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Joe McKendrick, Contributor
I track how technology innovations shape our workplaces and world
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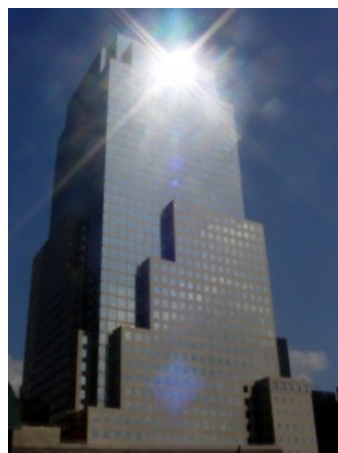# Cloud Computing May be a Shot in the Arm our Economy Needs

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Economists and pundits have long feared the emergence of what they called "hollow corporations," or businesses that don't actually produce actual goods or services themselves, but instead act as brokers or intermediaries relying on networks of suppliers and partners. But now, thanks to technology, successful businesses surprisingly *are* often brokers of services, delivered via technology, from providers and on to consumers.

Where are these services coming from? Look to the cloud.

Yes, cloud computing enables cost savings — as companies can access technology and applications on-demand on an as-needed basis and pay for only what they use. And yes, this fosters greater agility, with less reliance on legacy IT assets. But the changes go even deeper than that. Consider the ways cloud computing is altering our business landscape:

"Loosely coupled" corporations: I don't think anyone should fear that our corporations are becoming "hollow." Rather, "loosely coupled corporations" may be a better way to describe what is happening. The term "loosely coupled" came into vogue with service-oriented architecture a few years ago, meaning an entity or system stands fine on its own, but when linked to other like systems, the magic happens. Cloud computing is paving the way for the loosely coupled company – which may be an entity that exists purely as an aggregation of third-party services, provided on an on-demand basis to meet customer

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demands. Most of these services will be passed through as cloud services, both from within the enterprise and from outside.

Blurring of IT consumers and providers: In the IT world, the divide has been very clear cut: there were the vendors who provided technology products and services, and there were customers that purchased and used them. Cloud computing is blurring these distinctions. There's nothing stopping companies that are adept at building and supporting their own private clouds from offering these services to partners and customers beyond the firewall. In fact, many already do. Amazon was an online retailer that began to offer its excess capacity to outside companies. Even non-IT companies are becoming cloud providers. Cloud computing may finally mean a way for IT to finally become a profit center.

Startups on a dime: Let's face it, there's no point in investing $50,000 or more in servers and software when everything you need is right in the cloud. I like the story of GigaVox, a podcasting provider, that launched off of Amazon Web Services a few years back. Their startup IT costs? About $80 a month, for everything from storage to back-end processing. As Chris Sacca, a software startup investor and former Google executive, put it: "The biggest line item in [software startup] companies now is rent and food... A decade ago, I don't think you could write a line of code for less than $1 million." As we ponder unemployment and underemployment in our economy, the availability of cheap cloud computing may be laying the groundwork for a startup boom, the likes we have never seen before. This applies to departments of larger organizations as well, by the way. Designing new products, without the need to go through corporate finance and IT approvals definitely is a great way to instill entrepreneurial spirit.

More software innovation: Even the smallest software firms — say a one or two-person shop — can sell services, or apps, and build a business on micropayments — earning a few cents or dollars per sale. We see this in action at the app stores, in which software authors can post their offerings for a wide audience and receive about 70% of the proceeds, with the app store taking the rest. A 16-year-old may be putting apps in the cloud that will be used by Global 1,000 companies, and, conversely, enlightened developers in those same companies may be distributing and selling their own apps to the rest of the world.

Rise of "micro-outsourcing": Cloud computing is essentially is a form of micro-outsourcing. The old model of outsourcing — in which multi-million-dollar contracts to run data centers or build platforms are awarded — is giving way to a much more fine-grained, incremental approaches. Companies from around the globe can quickly tap into services needed at the time they are needed. Again, cloud provides amazing opportunities for entrepreneurs or startups looking to support businesses that need additional support.

Cloud computing isn't revolutionary because it's changing the mode of technology delivery. The real revolution that is underway is that it is opening up new lines of business in information technology or service delivery — even among non-IT businesses.

(Photo by the author.)

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I am an author and independent researcher, covering innovation, information technology trends and markets. I also can be found speaking (and listening!) at business IT, cloud and SOA industry events and Webcasts. In recent years, I

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