



Introduction

Cloud computing promises agility, scalability, and cost advantages to all who make the leap, and while it is easy to see the benefits of cloud, not every organization is ready to go all in and move to the cloud. Even a partial transition from a tangible, visible world into a multitenant virtual environment can feel more like a leap of faith than a practical business decision. Users want to know that their processes will continue to function, that their data will be protected and kept confidential, and that they will still have the same level of governance and control in the widespread, data-everywhere cloud environment as they do in the data center—whether it is next door or across the ocean—where they have contracts, Service Level Agreements (SLAs), and tools designed to protect data, promote confidentiality, and measure performance.

So when industry experts predict that cloud sourcing will soon merge with the existing outsourcing market and provide better opportunities for the entire outsourcing industry, how is an organization to decide what to do? Do you throw out your “old ITO” data center and replace it with the “new ITO” of cloud?

When one FORTUNE 500 consumer products company was preparing to spin off a new company, it decided to leverage cloud technology in order to stand up a new corporate computer environment to support the spin-off. Whether or not this approach constitutes the new buzzword of “transformational outsourcing,” what it does is allow an organization, and in this instance an organization that needs to maintain ties to existing remote data centers as well as setting up a new environment, the ability to blend the two for cost efficiencies and allow more capital to be used in other parts of the business to get the new company up and running faster.

Approach

The client, having identified a cloud provider, asked for help from KPMG LLP (KPMG), who worked with the client to put in place a hybrid cloud/managed services deal, which brought together standard cloud services overlaid with a “wrapper” of typical managed service practices including strong contractual

protections, augmented service levels, enhanced reporting mechanisms, and defined support and recovery procedures. The onshore cloud services were combined with traditional managed services for offshore compute capabilities to create a hybrid set of services.

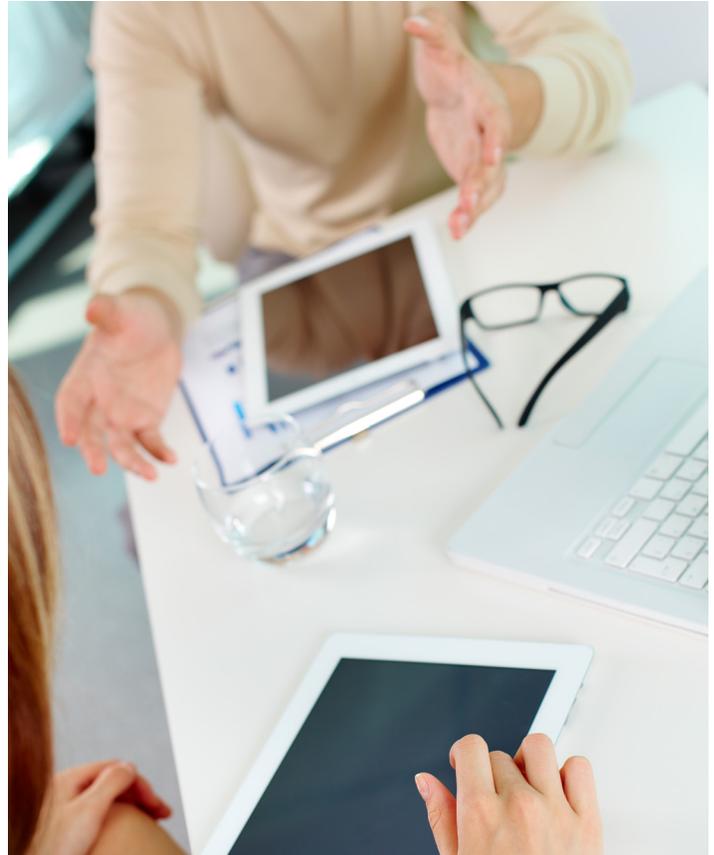
KPMG brought together a team with knowledge and experience in cloud service, managed services, and contracting to work hand-in-hand with the client team to support due diligence and the contract negotiation process. At the start of the engagement, the cloud provider offered its standard cloud services terms and conditions. Working with the client, KPMG drove greater detail in terms of responsibilities (statements of work) and expanded service level commitments. Together the parties structured a complete agreement that greatly reduced the differences in service and contracting between the managed and cloud services.

Benefits/Results to date

As a consequence of the deal, the client was able to stand up the spin-off's IT environment, comprising over 400 virtual and physical servers with associated storage and backup, within required timescales with minimal capital investment. The approach gave the client the protections it needed in the contract to provide data security and consistent IT service and governance together with the ability to scale the service as needed through leveraging cloud capabilities. These protections included things such as a higher level of committed availability to reduce unplanned downtime; stronger termination rights for changes in common environments to reduce risk of undesirable changes; favorable limits of liabilities and other protections to reduce client risk; and a broader suite of reports, typical for managed services, which provides more insight into performance of the environment.

Conclusion

The promise of cloud is only slowly being realized because many organizations are uncomfortable putting critical business services and applications in the cloud. Cloud providers offer minimal protections and reduction of risk while standing behind their standard service offerings. In this case, KPMG



and the client secured a successful deal that enabled the client to meet its IT and business requirements without significant capital investment. The deal was made possible through combining the advantages of the cloud with the disciplines and structures of a managed service environment. Without the managed services "wrapper," the client may not have had the confidence that processes would function smoothly, data would be protected, and governance, control, and visibility would be enhanced. While many clients dabble with putting development environments or noncritical services into the cloud, our client got the protections and support they needed to take the leap and realize the promise of the cloud.

To learn more about KPMG's managed services capabilities, and how your organization can realize benefits of operating in the cloud, contact us.

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