



Is Cloud Computing Right For Your Business?

Arthur F. Rothberg, Managing Director, CFO Edge, LLC

Many Los Angeles and Southern California business leaders are finding out that being “in the cloud” is not such a bad thing. Rather than referring to the location of employees who can’t keep their minds focused on their work, the “cloud” is now most often used to refer to on-demand computing and data storage resources located on the Internet.

Cloud computing services include both hardware (including servers) and software, as well as data center storage space, applications and networking components. With cloud computing, software and data are located on remote servers on the Internet — or “in the cloud” — instead of on computers and servers located on the business’s actual premises.

Categories of Cloud Computing

There are three broad categories of cloud computing:

- 1. Software as a Service (or SaaS)** — The most common type of cloud computing, this is software and applications that are run on remote servers hosted by vendors or service providers and accessed by businesses over the Internet. The vendor operates the software and provides ongoing maintenance and support, and businesses typically pay an annual or monthly subscription fee. Gmail email service is a good example of SaaS.
- 2. Platform as a Service (or PaaS)** — Here, businesses access a wide variety of different kinds of computing resources, operating systems and associated services over the Internet. Salesforce.com is a well-known example of PaaS.
- 3. Infrastructure as a Service (or IaaS)** — Here, businesses access the equipment they need to support their operations (such as data center storage space, servers, hardware and networking components) over the Internet, instead of buying and installing it on their premises. Payment is usually made on a per-use basis. Rackspace is one example of IaaS.

Benefits of Cloud Computing

In the right circumstances, cloud computing can result in significant business benefits, including:

Lower hardware, software and IT support costs

This is probably the biggest benefit of cloud computing. Instead of buying expensive and elaborate hardware systems to run the often expensive software they buy, companies can essentially “rent” the software they need and run it via inexpensive desktop and laptop computers. The monthly or annual subscription fee typically includes the software license as well as tech support.

Automatic software updates

Software updates are performed by the vendor or service provider automatically, so your employees don't have to remember to do update software themselves.

Flexibility in IT resource commitments

With cloud computing, you don't have to employ an IT staff (or even a single IT employee) to manage, oversee, troubleshoot and repair hardware, software, servers and the like on your premises. This is all handled by the cloud services provider.

The biggest concern many business owners have about cloud computing is the safety and security of their data that resides in the cloud. In reality, though, the security of data stored in the cloud is really no different from the security of data stored on a server on your premises. Cloud services providers have invested in the most advanced and sophisticated data security, backup and maintenance technology available today — because they know that data breaches threaten their very existence.

Most cloud services providers subject their systems to periodic audits to test their level of security. Also consider the fact that online banking and online payroll systems are essentially cloud-based — and most people don't think twice today about doing their banking online.

Despite the benefits, cloud computing isn't the best solution for every business in every situation. It may not suffice for companies with complex and sophisticated computing needs and business processes. A manufacturer of customized, highly engineered aerospace parts, for example, might be better suited investing in a traditional on-premises IT system, while a manufacturer of standardized nuts and bolts might find a cloud-based system more than adequate for its needs.

Also, it's important to carefully negotiate the service level agreement (SLA) with your cloud services provider. The SLA specifies system reliability standards, security requirements and maintenance schedules, among other service details. In particular, make sure the SLA states unequivocally that your company, not the cloud services provider, owns your data.

Concluding Thoughts

Depending on your company's computing and data storage requirements and the level of computing sophistication you need, cloud computing could be a good option for you to consider. There are many potential benefits, including lower IT costs, automatic software updates and IT resource flexibility. An outsourced CFO services provider can help you determine the potential pros and cons of cloud computing for your business and make recommendations regarding specific cloud-based systems and software.

About CFO Edge

CFO Edge, LLC is a leading Southern California provider of outsourced CFO services. Based in Los Angeles, we are a group of experienced chief financial officers who engage with business owners and executives on demand to address strategic planning, business management, and day-to-day financial operations challenges. Our seasoned professionals deliver services as interim CFOs, part-time CFOs, single-project CFOs, recruitment-to-permanent CFOs and interim-to-permanent CFOs. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com <http://www.cfoedge.com> or call 626.683.8840.

This publication has been prepared for general information on matters of interest only, and does not constitute professional advice on facts and circumstances specific to any person or entity. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. The information contained in this material was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. CFO Edge, LLC, its members, employees and agents shall not be responsible for any loss sustained by any person or entity who relies on this publication.