VIEW POINT

SAP PUBLIC CLOUD vs. PRIVATE CLOUD IN THE PUBLIC SECTOR: STRATEGIC CONSIDERATIONS FOR C-LEVEL LEADERS

Executive Summary

As government agencies advance their modernization efforts, the decision between public and private cloud models becomes increasingly critical. This Point of View (POV) explores the strategic implications of each deployment model, highlights recent adoption trends, and outlines key decision-making criteria for C-level executives navigating this evolving landscape.

Infosys® Public Services

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The market for SAP Public Cloud opportunities in the public sector in 2025 is experiencing strong momentum, driven by digital transformation initiatives, cloud-first mandates, and increasing demand for secure, scalable, and AI-enabled ERP solutions. Here is a breakdown of the current landscape:

Market Growth & Trends

- **SAP Cloud Revenue Surge:** SAP reported a 28% year-over-year increase in cloud revenue in Q2 2025, with SAP Cloud ERP Suite sales up 34%.

  This includes significant traction in the public sector, despite elongated sales cycles due to regulatory and procurement complexities.

- **Public Sector Software Market**: The global public sector software market is projected to grow from $0.36B in 2024 to $0.39B in 2025, with a CAGR of 8.1% through 2033.

  Cloud-native adoption, AI integration, and mobile-first platforms are key drivers.

- **Cloud ERP Adoption:** Gartner forecasts $723B in public cloud spending by 2025, with a strong shift toward cloud-native ERP systems in government agencies

SAP in the U.S. Public Sector

- **SAP NS2** (National Security Services) offers FedRAMP-authorized cloud solutions tailored for U.S. federal and state agencies, focusing on data sovereignty, cybersecurity, and compliance
- **SAP S/4HANA Public Cloud** is being adopted by agencies for budgeting, grants, HR, and supply chain management. SAP is positioning itself as a key enabler of AI-driven, secure digital transformation in government
- **Federal Forum 2025** highlighted strategies for enterprise-wide cloud adoption, emphasizing SaaS models, AI integration, and workforce modernization

Opportunities & Challenges

Opportunities

- Modernization of legacy systems in federal, state, and local governments.
- Demand for AI-powered decision-making and predictive analytics.
- Expansion of secure cloud infrastructure and inter-agency data sharing.

Challenges

- Elongated procurement cycles and complex compliance requirements.
- Integration with legacy systems and workforce up-skilling.
- Budget constraints and political oversight in public sector IT spending.

Strategic Outlook

Infosys continues to track SAP strategy in the marketplace. Through frequent attendance at SAP-sponsored events, we appreciate that SAP is well-positioned to capitalize on public sector cloud opportunities in 2025, especially through:

- Strategic partnerships (e.g., with Databricks and Alibaba)
- Expansion of SAP NS2 offerings
- Continued investment in AI, cybersecurity, and compliance frameworks

Cloud Models: Strategic Decision Considerations

Feature	Public Cloud	Private Cloud	Hybrid Cloud	Key Consideration
Budget Constraints	Lower up-front investment	Higher initial investment	Mixed; depends on architecture	Budget and ROI
Change Management	Requires process standardization	Supports legacy process retention	Requires strong governance	Requires strong governance
Compliance Needs	General compliance	Industry-specific compliance	Regional and industry compliance	Industry-specific Compliance mandates
Cost Model	Subscription-based; pay-as-you-go; lower TCO for SMBs	Higher up-front costs; predictable OpEx; better for large enterprises Higher CAPEX, predictable TCO long term	Balanced cost model	Budget and ROI
Customization	Limited; fit-to-standard approach with SAP BTP extensibility	Extensive; supports ABAP, custom modules, and legacy process migration	Selective customization: legacy systems can coexist with cloud innovations	Customization control
Deployment Model	Shared infrastructure via third-party providers Multi-tenant SaaS	Single-tenant, dedicated infrastructure; Dedicated infrastructure, on-prem or hosted	Combination of public and private	Flexibility and control
Organizational Business Processes	SMEs, standardized processes, fast time-to-value	Enterprises with complex requirements	Transitional model, start with private cloud and move to public cloud as processes mature	Transitional model
Implementation Speed	Fast, pre-configured templates and rapid deployment Fast (6–12 months), SAP-managed	Slower; tailored implementation and migration	Variable; depends on integration complexity Optimized per system requirement; best with SAP Native tools	Implementation timeframe
Innovation Access	Fastest access to SAP SaaS innovations	Controlled access; slower adoption	Balanced access across environments	Assess the balance of standard processes and customized applications

Cloud Models: Strategic Decision Considerations (continued)

IT Maturity	Best for cloud-native or greenfield	Suitable for mature IT landscapes	Ideal for phased modernization	Mature or new SAP customer to understand tolerance of updates
Long-Term Strategy	Rapid scaling and agility	Deep customization and control	Strategic flexibility and resilience	Embrace and accelerate innovation faster
Ownership & Control	Managed entirely by SAP; limited infrastructure control	Greater control over infrastructure; managed by SAP or third-party	Partial control; mix of managed and self-hosted environments	Control philosophy
Scalability	High scalability; auto-scaling features	Scalable but may require manual provisioning; Controlled scaling	Scalable with control Elastic for standard, tuned for performance-critical workloads	Growth potential
Security and Compliance	Standardized security: suitable for general compliance May face cross-border data issues Shared, limited configuration	Custom security protocols; ideal for regulated industries Easier to meet local regulations Full control, critical for strict policies	Customizable security layers Selective compliance strategies Sensitive data in private; rest in public cloud	Risk management Regulatory alignment

Figure 1: Strategic Decision Considerations

Strategic Drivers for Cloud Selection

Public Cloud Advantages

- Rapid deployment for citizen-facing services
- Cost-effective for variable workloads
- Access to advanced analytics and AI tools

Private Cloud Advantages

- Sovereign control over data
- Easier compliance with national regulations
- Integration with legacy systems

Hybrid Models

Many agencies adopt hybrid strategies, combining public cloud agility with private cloud control. This approach supports modernization while maintaining compliance. Based on our experience, we see hybrid models being used in public sector, healthcare, financial services, manufacturing, pharmaceuticals, and aerospace and defense. Most hybrid models continue to employ private cloud model in retaining mission-critical systems.

Cloud Models: SAP Activate Considerations

With the evolving landscape of SAP cloud deployment models—Public, Private, and Hybrid—the techno-functional teams must be equipped with deep expertise in the SAP Activate methodology.

SAP Activate is not a one-size-fits-all approach; its application must be tailored to align with the specific characteristics and strategic considerations of each cloud model. Whether it is the rapid deployment and standardization of Public Cloud, the flexibility and control of Private Cloud, or the integration complexity of Hybrid Cloud, the methodology must support these nuances to ensure successful implementation and long-term scalability.

SAP Activate in Public Cloud (SAP S/4HANA Cloud, Public Edition)

- **Best Practice Content:** Highly standardized, pre-configured SAP Best Practices are delivered. Industry content is predefined, with limited customization flexibility.
- **Fit-to-Standard Approach:** Workshops focus on adopting SAP-delivered processes ("adopt, not adapt") with minimal deviation.
- **Project Phases:** All Activate phases (Discover →Prepare →Explore →Realize →Deploy Run) are streamlined with SAP Cloud ALM.
- **Extensibility:** Only in-app (key user tools) and side-by-side (via SAP BTP) extensions are allowed; no modification of core code.
- **Upgrades:** Quarterly automatic upgrades are mandatory, so testing cycles are shorter and frequent.

SAP Activate in Private Cloud (SAP S/4HANA Cloud, Private Edition / RISE with SAP PCE)

- **Best Practice Content:** Delivered but more flexible, organizations can adapt and extend them.
- **Fit-to-Standard & Fit-to-Gap:** Workshops allow fit-to-standard analysis but also accommodate customization and legacy process adoption.
- **Project Phases:** Activate phases are more detailed; often combined with SAP Solution Manager or SAP Cloud ALM for governance.
- **Extensibility:** Supports both in-app, side-by-side, and classic ABAP custom code.
- **Upgrades:** Customer controls upgrade timing (annual or agreed cycles), more stability and reduced disruption compared to public cloud.

SAP Activate in Hybrid Cloud (Mix of Public & Private Landscapes)

- **Best Practice Content:** Combination of standardized content (Public) and customizable solutions (Private).
- **Fit-to-Standard & Integration Workshops:** Extra focus on integration scenarios (public ←→ private ←→on-prem) across landscapes.
- **Project Phases:** Activate methodology is adapted with parallel tracks for public and private deployments, often requiring integration testing and governance layers.
- **Extensibility:** Mix of restricted extensibility (Public) and custom code flexibility (Private). SAP BTP often plays a significant role as an integration and extension platform.
- **Upgrades:** Public cloud side updates quarterly, private side less frequently. Requires synchronization planning for regression testing and integrations.

SAP Activate Foundation Summary

PUBLIC CLOUD

SAP S/4HANA Cloud, Public Edition

- **Best Practices**
  Pre-configured, standardized
- **Workshops**
  Fit-to-Standard only
- **Extensibility**
  In-app + BTP only
- **Upgrades**
  Quarterly automatic

PRIVATE CLOUD

SAP S/4HANA Cloud, Private Edition / RISE with SAP PCE

- **Best Practices**
  Flexible, more customiziable
- **Workshops**
  Fit-to-Standard + Fit-to-Gap
- **Extensibility**
  In-app + BTP + Custom ABAP

HYBRID CLOUD

Mix of Public & Private

- **Best Practices**
  Mix of both
- **Workshops**
  Both + Integration focus
- **Extensibility**
  Combination
- **Upgrades**
  Mixed cadence (complex)

Aspect	Public Cloud	Private Cloud	Hybrid Cloud
Best Practices	Pre-configured, standardized	Flexible, more customizable	Mix of both
Workshops	Fit-to-Standard only	Fit-to-Standard + Fit-to-Gap	Both + Integration focus
Extensibility	In-app + BTP only	In-app + BTP + custom ABAP	Combination
Upgrades	Quarterly automatic	Customer-controlled	Mixed cadence (complex)
Governance	SAP Cloud ALM	SolMan / ALM	Dual governance needed
Complexity	Lowest (standardized)	Medium (flexibility)	Highest (integration focus)

Figure 2: Summary SAP Activate Methodology

Key Considerations for C-Level Executives

Risk Management

Evaluate data sensitivity and regulatory exposure

Total Cost of Ownership (TCO)

Consider long-term operational costs vs. initial investment

Vendor Strategy

Avoid lock-in by assessing interoperability and migration paths

Workforce Readiness

Ensure internal capacity for cloud governance and oversight

Conclusion

In summary, Cloud strategy in the public sector is not a binary choice. C-level leaders must align cloud models with mission-critical goals, regulatory frameworks, and operational realities. Hybrid and multi-cloud approaches offer flexibility but require robust governance and strategic foresight.

- Choose **Public Cloud** if you prioritize speed, cost-efficiency, and are comfortable aligning with standard SAP processes.
- Consider **Private Cloud** if your organization requires deep customization, control, and needs to adhere to stringent regulatory or technical needs.
- In many cases, a **hybrid "two-tier" approach** using both models intelligently across your organization may be the viable option.

Enterprise Reference Sources (Bibliography)

Source	Description	Link
SAPTitan – "Key Trends in SAP Cloud Solutions for 2025"	Explores innovations and strategic directions in SAP Cloud for enterprise and public sector clients	Read here
SAP Community Blog – "Public Sector: Are You Cloud-Ready?"	Highlights the projection that 60% of public sector organizations will adopt cloud services by 2025, citing IDC research	Read here
SAP Public vs. Private Cloud: Understanding the Differences	Explore the key differences between SAP Public and Private Clouds, helping you make an informed decision for your organization's specific requirements.	Read here
Public Sector Sub-segments	• Industry-Segment One-Pager • High-level description of available scenarios / capabilities / functional Minimum Viable Scope (MVS)	Read here
Public Cloud	SAP Activate Roadmap Viewer – Public Edition; includes 2- and 3-system variants; blogs on roadmap differences	Resource 1 Resource 2 Resource 3 Resource 4
Private Cloud	SAP Activate Roadmap Viewer – RISE with SAP (Private Edition); Clean Core methodology in SAP Cloud ALM and training modules	Read here
Hybrid Scenarios	Integrated insights through Activate Viewer and SAP Cloud ALM in cross-edition projects; GROW & RISE guidance	Read here

Figure 3: Bibliography of Sources

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