Cloud vs On-Premise Software

Technological advances have presented the business world with what can seem like an embarrassment of riches when it comes to tools and techniques for handling every aspect of endeavor.

But this cornucopia of choice is constrained at certain points by the longstanding divide between high and low tech.

One of the most prominent examples of this phenomenon is the “Cloud vs On-Premise” debate concerning software solutions.

Both cloud-based software packages and their localized counterparts have their merits (and their drawbacks).

Choosing the right solution for your business begins with understanding these pros and cons, and the ways in which each option can integrate with your workflows.

Cloud vs On-Premise: The Clash of New and Old

As with many new technologies, the debate over cloud-based software and on-

premise/on-premises alternatives is a matter of taste, culture, and desired functionality.

Cloud computing—decentralized, scalable, flexible—is justifiably popular with tech-savvy innovators looking to jump into digital transformation with both feet.

Cloud computing supports three different approaches to remote, virtualized software: public, private, and hybrid cloud platforms.

Public cloud platforms rely on software served to users across the Internet.

Private clouds are hosted by a third party, but reserved for the exclusive use of a single organization or user.

Hybrid clouds offer a blend of both, allowing different levels of support, access, and scalability depending on a company's needs.

Despite the growing popularity of the cloud as an IT solution provider, there's still much to be said for traditional on-premise software residing on a company's own servers: more direct control, greater security, high reliability and familiarity.

But as virtualization and cloud services continue to evolve and expand across the technoverse, deciding on how much, if any, of your software should live and run on the cloud is a discussion that's no longer optional.

> *Choosing the "right" solution for your enterprise requires a closer look at how the broader features of both cloud software and on-premise software can be applied to specific business needs.*

On-Premise Software: The Basics

Choosing a localized software solution offers two primary pros and cons:

PRO: Strong Data Security

In-house servers and self-supported IT infrastructure can reassure those with security concerns about sensitive data.

On-premise systems, IT staff, and licensed instances, locally installed, mean your

company has a much higher degree of immediate control over data security.

CON: Higher Upfront Investment and Set-Up/Maintenance Costs

On-premise software must be licensed and installed locally on a company's server hardware in a company's own data center and often includes special protection features (such as authorization hardware).

The high cost of server hardware, licenses, and IT staff can quickly add up.
In fact, the need to have IT staff provide both general support *and* specific, advanced integration support and maintenance to ensure all your applications (e.g., Enterprise Resource Planning (ERP) packages, office suites, AP and procurement software, etc.) work together can contribute to a significantly higher total cost as compared to cloud services.

Integration with mobile devices may be spotty, difficult, or non-existent.
In addition, back-up services will either need to be contracted to a third party, or handled by on-premise IT staff, adding another layer of expense for labor, hardware, software (for encryption and scheduling of back-ups) and storage.

Backups are maintained physically off-site and may not be immediately available.

Cloud Software: The Basics

While it performs similar functions to on-premise software, cloud computing has key differences:

PRO: Off-Site, Decentralized Hosting

With cloud solutions, the data center is off-site and hosting services are provided by a third party. This adds flexibility and scalability (you can add users, features, and storage on-demand to stay current with growth) while minimizing costs.

No capital expenses, constant back-ups with on-demand availability, and easy connectivity for users, partners, and other applications cut costs further.

In addition, provisioning is significantly easier with cloud computing.

Applications are installed on user PCs and mobile devices with necessary upgrades and updates already applied—along with your branding and preferred settings.

This reduces IT costs and makes for faster onboarding of new staff, too.

CON: Reduced Control and Greater Unfamiliarity

One of the surprising obstacles to adoption of cloud services is cultural resistance and basic unfamiliarity.

Making the leap from existing on-premises solutions to one from a cloud provider can take significant training for staff, IT teams, and management.

A Software-as-a-Service (SaaS) cloud platform can also be a "hard sell" to management long accustomed to the occasionally problematic but generally reliable (and secure) local solutions.

Because cloud services reside on third-party servers, some companies are wary about surrendering control over data security—particularly if disaster recovery proves necessary and something has gone wrong on the cloud provider's servers.

IT infrastructure may have to be significantly altered, and eventually heavily reduced, in the wake of such a switch.

Extracting remaining value from on-premise software installations and pre-paid licensing fees may create a "wait and see" attitude that hampers adoption.

Comparing On-Premise and Cloud Software Solutions

Choosing the "right" solution for your enterprise requires a closer look at how the broader features of both cloud software and on-premise software can be applied to specific business needs.

Cost of On-Premises

Ongoing costs for local deployments include data center maintenance, server hardware, software licenses, power consumption, back-up management, and

support staff.

Cost of Cloud

Applications built on cloud computing are generally sold on a “pay-as-you-go” model that limits investment to the number of instances necessary to support your organization.

Maintenance, upgrade, and service costs, as well as support, backup, and data center power costs, are borne by the cloud provider.

Local IT staff may be required to provide both general support and hands-on support for cloud applications.

Security of On-Premises

Organizations with significant data security concerns (e.g., government agencies, banking enterprises, certain commercial storefronts) require a level of protection for sensitive data that may not be possible with cloud computing.

Until this disparity is addressed, it’s likely these industries will continue to embrace on-premises software as a justifiable expense.

Security of Cloud

The frequency of data breaches on platforms using cloud infrastructure has made security the number-one concern for those considering a switch to cloud systems.

With everything from user’s personal information to irreplaceable intellectual property and financial data at stake, some companies may find themselves reluctant to leave on-premises software behind completely.

Hybrid cloud solutions may prove more enticing, as they provide a blended solution and a greater degree of control for information that requires an additional layer of insulation from public access.

Deployment of On-Premises

All deployments are handled by IT staff and integrated locally into the company’s IT infrastructure.

Deployment may be automated to an extent, but the software, training, and both basic and advanced support are all the responsibilities of local IT.

Deployment of Cloud

Depending on their needs, companies will choose a public, private, or hybrid cloud platform for their deployments.

All three of these models use a remote data center to stream software to the user base, either across the Internet, from private servers, or a mix of both.

Deployments are automated, fully configured upon deployment, and adjustable based on user level and role.

IT staff will likely provide specialized support locally, but will not be responsible for data center support or maintenance for the software itself.

Control of On-Premises

Data retention and control are absolute, barring egregious infiltration by hackers.

All data functions, software and hardware upgrades, and customization can be fine-tuned directly by IT staff.

Control of Cloud

Data ownership and access are generally considered to reside with the business generating the data; however, because encryption is built into the cloud platform, should there be a catastrophic failure, data can be inaccessible and work may grind to a halt as applications will be unavailable.

Compliance of On-Premises

Regulatory controls such as the Health Insurance Portability and Accountability Act (HIPPA), the Family Educational Rights and Privacy Act (FERPA), and Environment, Health, and Safety (EHS) dictate the legal path businesses must take in pursuit of enterprise.

These regulatory controls dictate the proper maintenance of often detailed,

elaborate, and private records that must be protected by law.

As a result, companies may choose to “bite the bullet” and pay more to remain with on-premises software platforms in order to ensure their security meets compliance standards.

Compliance of Cloud

For companies using cloud computing platforms, due diligence and a thorough review of all third-party providers is essential to avoid running afoul of compliance requirements.

Both privacy and data security must be adequately protected, and systems in place to ensure all parties are up-to-date with software, hardware, and security protocols to maintain compliance.

Which Software Approach Works Best for Your Business?

The cloud is light, fast, flexible and customizable—but if data security is your main concern, there’s something to be said for keeping your feet on the ground.

Whether you’re on the fluffiest of cloud platforms, keeping things old-school with an iron-clad on-premises package, or mixing things up with a little of both, choosing a software package with the security, cost, control, deployment, and compliance features you need will ensure your company’s ready to get down to business.

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