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Good timing: when do you make the jump into the cloud?

When do you make the move to the cloud? It's not always easy to pick exactly the right time but choosing the moment is vital

Cloud evangelists have a tendency to see things in black and white: you are either for cloud computing or you are against it; you are either smart enough to recognise how compelling a proposition it is, or you are too blinkered/dense/scared (chose your own description) to spot a gift horse when it looks meaningfully in your direction.

Maybe it's the nature of the beast. After all, when you get right down to the bits and bytes of it, computing is fundamentally a binary, on or off, sort of thing; but the business decisions we make about computing resources are more complex and multi-faceted – and cloud is no exception. There are no absolutes.

Accessing computer processing power and data storage space in the cloud *can* be easier, more flexible, and more cost-effective than buying or leasing your own hardware, and then managing and maintaining it yourself, whether you opt for resources from a public cloud provider, resources from a more traditional managed services provider (MSP), or you decide to mix two or more of these approaches together in something more 'hybrid'. But getting the timing right can be a challenge, because the age and type of hardware you have already bought, its useful life expectancy, and how much you have invested in it, must all be considered.

"There are times when the move into the cloud looks like a no-brainer," suggests John Milward, managed services director at Northdoor, an IT consultancy and solutions provider. He says: "If you have a vanilla, Windows, server-based infrastructure at the end of its useful life, then it's an easy decision to move into the cloud," whether you opt for public cloud and/or a private cloud run by an MSP.

At the other end of the spectrum things look different, as he states: "If somebody has standard, vanilla, Intel hardware, and they've only just bought it, then it doesn't make much sense to ditch it." This is one of the reasons why hybrid set ups are becoming more commonplace.

Start-ups can go straight to Infrastructure as a Service (IaaS), because they have no legacy investments to take account of, but most organisations are migrating gradually. "If a new project comes along and the business needs access to extra infrastructure quickly, it's very easy to decide that everything to do with it can go into the cloud," suggests Milward, who rates the agility and flexibility of IaaS among its greatest selling points. "I think we will reach a stage where every company in the UK has a hybrid solution because they'll all be using the cloud for some of their IT services," he predicts, but they won't all arrive there at the same time or in the same way.

The type of hardware you have in place also has an impact. "If you've got a blade in your own computer room, then it's easy to move that to an MSP," says Colin Meakin, chief executive at Concorde IT Group, an IT service and support specialist. "We can plug that blade in here and provide the services across the internet," he explains, "but if a business has lots of servers that haven't been virtualised, and a mix of disparate old boxes, you couldn't move those. You'd have to throw them away, and I've never come across a company prepared to do that." So many businesses move to cloud-based hardware when their existing equipment reaches the end of its 'useful life'.

You need a sense of humour to appreciate the business concept of the 'useful life' of computer equipment, because (to quote the words attributed to Spock): 'It's life, Jim, but not as we know it.'

References to the 'useful life' of computer equipment, and decisions about when it can be replaced, often bear little relation to how useful it actually is. Instead, they are more likely to reflect legal rules and regulations that determine, (in a country or jurisdiction), how money spent on computer equipment must be treated in the preparation of annual statutory accounts, and periodic returns for personal, corporate and value-added tax.

'This is an area where professional judgment is key,' says Brain Singleton-Green, corporate reporting manager at the Institute of Chartered Accountants (ICAEW). The 'useful life' of a computer is expected to extend beyond the accounting year it is purchased in, and it is not treated as an 'expense' but an 'asset'.

So when you acquire an item of computer equipment (outright, or using hire purchase) the purchase cost of the 'asset' is treated differently to other business costs. A process called depreciation is used to 'write down' the cost, over the asset's 'useful life' (aka 'written down' life), and the purchase cost is written off over a period of years by claiming tax allowances.

It's not straightforward. 'There isn't a specific requirement to say that the life of an asset has to be a certain number of years, for the purposes of the accounts, but accounting standards do set out what to consider in determining an asset's useful life,' says Singleton-Green.

In practice, businesses tend to adopt a computer equipment write down period of three, four or five years. So if the business has a five year write down policy, and it has invested £40,000 in a server, ditching that box after four years can be like waving goodbye to £8,000 – that's one reason why you may be stuck with creaking, unreliable old boxes, rather than state-of-the art cloud hardware.

'A company or its accountants usually has sufficient past experience of asset replacement cycles to be able to make reasonable estimates of expected useful lives,' says Singleton-Green.

According to Meakin, 'really smart businesses' now adopt a rolling three-year write down policy. A third of their IT equipment is replaced each year, on a 'first in, first out' basis, so over three-years it can all be replaced with new, or outsourced using some sort of cloud set-up.

But there are no absolutes, because as Singleton-Green observes: 'Inevitably, all of this becomes more difficult when markets and technologies are changing rapidly