



## Cloud Computing: Key to Business Fitness

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### ABSTRACT

*Cloud computing is the use of computing resources (hardware and software) that are delivered as a service over a network (typically the Internet). The name comes from the common use of a cloud-shaped symbol as an abstraction for the complex infrastructure it contains in system diagrams. Cloud computing entrusts remote services with a user's data, software and computation.*

*End users access cloud-based applications through a web browser or a light-weight desktop or mobile app while the business software and user's data are stored on servers at a remote location. Proponents claim that cloud computing allows companies to avoid upfront infrastructure costs, and focus on projects that differentiate their businesses instead of infrastructure. Proponents also claim that cloud computing allows enterprises to get their applications up and running faster, with improved manageability and less maintenance, and enables IT to more rapidly adjust resources to meet fluctuating and unpredictable business demand.*

*In the business model using software as a service (SaaS), users are provided access to application software and databases. Cloud providers manage the infrastructure and platforms that run the applications. SaaS is sometimes referred to as "on-demand software" and is usually priced on a pay-per-use basis. SaaS providers generally price applications using a subscription fee.*

*Proponents claim that the SaaS allows a business the potential to reduce IT operational costs by outsourcing hardware and software maintenance and support to the cloud provider. This enables the business to reallocate IT operations costs away from hardware/software spending and personnel expenses, towards meeting other IT goals. In addition, with applications hosted centrally, updates can be released without the need for users to install new software. One drawback of SaaS is that the users' data are stored on the cloud provider's server. As a result, there could be unauthorized access to the data.*

### Keywords : Cloud, Computing, SMBs, SaaS

Despite the MSME sector's strategic importance, small businesses are confronted with several challenges. Even in developed countries like the UK, one in every three new businesses fail within the first three years itself. Globally, one of the top reasons for the small businesses to fail has been poor financial management.

In India, the requirement for proper financial management is even more critical since Indian entrepreneurs have to deal with additional constraints such as high cost of credit, significant costs of infrastructure (like power and water), and regulatory issues related to taxation and labour laws.

Many small businesses consider accounting as a non-core statutory requirement. They expect their accountants to 'wave the magic wand' at the end of each financial year, and manage this core function. However, given the current globalisation and financial environment, accounting can no longer be a once-a year activity.

Banks are the dominant source of finance for small businesses; in the FICCI- Grant Thornton Report on "Vision 2020-Implications for MSMEs", which was released in 2011 states that, over 70% of respondents said banks were one of their key sources of finance. Now with the new Basel II requirements, banks will need small and medium-sized businesses (SMBs) to furnish detailed financial data and external ratings. Thus, to continue obtaining financial assistance or loans from banks or other financial institutions, it will be imperative for SMBs to be disciplined about financial management.

More importantly, effective and transparent accounting practices enable businesses to understand their revenues, expenses,

cash flow positions and, therefore, make better strategic and day-to-day business decisions. Decision-making is becoming more real-time in the age of connected economies, and as Indian small businesses expand into the global economy, it's important that business owners have an up-to-the-minute view of how their businesses are doing financially.

#### Technology to the Rescue

An Intuit small business survey conducted in 2011, shows that nearly 30% of the Indian SMBs do not manage their books, and of the rest 88%, either does it themselves or use a freelancer. Most of them follow manual rudimentary methods of bookkeeping, which take a considerable amount of time and effort.

However, the Intuit survey also found that a majority of the businesses fare low-to-medium on technology awareness and adoption. Some of the top barriers were cost, lack of skilled IT man-power and lack of awareness on what to buy. These barriers are not unique to Indian SMBs; the Intuit survey result shows that there were similar challenges faced by businesses in other global markets, both developed and emerging. The survey also showed that many of these global small businesses have started adopting cloud-based accounting solutions. Cloud computing is delivering on its promise of being an affordable and easy solution for businesses that aspire to grow, while addressing the barriers of cost, IT infrastructure and talent, cost, and anytime-anywhere access.

#### CONCEPT OF CLOUD COMPUTING

The term 'cloud' is simply a metaphor for the Internet. Thus, cloud computing allows software as a service offerings to exist, using the Internet as a method of access. Instead of your

software service being installed on your desktop, it lives primarily on the Web.

There is a lot of news lately about how fast cloud computing is growing. Research analysts Gartner, Inc. named cloud computing as the number one trend that will change the face of IT and business. A new IDC research study says cloud computing spending will reach \$ 73 billion by 2015 and reshape the IT landscape.

Intuit's 2020 Report titled Working in the Cloud, declared the cloud as one of the twenty trends that will shape the next decade, stating: "The brick-and-mortar office will be a thing of the past, where and how people work and do business will change due to emerging Internet cloud and mobile technologies. Working in the cloud will increasingly shift work lives away from corporate offices altogether and towards an in-my own place, on-my-own-time work regimen."

### ADVANTAGES OF USING CLOUD COMPUTING

Businesses are experiencing important benefits from using cloud computing solutions. Here are five of the top benefits that Intuit has heard from firms who have adopted cloud based accounting solution globally.

#### 1. Lower costs

**a) Up-front investment/pay for what you use:** A business' up-front investment can be significantly lowered using SaaS offerings because, most of the time there is no hardware infrastructure to purchase or software licenses to buy. As long as there's a computer with Internet access, you can begin to use most products and services right away.

And, instead of paying for a chunk of software at one time, most SaaS offerings allow users to pay for just what they use. Several pay-as-you-go models exist, such as paying per each use, or paying a monthly subscription fee.

**b) Maintenance/IT Costs:** Because the software is in the cloud, there is less hardware to maintain. Reduced number of servers, external memory and hard drives mean lower maintenance costs.

Many firms who outsource IT have been able to significantly reduce this cost, because their software is serviced and maintained on the Web and not on their local computer. Letting the SaaS companies take care of maintaining the solution decreases your IT cost.

**c) Benefit to the businesses:** Cloud-based applications help SMBs save time and money by lowering up-front investment. SMBs pay only for what they use and reduce maintenance and IT costs.

#### 2. Easier to manage

Cloud computing also allows firms to quickly scale up or down because the software applications are delivered at the speed of the Internet. Unlike conventional computing, where users have to make the difficult decision of how much software to buy up front, they can now purchase just enough for the present and scale as the business grows.

**a) Benefit to the businesses:** SaaS solutions give SMBs peace of mind, knowing that the team is using the very latest version of applications, and is saving time by not having to do constant software updates. SMBs have much more flexibility because they can quickly add soft-

ware as they need it.

#### 3. Anytime/Anywhere access

Before cloud computing, productivity stopped once the business owner and their employees left the office. Now, as long as there is an Internet connection, the work can continue.

A garment manufacturer in Ahmadabad, Gujarat says, "My accounting software is in the cloud. I just have to log in and there it is. Since I travel quite a bit, I can actually take care of a lot of my invoicing from the hotel."

Cloud computing is available 24/7, which allows people to work when they want to, not restricting them to office hours only.

**a) Benefit to the Business:** This increases productivity for business owners and employees, as they are no longer limited to office hours, bound to a desk, or limited by the kind of access device they have.

#### 4. AUTOMATICALLY BACKED UP AND SECURE

By its very nature, cloud computing removes single points of failure. If the laptop is not working, then grab another computer and you are up and running in no time.

**a) Benefit to the Business:** Cloud computing provides for business continuity. Even if a computer crashes, there is no loss of data. This is helpful, because protecting data is critical for every business.

#### 5. TRY BEFORE YOU BUY

Since online applications are on the Web, most companies who offer SaaS solutions allow users to try their product or service free for a period of time. This trial is great when business owners are not sure if the product is right for them, or if they want to compare it against another solution.

**a. Benefit to the businesses:** Confident, that a particular application is the right solution for you. SMBs can be absolutely sure if the product or service works for their businesses before making a long-term commitment.

#### ROLE OF CHARTERED ACCOUNTANTS

There is a huge opportunity for accountants to step up and play a vital role in enabling a new level of business insight that could transform the performance of the Indian small businesses. It will require accountants to adopt not only new technology, but also a new way of working that minimises repetitive administrative processes and frees talented individuals to share their expertise and knowledge with the marketplace. Technology can help enable this cultural shift and SaaS can help to make it affordable for smaller service providers.

#### CONCLUSION:

As cloud computing is achieving increased popularity, concerns are being voiced about the security issues introduced through adoption of this new model. The effectiveness and efficiency of traditional protection mechanisms are being reconsidered as the characteristics of this innovative deployment model can differ widely from those of traditional architectures. Alternative perspective on the topic of cloud security is that this is but another, although quite broad, case of "applied security" and that similar security principles that apply in shared multi-user mainframe security models apply with cloud security.

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