Is Bigger Better? Not with Cloud on your Side

By Marc Malizia

Chief Technology Officer, RKON Technologies

Is Bigger Better?

Growing up, bigger almost always equated to better. The bigger kid hit the baseball farther, threw the ball faster, shot the hockey puck harder and usually won the fight. In school, we were taught that larger companies were better than the smaller ones. Bigger, meant better economies of scale, more market share and, efficiency and larger, more profitable revenues.

As a businessman in today's economic environment, I see things differently. The smaller, more agile companies are disrupting the market, innovating without the baggage of the larger companies, reducing barriers to entry by leveraging cloud services and social media, thereby causing headaches for the larger, slower moving companies. Research provided by Innosight and referenced by Richard Forrester, shows that Fortune 500 companies are turning over or going bankrupt at an alarming rate. More than 50 percent of the Fortune 500 had been eliminated from the list since 2000.

Forrester states the life span of a corporation is determined by the following three principles:

1. Running operations effectively.

2. Creating new businesses which meet customer needs.

3. Shedding business that once might have been core but now no longer meets company standards for growth and return.

Balancing three of these principles can been quite difficult, especially for a large company. Creating new business, while trying to maintain operational excellence of existing business is tough to do and we all know about the companies that did not shed core business to seek new opportunities—Kodak, Blockbuster…enough said. While this is all true, companies were able to somehow to maintain dominance for a much longer period than they are now as depicted by the following statement: "Fifty years ago, life expectancy of a firm in the Fortune 500 was around 75 years. Today, it's less than 15 years and declining all the time." So, what changed to cause this drastic shift in power?

What did not exist 50 years ago was the rapid pace of innovation, ease of taking an idea to a business almost instantly, direct reach to customers and agility to move at lightning speed that now comprises the DNA of today's business en-

vironment. Companies build upon these genes are disrupting the market, constructed from the ground up to execute with excellence and meet customer demands, while remaining agile to change business strategy at a moment's notice.

How are they doing this?

Businesses are leveraging the cloud and its three main services; Infrastructure as a Service (IaaS), Software as a Service (SaaS), and Platform as a Service (PaaS). IaaS provides these companies with an instant, on demand platform for their servers, storage and backup. No big capital expense is required; merely a monthly payment for what is used.

SaaS provides access to business application, such as Salesforce, email, accounting applications and customer relationship management (CRM) applications, all without having to hire people to manage these applications or the infrastructure upon which they reside—another pay as you go model, allowing minimal up-front investment. PaaS allows these companies to leverage existing infrastructures for application development, reducing the cost and complexity of managing these environments in-house, also enabling the ability to quickly move new features and code from development to test to production. For example, Amazon adds a new feature every 10 seconds while its competition takes seven to nine months. Now that is a competitive advantage.

As you can see, these new companies have all of their needs taken care of for a monthly fee, and can keep their employees focused on the core needs of the company. The on-demand nature of the cloud gives them the agility they need while access to cloud-based social media such as Twitter, Facebook and Linkedin, gives them instant access to their customers, enabling instant feedback on their product ideas, allowing them to quickly address customer demand. Additionally, crowd-funding sites, such as KickStarter and Indiegogo allow an idea to become a reality in months. No longer do companies need to write a 50-page business plan, seek investment funding, test market and then deliver a product. The barriers of entry to a market have been eliminated by the Cloud and its' benefits.

This is not to say that all big companies are doomed, but they should take a page out of the book of these disruptors; leverage the cloud for the transformative technology it is, capture its benefits, continue to innovate at a rapid pace, never rest on your laurels and stay in tune with your customers' ever-changing needs.