Oracle provides governments with a bridge to cloud services
Ovum view

Summary

Oracle’s approach to cloud is simple: it intends to offer its full suite of services as cloud services. To achieve this, Oracle has spent the last few years turning its existing portfolio of services into a cloud-ready set of solutions. Meanwhile, all new software has been designed from a "cloud-first" perspective before being rolled back into on-premise versions. However, for many public sector organizations, the ability to adopt cloud services is held back by regulation or security concerns.

Oracle Cloud at Customer is a new family of offerings that provides government clients with a version of Oracle Public Cloud that is managed on-premise but sold as a service in the same way as public cloud services, run remotely, and delivered behind the corporate firewall. Oracle Cloud at Customer presents government bodies with a simpler path to a cloud environment.

Some parts of government are simply not ready for public cloud

Government CIOs are increasingly positive about the adoption of cloud services. However, a lack of skills, demonstrable savings, and performance improvements, as well as restrictive procurement processes, hold government organizations back from realizing the full benefits of adopting cloud services. Resistance to change can be further compounded when data laws and accounting requirements are overlaid on top of these challenges.

Oracle rightly believes that most government organizations are simply not ready to adopt public cloud solutions, and are instead looking for a path that provides the opportunity to realize some advantages of cloud services while keeping control in-house. Providing that path is at the heart of Oracle's Cloud at Customer solution.

Oracle Cloud at Customer provides government clients with a path to adopting cloud services

In a market that has to date been dominated by "best-of-breed" providers, Oracle is setting out a different vision by offering a comprehensive suite of services across infrastructure-as-a-service (IaaS), software-as-a-service (SaaS), and platform-as-a-service (PaaS). To some extent, this makes sense. Government organizations new to cloud services are more inclined to choose the same provider as this helps ensure a less risky path when migrating to cloud services. However, many government organizations are still hesitant to shift line-of-business services into the cloud. Instead, they prefer to move noncritical applications to the cloud, or shift development and testing workloads across first. This leaves government organizations running dual estates with all the added complexity and cost this brings.

Realizing this, Oracle created Oracle Cloud at Customer. Oracle Cloud at Customer provides customers with access to Oracle's cloud services from behind their own firewall, effectively allowing them to operate as a node to Oracle's networks. While Oracle continues to host the platform, the customer has full control over policies governing which workloads are allowed to run on the platform through a common set of tools and APIs. It brings the ability to move both Oracle and non-Oracle workloads between on-premise and Oracle public cloud services (part of Oracle's move to a more open approach to interoperability). This brings a level of flexibility that will be of interest to government
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departments that provide services with differing levels of data security and privacy needs, but are looking for consistency in contracting and experience.

The first installment of Oracle Cloud at Customer is the "Oracle Cloud Machine." So far, Oracle has announced that it will make the following cloud services available via the Oracle Cloud Machine, although the company expects to provide many of its other services as well:

- Infrastructure as a service – the ability to create compute virtual machines and flexible cloud storage.
- Java Cloud Service – a subscription-based service that provides a complete Oracle WebLogic clustered deployment, including load balancing.
- Integration Cloud Services – enterprise integrations to simplify the integration of on-premise and cloud applications.

Services to be added in the future include:

- Database Cloud Service – a set of tools that allows customers to use the Oracle database to manage data infrastructure in the cloud.
- Application Container Cloud – service application development tools that enable Java SE and Node.js applications to be developed and deployed in the cloud.
- A Messaging Cloud Service tool to enable management of applications across on-premise systems and the Oracle Cloud via a single API.

The service is initially only available in the US, although we expect Oracle to offer it in other countries soon. As the Oracle Cloud at Customer service expands, additional targeted "machines" providing different specific Oracle Cloud services behind the customer's firewall are expected in the future.

Addressing the elephant in the room: pricing

The biggest draw of cloud services is the promised cost reductions and flexible contracting models. Oracle is pricing the service in the same way as its cloud services. There will be a subscription model with an inclusive level of use, which will be good for those with predictable workflows.

For users whose levels of use are likely to vary, there will also be a metered pay-as-you-go model, as well as a prepaid model that lets the user convert deposited funds into a subscription model on a project-by-project basis. These subscriptions can have a cap put on them to prevent staff from running up huge costs as they move from "all-you-can-eat" pricing to pay-as-you-go.

Oracle also offers customers the ability to contract for unexpected workloads. However, clients should be aware that this type of flexibility comes at a cost and requires some commitment from the customer – the minimum contract period is three years.

Moving legacy services remains a bigger barrier to IaaS and PaaS than Oracle thinks

To date, the preferred approach to cloud infrastructure for government departments and agencies has predominantly been through the use of private cloud (either hosted or on-premise). This approach is driven by security concerns, and by the fact that government organizations are not comfortable with moving legacy systems onto any kind of public cloud infrastructure.
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Many prefer an approach that starts with moving low-level, mundane workloads to cloud infrastructure. DevOps and testing tend to be low-priority workloads, but they are also unpredictable in terms of the amount of resources they use. This makes cloud the ideal environment for them, given that it is expensive to power and maintain on-premise R&D infrastructure that is not needed all of the time.

However, government agencies should not expect to see a sudden change in expenditure when adopting cloud infrastructure for DevOps and testing unless there is a corresponding change in culture. IT staff have grown accustomed to always having the lights on. Moving suddenly to a model where these resources are priced by the minute or kilowatt hour is likely to be painful and difficult, because this can introduce increased transparency and controls. Re-educating users is just as important.

Enterprise cloud conversations are shifting from talk of cost savings to transformation of business processes. We believe Oracle’s approach will find traction with government clients of a certain scale and complexity, such as those with responsibility for benefits or taxation at the national level, which face a difficult path to cloud adoption, but are looking to take advantage of the price flexibility that cloud brings.

Appendix

Further reading

"Oracle acquires Ravello to make it easy to move workloads to the cloud," IT0022-000637 (March 2016)

"Oracle is joining the Docker fray with its acquisition of StackEngine," IT0022-000594 (January 2016)

Oracle’s Public Cloud Portfolio Expansion: Nearly Complete, IT0022-000505 (September 2015)

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We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum’s consulting team may be able to help you. For more information about Ovum’s consulting capabilities, please contact us directly at consulting@ovum.com.

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