

Introduction to x-Sourcing

for fun and profit

30 June 2008

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AGENDA

- **What is x-sourcing?**
- **Why is cloud-sourcing important?**
- **Who is embracing it?**
- **Why not everyone?**

Kinds of x-Sourcing

- Supply-chain sourcing
- Out-sourcing
- In-sourcing
- Task-sourcing (or out-tasking)
- **Cloud-sourcing** (cloud computing)
- Crowd-sourcing
- Open-sourcing (crowd-sourcing for software)

One type of outsourcing: Offshoring



World is Flat vs. the Academy



Life imitates art?



UK students outsource IT coursework to India

£5 a pop for undergraduate work

6/26/08

Out-Sourcing Examples

- Managed services
 - Entire IT organization (e.g. EDS or IBM F.M. contract)
 - Specific technology (e.g. Networking, Server Hosting)
 - Specific application (e.g. Credit card processing)
- “Contracting out”, e.g. Using subs to pull wire
- “Out tasking” for specific functions, e.g. Proj Mgt

Outsourcing Tradeoffs

• Advantages

- Allows enterprise to focus on strategic core competencies
- Easier to re-allocate resources & staff
- Can leverage financial structure

• Disadvantages

- Loss of control, agility, flexibility
- High contract management overhead
- Quality control can be hard

TCO ???, Security ???, Liability ???

Notable Quotes

“There are only two things you need to know about outsourcing:

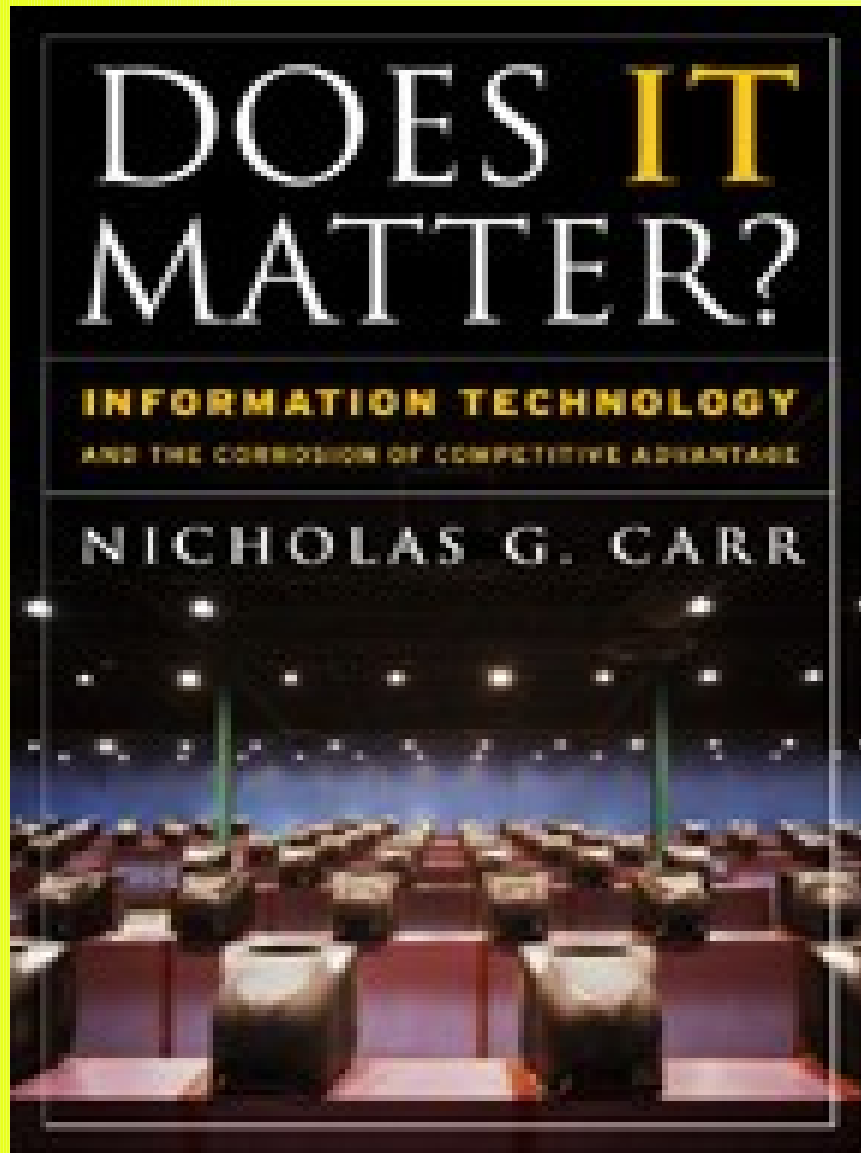
1. They are in it for the money
2. They are better negotiators than you are”

--Doug Gale, then CIO of GWU

“Outsource IT? We tried that ten years ago, and it has taken us ten years to recover from it!”

--a current Boeing employee

The rise of utility computing



Cloud-Sourcing

aka Utility-Computing, Cloud-Computing

(using web-apps hosted on Internet clusters)

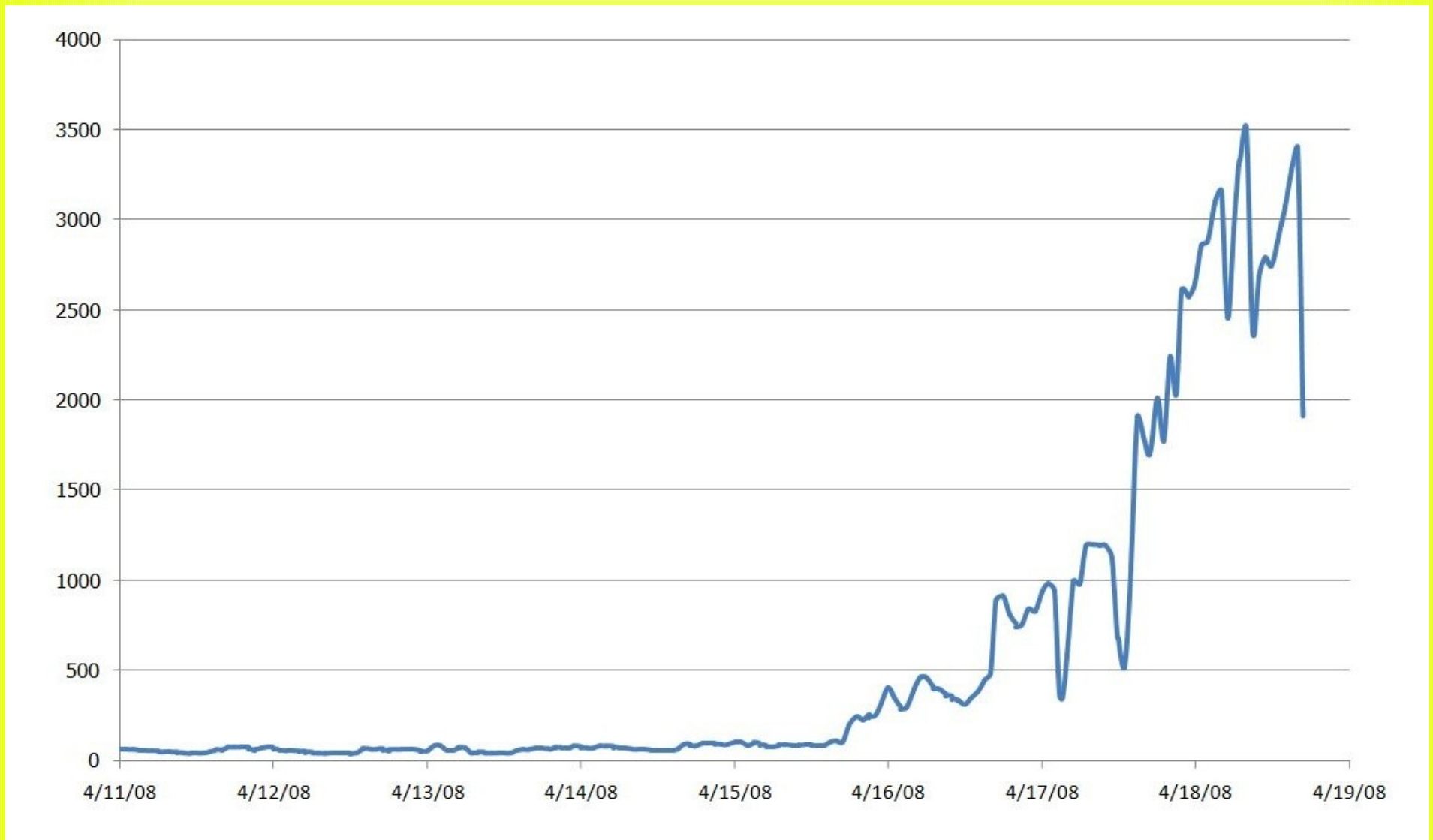
- **Why it's becoming a Big Deal**

- Use high-scale/low-cost providers; geo-diversity
- Any time/place access to docs via web browser
- Rapid scalability; incremental cost; load sharing
- Share of mind: no need to focus on commodity IT

- **Concerns**

- Performance, reliability
- Control of data, service parameters
- Integration among tech silos
- Application features, choices
- Privacy, security, compliance, etc

Why use cloud-computing?



Scalability: Handling load peaks (EC2 instances for a new facebook app)

Why not use cloud-computing?

Amazon Is Down. Very Down.

June 6, 2008 — 11:18 AM PDT — by Stan Schroeder —

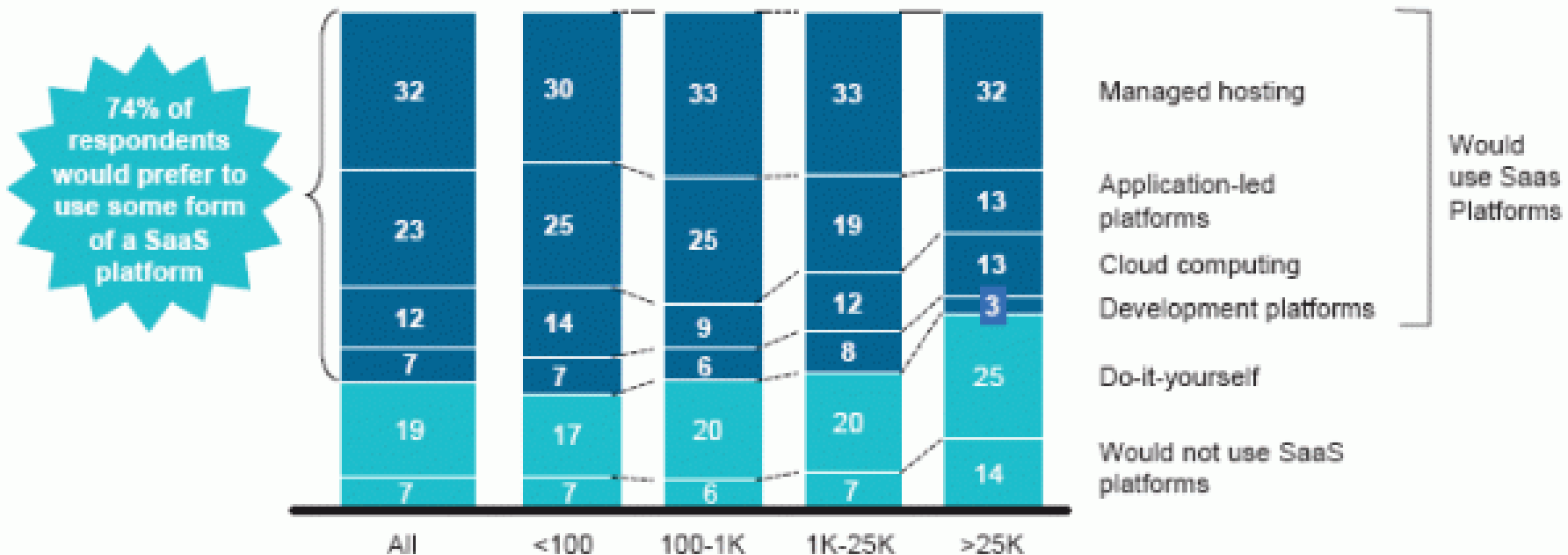
amazon.com

Oops...

“74% ... prefer SaaS”

Question: *Given that SaaS platforms will take many formats in the marketplace, what model is best for your company?*

Preferred SaaS platform model
Percent, n = 857



Why some enterprises are not interested in SaaS

Forrester Research study:

- 66% Integration issues
- 61% Total cost of ownership concerns
- 55% Lack of customization
- 50% Security concerns
- 42% "We can't find the specific app. we need"
- 39% Complicated pricing models
- 39% Application performance
- 34% "We're locked in with our current vendor"

Different Cloud Computing Layers

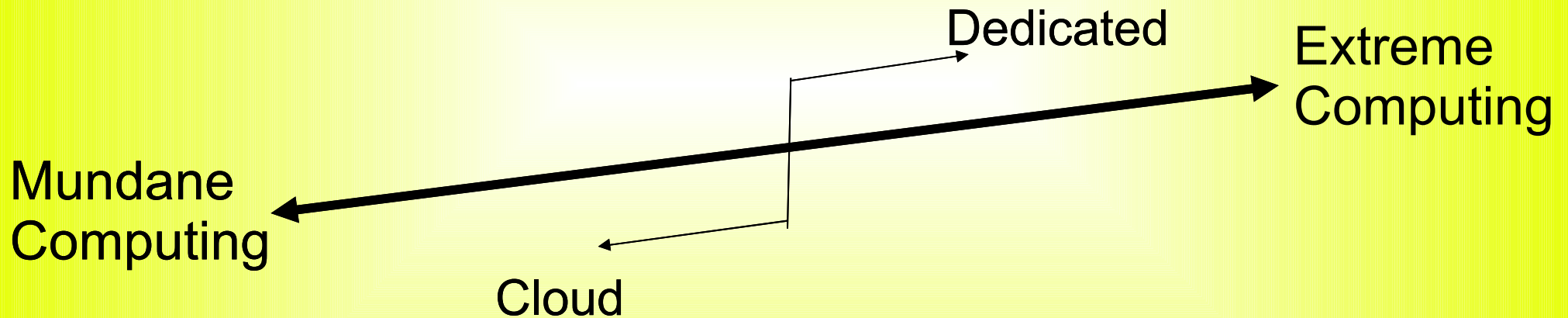
(Example players)

Application (SaaS)	MS Live/ExchangeLabs, Google Apps; Salesforce.com Quicken Online, Zoho
DIY Application Platform	Google App Engine, Mosso, Force.com, Engine Yard, Facebook, Heroku, AWS
Servers	3Tera, EC2, SliceHost, GoGrid, RightScale, Linode
Storage	Amazon S3, Dell, Apple, ...

(Oren will elaborate in next session.)

Cloud Computing Applicability

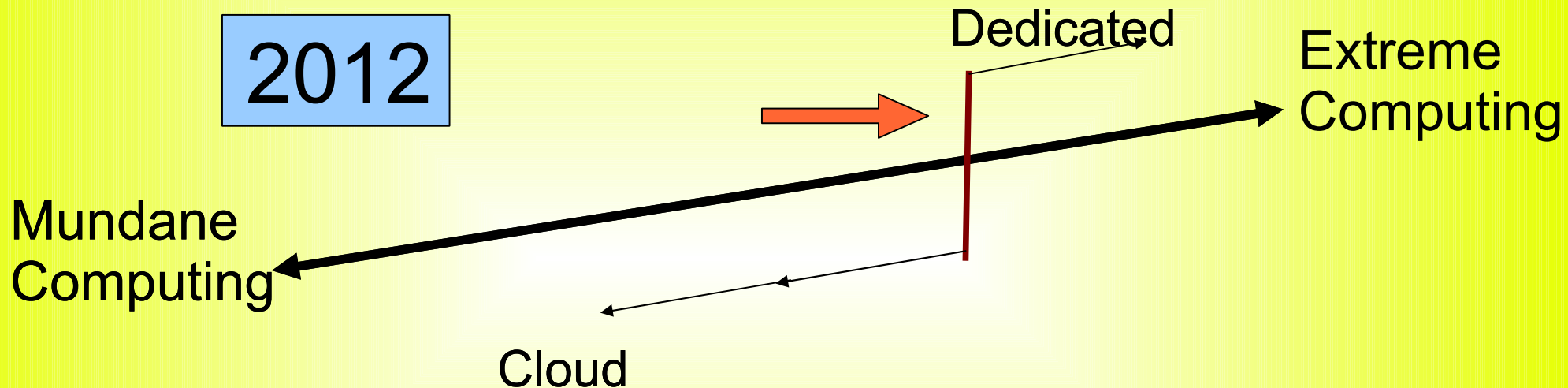
aka “What is commodity computing?”



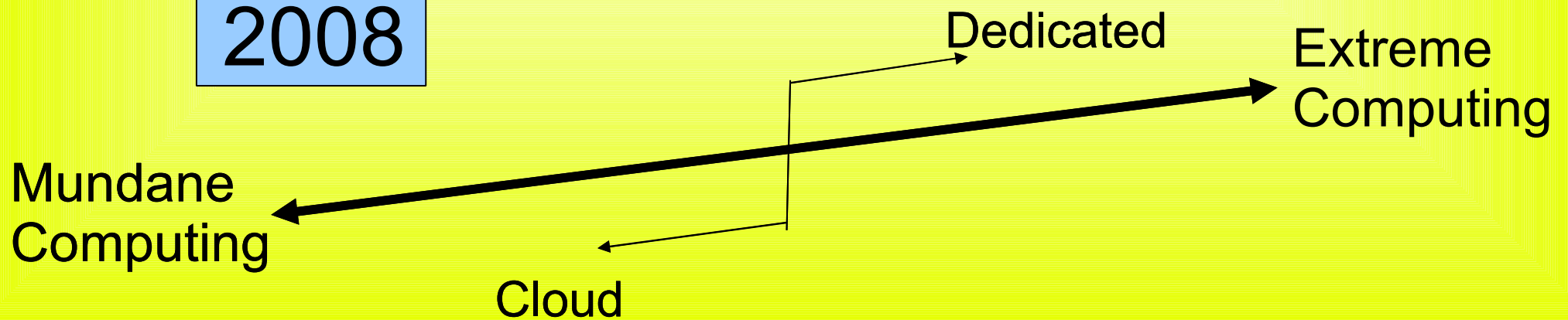
Cloud Computing Applicability

Will grow over time

2012

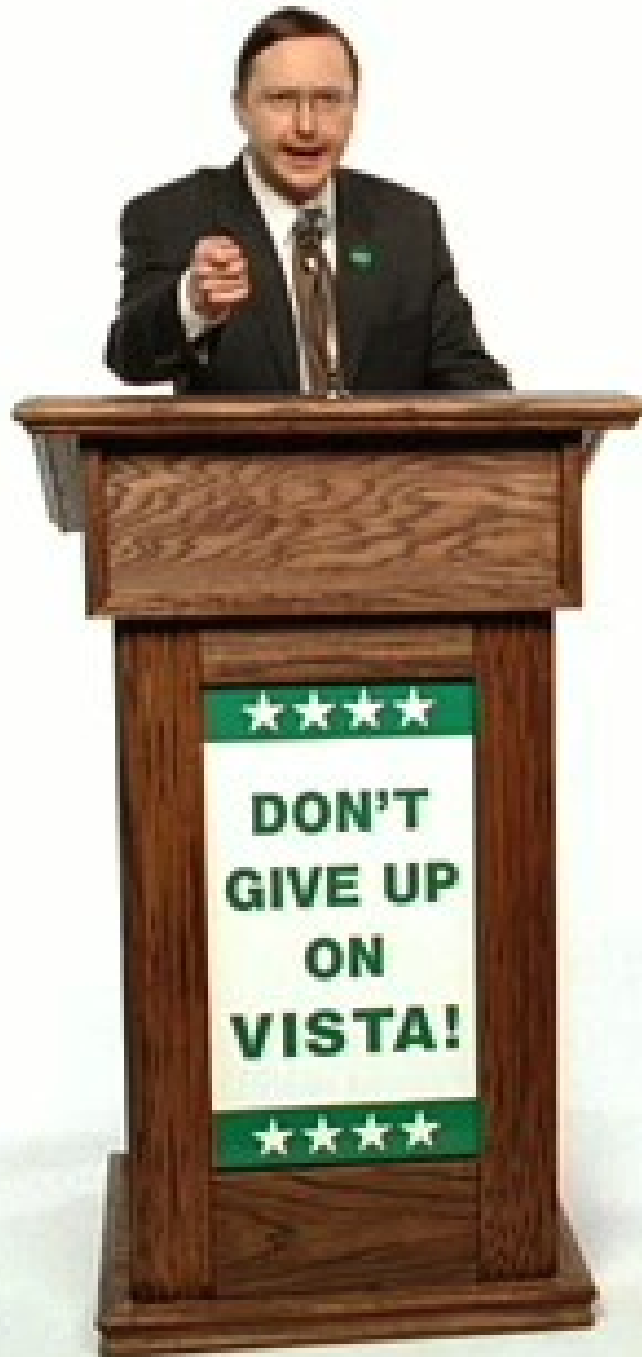


2008



Case Study: Microsoft







engage

Google
Cloud
Computing

Microsoft
Response
Strategy



Microsoft Responds

"We're taking everything we do at the server level and saying we will have a service that mirrors that exactly. It's getting us to think about data centers at a scale that we haven't thought of before... [to create] a mega-data center that Microsoft and only a few others will have."

-Bill Gates, quoted in NY Times 3 June 2008

"We believe that by 2010, at least 25 percent of our Office users will be using some kind of [online] service provided by Microsoft"

-Eron Kelly, director of product management

Case Study: DreamHost

23 May 08: Tom says...

“we are taking some steps to stop providing email. It’s just not something people are looking for from us, and it’s something the big free email providers like Yahoo, Microsoft, and Google can do better.”

Case Study: DreamHost

Noteworthy rebuttal :)

27 May 08: Tancred Says...

“This is totally rubbish. I have been with dreamhost for at least 5 years. I host with you for one reason. SSH + pine.”

Case Study: Bechtel

- 2000: Mandate to cut IT costs by 25%
- Used Six-Sigma process to focus on inefficiencies
- Internal report cards; compare w/ other companies
- Achieved 30% improvement
- Data Center consolidation: >30 → 12 → 3
- Networking: Use the Internet; become an ISP
- Now: embracing web-based cloud computing, becoming client agnostic; virtual desktops; becoming more “university like” re net security and desktop management.
- MS shop, but looking at Google Apps, etc

Challenging Assumptions

Prescriptive Codes → Performance Stds

InfoWorld

[Log-in](#) | [Register](#)

[HOME](#)

[NEWS](#)

[TEST CENTER](#)

[TECHNOLOGIES](#)

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IT heresy revisited: Let users manage their own PCs

Large companies such as BP and Google are rethinking the idea of IT controlling users' computers and sharing their lessons from the frontlines

SaaS/Cloud Apps enable virtual desktops and platform flexibility

Coming Up

- **Oren: What's out there**
- **Erik & Oren: Google Apps**
- **ScottH & Tamara: Microsoft (cloud) Apps**
- **Kirk & Kerry: Concerns**