

6 Steps for Transitioning to the Cloud

by David C. “Dusty” Huxford Jr.



A recent FPA survey of financial advisers' technology use¹ found that 28 percent of advisers have most or all of their software in the cloud. Another 34 percent have their software installed locally, but are moving in the direction of cloud computing, and 30 percent have most or all of their software local and plan to keep it that way. If you're in the group planning to move to the cloud, the six steps offered here will help guide you through the process.

In the technology industry, a pendulum seems to swing back and forth when it comes to local versus remote services in a network environment. In

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the old days when IBM and mainframes ruled the Earth, data and programs were stored on the physically identifiable mainframe computer and accessed through a network via a “dumb terminal.” With the advent of personal computers, or “smart terminals,” centralized data and program storage gave way to disseminated storage. With the World Wide Web (Web 1.0), social networking (Web 2.0), and the upcoming Web 3.0 (computerized personal assistant), the pendulum is swinging back toward a push to store and process data remotely. The main difference between the old IBM days and today is that now data are stored and processed in the cloud.

Cloud computing is a broad term for technology services delivered over the Internet. Another way to look at it is cloud computing equals web applications (think Google, Kindle, Pandora, MoneyGuidePro, Orion, Tamarac,

Advisor Websites, and more). Services procured through the cloud are not installed, maintained, or upgraded on local office machines—this is all addressed by cloud computing vendors on their hardware. According to EDUCAUSE,² consumers of cloud services may see increased reliability and decreased costs because of economies of scale.

Making the Transition

If cloud computing is right for your office (see the sidebar on weighing the pros and cons), how do you successfully make the transition? Technology and compliance expert Ash Bhatnagar, CFP®, a columnist for the *Journal of Financial Planning* and blogger for FPA's Practice Management Center, has suggested five steps for making a good cloud computing decision. Building on his original five steps, here are six things to consider:

1. **Define why you want to move to a cloud environment.** Begin a migration to the cloud with a clear vision of why moving to the cloud is beneficial to you and your office. Potential cost savings? Constant state-of-the-art software? Mobility? Compliance? Perhaps it's a combination of these? Be sure the cons do not outweigh the pros, or employees will not be comfortable in a cloud environment.
2. **Write down the features most important to you now and in the near future.** The feature list is extremely important. Most offices are moving from PC-based products they have used for years. Each

user of the PC product has certain features he or she finds important. Get feedback from all software users to accumulate a must-have list, and ensure the cloud computing solution being considered addresses everything on the list. Also look down the road a year or two. What functionality or features will address your future office needs? The feature list will have a heavy impact on your vendor selection and, ultimately, cost.

3. **Work with a technology person who knows cloud computing vendors well.** Finding a technology consultant familiar with the demands of an adviser's office to provide input on cloud solutions is worth every dollar spent. This is not your office IT person. That person's main objective is to keep you "in the rut" (desktops/servers) so you continue to leverage his or her services. Search outside your office IT person's sphere of influence to get the most objective advice. Also, ask your peers about the cloud computing solutions they use.
4. **Do your due diligence on the vendors.** As with everything else in our business, due diligence is key. Research vendors. Treat them just like a stock you are considering, and do your homework. Here are a few questions to ask:
 - How many years have you been in business? Long-term viability is a major concern when selecting cloud computing services. With many startups in the industry, select a vendor with a longer track record than most. Account for the vendor's total track record, including any years on the desktop.
 - How many clients do you have (offices and seats)?
 - Are you profitable? For how many years?

Weighing the Pros and Cons of Cloud Computing

PROS

Access from anywhere at any time. This is a benefit not only for the adviser but also for his or her clients. All you need is Internet access and a browser, or in today's world, an iPad, tablet, iPhone, Android phone, etc., to access your data and programs in the cloud.

Reduced costs. With local computers and servers no longer needed, startup and ongoing costs are reduced. Because devices accessing the cloud do not require the processing power to run local complex applications, the devices are cheaper. Also, instead of having to purchase separate copies of software loaded onto local computers and servers, each employee has a reduced subscription cost for the cloud-based services. Lastly, IT support costs are reduced with the reduction in desktops, servers, and software.

Space savings. Fewer computers, servers, and air conditioners to keep them cool reduce the space needed in an office. No more filing cabinets to store software source CDs and upgrades. If all software, documents, etc. were stored in the cloud and leveraged using cloud computing, it might be possible to jettison desktops and servers and run an office with iPads. The jury is still out on this. Until the ideal iPad scenario is commonly available, the reality is that some hardware and software will remain in the office, thereby reducing associated cost savings to some degree.

Increased compliance. Whether it involves classic governmental ISO tests or satisfying the most discriminating compliance officer, cloud computing providers are accustomed to addressing most compliance needs. As a result, the cloud computing provider's compliance will generally be stronger than that commonly used in most advisers' offices.

CONS

Security concerns. In the past year, NASDAQ, AT&T, JPMorgan Chase, Target, and many other companies suffered security breaches. Absolute security is a myth, but keep in mind that cloud computing vendors are strongly incentivized to keep data secure and are continually initiating new policies, procedures, protocols, hardware, and software to do so.

Privacy concerns. Being able to access cloud services anywhere at any time greatly expands the possibility that the user's data can be compromised. Cloud computing vendors continue to implement security procedures to provide privacy. These range from a series of security questions when logging in from an unknown location to the requirement of biometric input (fingerprint, eye scan, etc.).

Reach versus rich. In their book *Blown to Bits: How the New Economics of Information Transforms Strategy*, Philip Evans and Thomas Wurster suggest an inverse relationship between "reach" (the number of people viewing) and "rich" (the amount of information/functionality provided). Simply put, in order to reach more people, the richness must be reduced. Web applications minimize the data being presented and manipulated to increase speed, resulting in decreased functionality compared with a PC-based product. Also, the "flow" of the web-based product is often substantially different from the PC-based product and takes time to get accustomed to. Customization of the cloud product is usually very limited, if allowed at all.

Increased bandwidth. When transitioning to the cloud, you may experience a dramatic increase in bandwidth consumption. The bandwidth traditionally used for an office may no longer be acceptable. Offices typically have to increase bandwidth to accommodate the increased demand, thereby raising costs.

- Is any venture money still in? What percentage?
- How often are updates released? What were the specific release dates of the past three to five updates?
- Who are your main competitors (cloud and desktop)?
- What is your “up time” or “data availability rate” for each of the past three years (more on this later)?
- References (remember, they will all be good)?
- With which vendors do you share data seamlessly? Can I get open architecture copies of my data on a routine basis?
- Will you convert my existing data accurately? What is the typical conversion accuracy? (No conversion is 100 percent accurate.)
- How long before I am up and running?
- How long is the typical learning curve (hours, days, months)?
- Do you require a long-term contract? Are there setup costs?
- Are there discounts for additional users or high usage?
- Is there a free trial period?

For additional questions to ask, see the article by Tamarac CEO Stuart DePina in the November 2011 issue of *Technology Tools for Today* titled “Selecting an SaaS Vendor: What You Need to Know.”

When selecting a vendor, you should also consider accurate data availability rates and data sharing capabilities. Data stored in the cloud should be consistent and reliable, and there should be no alteration of data between two data access times unless initiated by the user. Data transmission errors, bugs, viruses, hardware malfunctions, and disk crashes should be minimized if not elimi-

nated. These parameters should combine with “up time” to lead to an accurate data availability rate of at least “four nines” (99.99 percent, or about 53 minutes of down time per year), the minimum suggested for a reliable cloud computing provider.

Select vendors who share data with other vendors of your choice and who willingly provide you copies of your data in an open architecture format. This helps ensure that Black Diamond data, for example, can be shared with MoneyGuidePro, Junxure, Laserfiche, and Laser App, thereby producing near-seamless data sharing among all providers used. Your Silver Bullet is a good organization to reference to be sure vendors play well together.

5. **Perform a cost analysis to verify the potential savings.** For a cost analysis, consider all of the points discussed in this article: reduced infrastructure and IT support costs, reduced employee licensing costs, space savings, and increased bandwidth costs. Try to factor in the intangibles of increased compliance, security, and privacy. Leverage the tech person to help with this analysis. If the bottom line does not add up to a net savings, then reconsider jumping to the cloud; postpone until costs adjust (cloud computing vendor pricing drops, bandwidth pricing drops, technology improves, etc.).
6. **Have a technology expert help you implement the cloud computing solution.** Lastly, you should plan for a migration path from your PC solution to the cloud solution. Hire IT help to spearhead this effort. Move to the cloud in small steps over time. This makes the process more

Cloud Computing Resources

Google Apps: www.google.com/apps

Microsoft cloud solutions: www.microsoft.com/en-us/cloud

Your Silver Bullet: www.yoursilverbullet.com

manageable. Run the desktop software parallel with the cloud computing software until you are satisfied with the transition. Only then should you discontinue use of the desktop software. In general, do not implement a change at year-end. With everything going on (holidays, vacations, reporting, taxes, and more), it is the worst time to manage this kind of change.

Conclusion

Reviewing the pros and cons of cloud computing and these six steps to make the transition should help you answer the question, “Should I move to the cloud or not?” Whether you take the leap is up to you.



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Endnotes

1. FPA’s 2012 *Adviser Technology Use & Benefits* survey conducted with 407 respondents in November 2011.
2. EDUCAUSE is a nonprofit association whose mission is to advance higher education by promoting the intelligent use of information technology. Several cloud computing resources are available at www.educause.edu.