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Cloud computing and the electrical grid, Part 2

In last week's column, we began our examination of the similarities between cloud computing and electricity. This week, we'll consider how and why the outsourcing of power production occurred and how that process parallels what is happening today as businesses increasingly turn to the cloud for their computing needs.

As we learned last week, in his book, "The Big Switch," Nicholas Carr compares the electrical grid to cloud computing. He explains the basis for this comparison: "In the early days of electrification, factories had to build their own generators if they wanted to use the power of electricity— just as today's companies have had to set their own information systems to use the power of computing."

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So, before addressing the outsourcing of computing power, it's important to understand how and why power production was outsourced. According to Carr, businesses were initially reluctant to out-source the generation of electricity: "Factory owners, having always supplied their own power, were loath to entrust such a critical function to an outsider."

Attitudes eventually began to shift, and, as the economic realities became difficult to ignore, factory owners began to outsource power production. As technology improved over time, small, central stations were built, thus allowing electricity to be distributed to private homes and small businesses. Carr describes this process as follows: "Manufacturers came to find that the benefits of buying electricity from a utility went far beyond cheaper kilowatts. By avoiding the purchase of pricey equipment, they reduced their own fixed costs and freed up capital for more productive purposes. They were able to trim their corporate staffs, temper the risk of technology obsolescence and malfunction, and relieve their managers of a major distraction."

We are in the middle of a very similar sequence of events in regard to business computing and the mass adoption of cloud computing. The fiber-optic cables laid at the turn of the 21st century are now providing the bandwidth needed to take advantage of cloud computing alternatives.

Privately owned corporate data centers are underutilized and wasteful. More and more resources are being expended to maintain the status quo. For many companies, continuing to operate legacy computing systems is a complex and costly proposition when compared to the simplicity and cost-effectiveness of outsourcing the same functions to a cloud computing provider. We have reached the tipping point.

Of course, cloud computing is not the ideal solution for every business. In fact, for some businesses, cloud computing simply does not make sense. That might be the case for some law firms, at least for now. If your firm already has a desktop or server-based practice management, billing, or other type of software system recently put into place that works, then cloud computing may not be the best alternative — at least not right now.

Likewise, there are ethical and security issues that are of specific concern to lawyers, as I have discussed in other articles. Because the technology is so new, many of these issues are of first impression and have not yet been fully addressed by the various state ethics committees.

Cloud computing introduces a number of wrinkles into the ethics landscape, many of which have the potential to impact the sacrosanct duty of a lawyer to protect client confidentiality. So, if your state has not yet addressed these ethical issues, you may want to consider holding off on incorporating cloud computing into your law practice. Again, it is a very practice-specific determination, and what works for your office may not work for another lawyer's practice.

Regardless of whether your law firm plans to use cloud computing in the near future, understand that, for many businesses, cloud computing is becoming an increasingly viable option. As cloud computing becomes more popular, the number of cloud-computing products offered to businesses and consumers will explode.

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