced cloud. The CSP acts as a guide and adviser to IT professionals and business leaders, consulting on how best to set up a cloud infrastructure and then actually executing delivery and management of that infrastructure. The consultative nature of the CSP is one major factor that sets CSPs apart from other outsourcing providers.

That's good news for partners. Through a CSP, partners can sell both cloud consulting and implementation, as well as offer a wide variety of cloud-platform options, all in a model that guarantees monthly recurring revenue and puts much of the most grueling work in the hands of the CSP. Plus, partners can strengthen their credibility with customers and reinforce their own status as trusted advisers by bringing the expertise of a CSP into their offerings.

JUMP-STARTING THE TREND

What analyst numbers show more than anything else at this point is a desire among many companies to move critical applications into the cloud, tempered by hesitation that has led some of those organizations to either delay or completely decide against cloud ERP implementations. Seven years after the Microsoft channel truly began to awaken to the realities of the cloud, back-end applications are very much on the tail end of the trend.

But with the CSP model, partners can jump-start a trend of moving ERP into cloud environments. Allaying the fears of IT and business leaders about flexibility, security and compliance issues in the cloud will break down most of the roadblocks currently standing between companies and their ultimate destination of moving business-critical applications into some sort of cloud model.

The CSP approach brings many of the advantages of traditional on-premises software, primarily surrounding flexibility of infrastructure design and data privacy and security, to the cloud model. It also gives partners an outlet for setting up lucrative channels of recurring revenue without having to take on the most arduous tasks of building a cloud.

In that sense, the CSP approach for partners not only removes barriers to entry for cloud-shy customers, it actually enhances the benefits of the cloud model from both business and technological perspectives. Finally, after nearly a decade, the prospect of Microsoft partners profiting from moving ERP applications into the cloud is reality, and it's a far bigger and more exciting opportunity than anybody could have imagined seven years ago. •

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