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Why Digital Transformation can only succeed with a smart cloud strategy

WHITEPAPER

Abstract

Research shows that businesses are now well in the age of digital transformation. Digitalization is forcing enterprises to reinvent themselves to stay relevant or be disrupted. Those who aren't reinventing themselves struggle to simplify their processes, generate real-time data and drive key insights, thus leading to suboptimal business capabilities and outcomes. To overcome this, there is a need for them to utilize digital technology to improve business operations.

'Cloud' continues to be a key lever for enterprises who pursue the 'ambitious' digital transformation of their operating and business models. Besides letting organizations lower their total cost of ownership, cloud has enabled agile pivoting of core business processes and monetization mechanisms through need-based IT procurement. On top of facilitating enhanced flexibility and scalability in catering to dynamic customer demands, cloud technologies are allowing enterprises to reduce the time to market for new launches via quick prototyping.

HfS Research recently hosted a webinar where Ollie O'Donoghue, Research Director at HfS had a round of discussions with Robert Wysocki, CTO, Microland on cloud's role in digital business transformation and how digital can succeed with a smart cloud strategy.

This white paper outlines a three-pronged, phased migration and management roadmap for companies to overcome challenges associated with cloud, and maximize gains from their cloud-related investments. It also highlights some interesting takeaways from the discussions between Ollie O'Donoghue and Robert Wysocki during the webinar.

INTRODUCTION

Why Digital Transformation can only succeed with a smart cloud strategy

The fourth industrial revolution is well and truly under way. An unprecedented convergence of various disruptive technologies is fast blurring the lines between the physical and digital spheres. Consequently, consumer behavior is evolving at a dramatic pace, triggering a reimagination of products and services across industries. Companies today are seeking to overhaul their operating and business models, and optimize processes and systems spanning different functions, for enhanced revenues, profits and customer satisfaction.

This on-going Digital Transformation in the enterprise world represents a tectonic shift in the way organizations operate, in terms of sharply aligning IT technologies and workflows with core business goals. Be it stakeholders within the enterprise, or partners throughout the value chain, everyone is revisiting their traditional ways of working, in order to remain relevant and viable in a rapidly changing world.

The business case for embracing cloud is no longer confined to leveraging less-expensive storage and server capacity. Rather, it is more about shortening the ideation-to-execution life cycle, for disruptive and quicker innovation.

Robert (Bob) Wysocki's core responsibilities at Microland include driving innovation, incubating emerging technologies and enabling customers to leverage key digital technologies for rapid business and operational transformation.

Robert Wysocki, CTO, Microland »

What does digital mean to Microland?

Simply speaking, in the left hand you have your business processes and in the right, you have the digital technology. It is the merging of these two things in such a way that it changes the way you work and which in turn produces a better outcome for your end customers. The best example I'd like to give is something I heard at a recent conference.

The cloud operations leader from a Boston-based financial institution was delivering a talk about how digital is changing the fashion industry. She went on to say that in the distant future, instead of shopping online, you may just walk down your neighborhood, walk into a little kiosk through a body recognition camera, put yourself on the screen, sort through a bunch of customized designs, hit click, and your sweater pops out five minutes later that is customized to your body size and you walk out of the kiosk. That is digital and it is changing the entire way you approach a business, using technology, using facial recognition and body recognition, and just transforming it into something completely different. That to me is digital.

Evolving mandate for IT

While organizations want to harness next-generation technologies for boosting operational efficiency, business agility and customer experience, and accelerating innovation, they are also keen on ensuring business continuity. Accordingly, the mandate for corporate IT has changed significantly. Chief information officers (CIOs) over the decades had been tasked with keeping the lights on to run mission-critical processes, and reducing costs. However, they are now expected to also deliver customer delight responsiveness, effective marketing, and increased sales, apart from promoting continuous innovation across processes, functions and core products and services.

In order to successfully meet these wide-ranging expectations, IT is increasingly revamping its conventional playbook through adoption of new ideas and methodologies such as design thinking, DevOps and Agile software development.

Do you help clients figure out their business outcomes, identify what is necessary for their digital transformation journey and how to fix it?

Sometimes, the client is already through that part and we can jump in after that part. Quite often it's otherwise where it is a 2-3-day brainstorming session with the CEO, CTO, CIO and we get them to zero in on their key business outcomes. You have the ones that you can select from, given your status and the industry you are in. Competitive managers or the business managers will help lead through the process of what outcome they want to focus on because the journey really starts there.

Cloud fuelled digital transformation

A key lever being harnessed on this front by enterprises is the aggressive usage of cloud computing, or simply cloud. By provisioning easy-to-use, ubiquitous, on-demand IT services, cloud is helping organizations lower the total cost of ownership (TCO) and reduce time to market (TTM) for new launches. Cloud's in-built elasticity, in terms of need-based consumption and pay-as-you-go billing, as well as its array of embedded turnkey applications, are accelerating the Digital Transformation journey for many organizations. Another important dimension of cloud adoption is the ability to run applications anywhere, and make relevant data–and analytics-driven insights–available to end users anytime, anywhere.

According to a survey undertaken by the Cloud Industry Forum, 38% of organizations that have adopted cloud as part of their Digital Transformation strategy say that off-premise IT service provisioning has strengthened their competitive advantage. In comparison, the poll found that the equivalent figure for companies lacking a Digital Transformation strategy came in at a much lower five percent.[1]

Indeed, the business case for embracing cloud is no longer confined to leveraging less-expensive storage and server capacity. Rather, it is more about shortening the ideation-to-execution life cycle, for disruptive and quicker innovation. Forrester expects cloud to emerge as a must-have business technology[2] in 2018, as enterprises recognize its tangible value in the context of their Digital Transformation initiatives. Already, 80%[3] of enterprises cite cloud as a key component of their digital transformation program, the 2018 State Of The Cloud Report[4] published recently by RightScale, the multi-cloud management company, shows.

How do you see enterprises adopting NextGen digital technologies to enhance their business outcomes? "

First, what I see is a dichotomy. There are those who are adopting the next generation digital well. And there are those who are not doing it so well. It is quite easy to see the difference. All you need to do is ask the enterprise, "What are you doing and why are you doing it"? Those who are not doing it so well will talk about migration to the cloud, transformation of the network, modernization or digital workplace and technologies. At the end of the day, it will be lot of details but devoid of the business outcome associated with any of that. That is a clear sign of an enterprise that is off the rails.

Then there are enterprises that are doing it well. Here, they begin with the end goal in mind. They have a clear significant business outcome they want to achieve. For example, it may be increasing asset availability, automating mortgages or enhancing customer experience. The selection of NextGen technologies evolves from that business outcome. So, the message is, don't go after digital just because it is digital. Make sure that you are aligning it with your business outcome and your business decisions are based on the outcome in mind.

Here are four major ways in which cloud is facilitating digital transformation:

Increased Flexibility

1

In a cut-throat marketplace where product cycles continue to get shorter and technologies become obsolete faster than ever, companies need to be more agile and flexible by the day. This entails frequent pivoting of core business processes and monetization mechanisms. Cloud enables that precisely by letting organizations adopt a need-based IT procurement approach, wherein they can dynamically source the requisite infrastructure, platforms and computing resources. As a result, businesses are able to respond to rapidly changing customer demands in an agile way.

Cost Rationalization

2

Allowing enterprises to transition from capital expenditure-based IT operations to one centred around operating expenditure remains, and will remain, a central feature of the cloud's value proposition. The OpEx driven service model's inherent elasticity paves the way for better scalability too, with companies being able to effectively procure more IT resources in line with emerging requirements. Gartner pegs[5] the typical cost savings accruing from cloud migration at around 14%.

Quick Prototyping

3

Customer preferences across industries are changing fast, and enterprises must be able to steadily innovate, test, execute and repeat for their DX initiatives to bear fruit. This is where cloud can provide organizations with ready-to-use platforms and templates that they can use for easily developing, validating, and rolling out applications without having to install complex infrastructure. The significant advantage of this feature is evident more so in the case of large-scale DX projects involving multiple business lines and offerings, with businesses having to test and implement multiple solutions across diverse platforms.

Enhanced Collaboration

4

Finally, cloud is bringing teams across the organization, spanning various functions, closer, empowering them to work together in a more effective and productive way. By encouraging a non-hierarchical mode of working, cloud can help foster a culture of creativity and innovation.

It's no surprise that IDC expects[6] cloud spending to soar by 25% to over $100bn, with the number of remote data centers projects to double.

Migration challenges

Given the several benefits associated with adopting the cloud, why do companies struggle to transition smoothly from their "can't do" legacy IT operations to the cloud's "can do", as-a-service mode?

While almost all enterprises have already implemented cloud–including customer relationship management (CRM), human capital management (HCM) and procurement applications–many are grappling with the issue of how to design an exhaustive cloud strategy. Primarily, they are worried about how to protect current IT investments, fast-track innovation, and minimize disruption to the organization's unique workflows. Concerns relating to potential outage, security vulnerabilities, possible loss of ownership over essential business processes are prompting resistance to cloud migration of crucial enterprise applications.

The growing complexity of the modern day IT landscape is also compounding matters, as technologies including artificial intelligence, augmented and virtual reality, machine learning, Big Data and the Internet of Things gain traction. Many companies are finding it challenging to simplify their IT systems and digital processes, even as they strive to make these assets more flexible for meeting evolving business needs.

As far as efficiently migrating mission critical applications to the cloud goes, enterprises are struggling to devise an all-encompassing, comprehensive SLA approach that eliminates the incentive for vendors to deliver unproductive, time-wasting services. The lack of such an approach is also manifesting itself in the inability to integrate various on-premise and cloud applications effectively. Companies also find it difficult to appropriately leverage new skills and resources spanning multi-vendor application management, infrastructure and technical management.

" Is there any advice you could give on overcoming initial organization inertia or reluctance to change?

Microland is a digital accelerator for an enterprise's cloud or digital business transformation which maybe more than cloud. Need for collaborative partnerships is in the DNA of Microland's culture and it is the single factor in retaining clients throughout the years and helping them with their journey. On the business side, enterprises concentrate on their strategy, creative vision and they plan their path. They may not necessarily have the skills, technical talent or the time to keep up with ever increasing pace of change. That is where Microland comes in to help an enterprise.

- Robert Wysocki
CTO, Microland
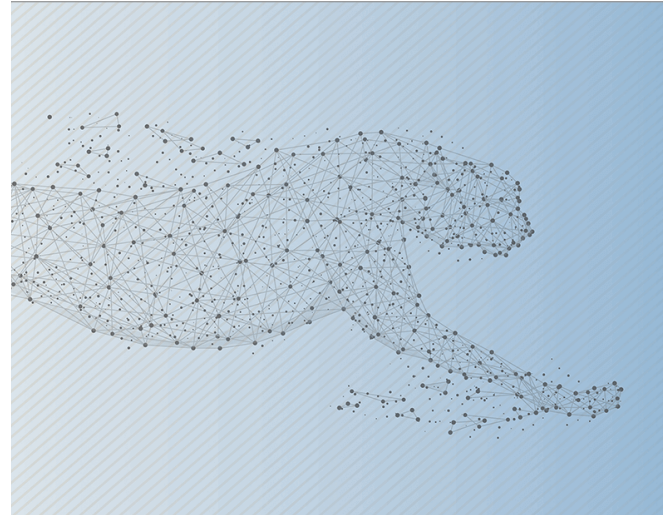
How to address migration challenges

For companies looking to overcome these roadblocks, and maximize gains from their cloud-related investments as part of the DX journey, we propose the following three-pronged, phased migration roadmap:

Assessment and design

First, evaluate the existing application landscape. Work in tandem with your cloud service provider to examine and prioritize different applications, deciding which ones should be migrated at the earliest and which ones can be transitioned later. To expedite matters, also zero in on systems that require specific private, public or hybrid cloud mechanisms.

Once the assessment is complete, partner with the cloud vendor to design a customized hybrid cloud that can facilitate the development of a software-driven, open IT framework which can absorb dynamic workloads, and accommodate diverse technologies.

Following the finalization of the solution roadmap, build the new hybrid cloud platform, in line with the unique business needs of your organization. In this regard, engage with experienced service providers who can orchestrate time-bound, cost-effective execution through smooth coordination of procurement, deployment and integration of cloud hardware, software and services.

Transition and management

After the hybrid cloud setup is rolled out, migrate business workloads in a phased manner. Specifically, solicit cloud providers specializing in migration services, as well as third-party migration expert partners. Make sure your in-house IT team, which has the most intricate understanding of various systems, collaborate effectively with external migration specialists to transition complex workloads smoothly.

Once workloads are migrated to the new infrastructure, as per the software-defined framework's design, bring in dedicated cloud providers who can provision daily support for IT infrastructure and applications.

Innovation

Post design and execution of the services framework, work with your cloud service providers to iterate around key business processes, and refine software applications based on Agile and DevOps principles.

Apart from adopting the above three-phase cloud migration and management roadmap, companies should keep in mind the following pointers:

1 Define the key business outcomes expected from cloud adoption, e.g. better asset availability for manufacturing, enhanced customer experience in banking, reduced cycle time for quote generation in insurance.

2 Set expectations with executives and stakeholders with regard to the Enterprise Transformation Journey; bring everyone on the same page; enact the right organizational culture for better outcomes.

3 Promote collaboration/partnerships within the organization, as well as with vendors, instead of pursuing a transactional approach; embrace new concepts like design thinking for solving problems.

4 Focus on enhancing both technical and business capabilities; for instance, harness automation (AI, ML, RPA) for lower TCO, increased business agility, better customer experience, enhanced workforce productivity. In parallel, focus on business models relating to cloud provisioning– business model based on outcomes, rather than business model based on consumption.

Conclusion

Cloud can indeed deliver significant business value for organizations, and accelerate their digital transformation. However, enterprises will find it difficult to realize this dream by solely relying on in-house IT. Teaming up with specialized cloud service providers would allow companies to accelerate and smoothen workflows that are currently limited by their on-premise systems. Moreover, soliciting external vendors for faster and cost-effective cloud migration would enable quick replacement of outdated applications for a clutter-free, simplified IT landscape.

As technological disruption gains momentum, the pressure on organizations to transform themselves will only increase. For their ambitious digital transformation programs to yield the desired results, organizations must take a step-wise, incremental approach toward cloud adoption, refining their implementation strategies based on continuous learnings. Maintaining a status quo is no longer an option.

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Microland accelerates the digital transformation journey for global enterprises enabling them to deliver high-value business outcomes and superior customer experience. Headquartered in Bangalore, India, Microland has more than 3,800 professionals across its offices in Australia, Europe, India, Middle East and North America. Microland partners with global enterprises to help them become more agile and innovative by integrating emerging technologies and applying automation, analytics and predictive intelligence to business processes.

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