

Trailblazers on the path to value

Our survey of 350 executives across the United States **shows** that migrating to the cloud is as much a business strategy as a technology strategy. Companies are focusing on benefits like innovation and collaboration, not just traditional IT values like efficiency and cost savings. But how well are these business decisions paying off, and what are the leaders doing differently from their competitors?

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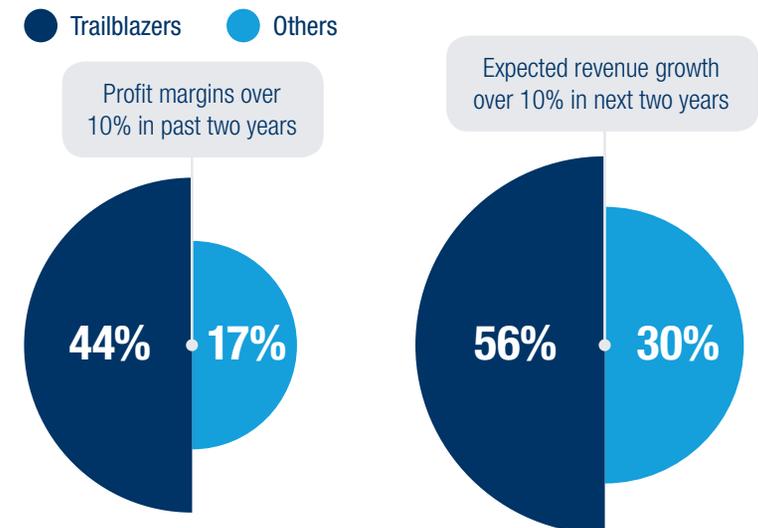
To answer those questions, we identified a small group of companies that are further along than their peers in terms of moving assets to the cloud. These Trailblazers, as we call them, make up just 14% of the survey sample. Their cloud operations are by definition either partially or fully functional, something barely half of other respondents can claim, and they are more likely to have defined a strategy and vision for their migration.

Trailblazers are fairly evenly distributed across industries and tend to be among the larger enterprises surveyed. But wherever you look, they are ahead of the pack. These companies have moved more functions into the cloud: over half of them have migrated supply-chain applications, vs 37% of other companies, and the gaps are even wider when it comes to CRM and other sales systems, application development, and project management. And Trailblazers are expected to widen their lead in some key categories over the next two years.

Although it is difficult to prove cause and effect, the financial performance of our Trailblazers correlates with the relative maturity of their cloud strategies: they report substantially better bottom-line results and project more robust revenue growth in the future than other businesses. Trailblazers are more likely to report higher profit margins and higher profitability growth over the past two years than their peers, and are almost twice as likely to expect annual revenue growth of 10% or more in the two years ahead.

We started this research program with a **quote** from Nicholas Carr's groundbreaking book about the cloud, *The Big Switch: Rewiring the World, from Edison to Google*: "Ultimately, corporate decisions are economic decisions—and the advantages of utility computing are going to push companies in that direction." Nearly seven years later, Carr's prediction is looking solid. Businesses exist to make money, and the financial performance of early cloud leaders suggests that the cloud helps them do so. Other companies need to catch up in order to remain competitive.

Financial returns for Trailblazers



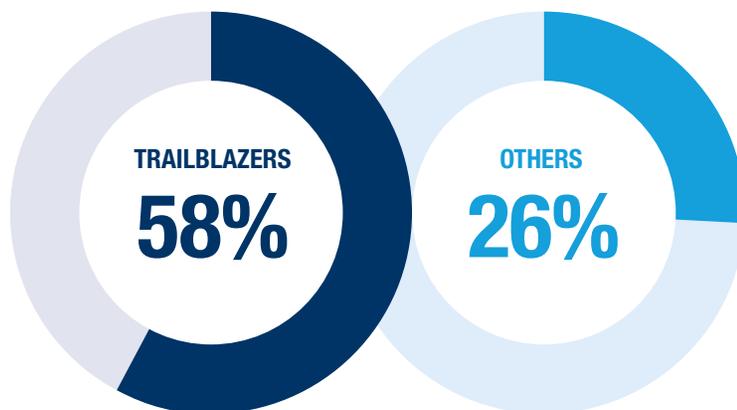
Mapping the journey

Being a Trailblazer on the path to value in the cloud involves more than just moving applications to a new hosting environment. It requires companies to take a strategic, forward-looking approach to migration. Trailblazers are using the cloud to fulfill long-range plans, drive growth, and develop new ways of doing business. While just one-third of non-leaders say cloud is critical to their organization's innovation strategy, over half of Trailblazers say so. Fully three-quarters say cloud is an important part of the long-range vision for their business.

Understanding the cloud as a strategic asset leads companies to treat migration as a process to be mapped out and managed carefully. Well over half of Trailblazers indicate that they have established a clearly defined strategy for migrating to the cloud, while barely one-quarter of other firms have such a strategy. This careful planning—or lack of planning—ripples across everything from vendor selection and service level agreements (SLAs) to auditing processes and the ways data is shared and used.

Developing a plan

% of companies that have a clear migration plan in place



Being a Trailblazer on the path to value is more than just moving applications to the cloud; it also means taking a strategic, forward-looking approach to migration.

Habits of highly successful companies in the cloud

Trailblazers—companies that have seized competitive advantage in the cloud—focus their attention and resources on a few key factors. Among other things, they:

Define a strategy. An understanding of cloud options and a clear migration strategy are critical. While 79% of Trailblazers understand private, public, and hybrid cloud options, just over half of other firms do. And 59% of these strategic leaders have a migration plan in place, compared with about a quarter of other companies.

Look for strategic opportunities. A focus on business value drives success. For example, more than half of leaders say the cloud is critical to the company's innovation strategy, while only one-third of others view the cloud as critical. Trailblazers are much more likely to say the cloud is allowing them to remake and transform IT, and are far ahead in terms of using cloud to reduce time to market.

Understand vendors and relationships. Due diligence, SLA, and security are key elements to cloud success. Nearly two-thirds of Trailblazers say they have clear expectations about vendor performance, while just one-third of other firms say this is the case.

Build metrics and analysis into processes. Flying blind is not a plan. Well over half of Trailblazers have established metrics and KPIs for measuring success in the cloud. Among others, the figure drops to 41%. Likewise, leaders have defined metrics for ROI (50%), while others trail behind (38%).

Taking the strategic path

At Los Angeles-based law firm Glaser Weil, which represents members of the Fortune 500, entertainment companies, and high-net-worth clients, the need for a state-of-the-art computing environment has led to a highly strategic best-of-breed approach to the cloud. The firm uses specialized software applications through a Software-as-a-Service (SaaS) model. This includes an expense-management system, an invoice-management application, and payroll and benefits management.

“We believe in using the best available product for the job,” explains Chief Information Officer Mark Karnick. “By using cloud applications and services, we have the luxury of being able to take a more flexible approach and select whatever works best for a given business need.”

Glaser Weil has plugged in virtualization and cloud capabilities in creative ways, allowing it to support applications and content on any operating system or device. Using virtualization and cloud capabilities, says Mr. Karnick, makes it possible to run Windows applications on Apple computers, and allows different combinations of hardware and software that would otherwise be impossible. Applications can run virtually or natively, allowing attorneys to operate more quickly and efficiently from almost anywhere—all while delivering high levels of security and business continuity.

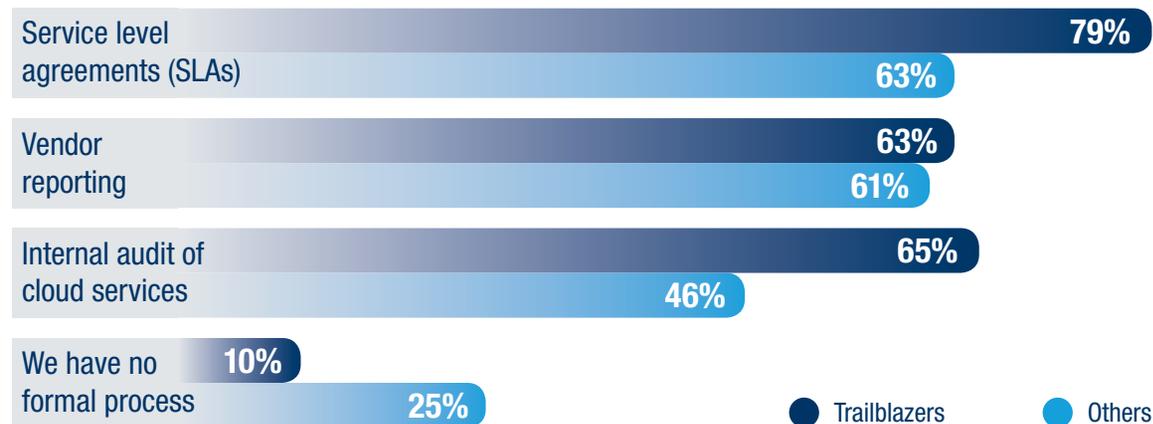
Mr. Karnick says these investments are only the beginning. “As time goes on, more and more things that we want to buy and use are going to be cloud-based.”

Cloud strategy and management are handled somewhat differently by Trailblazers, who tend to push decision-making out to a centralized group or committee at the regional or local level (33%, vs. 24% of other companies). Only 10% of cloud leaders rely on a central group or committee at headquarters to make decisions, vs. 17% of others. Ultimate responsibility for decision-making can reside with any number of senior executives, most often the CTO or CFO, with the CIO and COO also fairly well represented; while often similar to non-leaders in this regard, Trailblazers are less likely to give decision-making power to the CIO.

No concern influences cloud strategies more than data security. This is true across the survey population, but Trailblazers are even more focused on this issue than their competitors; 90% of them list data security as their top concern, vs. 74% of non-leaders. Reflecting their strategic approach to the cloud, Trailblazers are somewhat less likely to identify cost as a concern, and somewhat more likely to consider return on investment (ROI). They also pay considerably more attention to cultural issues and organizational resistance, and to intellectual-property protection.

When it comes to managing the quality and integrity of cloud services, Trailblazers are more likely than their peers to use SLAs and to perform internal audits. Just 10% of these leaders say they have no formal processes in place for this quality work, compared with a quarter of non-leaders. Trailblazers also are more adept at managing cloud service providers and getting more out of their vendors than other firms. They are far more likely to say their service provider adds measurable value to business results and to operating processes; to expect pre-sales technical consultation and a self-service portal after initial implementation; and to say tailored offerings are a core value proposition for service providers.

How do you manage the quality and integrity of cloud services?



Cloud drives results

The strong financial performance of Trailblazers relative to their peers is not in itself proof that cloud directly drives revenue and profit growth. Firms with a strategic orientation and healthy income statements may be more prone to investing in leading-edge technologies in the first place. What is clear is that Trailblazers tend to report and anticipate much better numbers than the competition.

Our cloud leaders estimate year-on-year revenue growth over the next two years at substantially higher rates than other companies, with well over half saying they expect gains greater than 10%, compared with 30% of their peers. Trailblazers also report greater profit-margin growth over the past two years—79% say profit margins have increased somewhat or significantly, compared with 50% of other companies—and are much more likely to have had profit margins of 10% or more in that time.

Whether cloud adoption drives financial performance or smart, robust businesses are more likely to make substantial, strategic cloud investments—or both—it is clear that Trailblazers are delivering better results and creating more value for their shareholders than other companies.

Conclusion

Trailblazers understand that cloud initiatives are strongly correlated with measurable business results. They make it a point to understand best practices, to learn how and where the cloud provides key benefits, and to determine which vendors meet the necessary performance, pricing, and security targets.

These cloud leaders are more likely to integrate clouds into their business models and include the technology within their strategic vision. They look to the cloud for help in entering new lines of business, moving into new geographic markets, and achieving numerous other strategic and tactical gains. Trailblazers outpace others in almost every key category and by the most meaningful of performance metrics—financial results. They understand that cloud computing is critical for success in an emerging digital world, and are acting on that reality.

About the research

This think piece is part of a large-scale research program built on a national survey of 350 business and technology executives and a series of executive interviews. To view our briefing paper and interactive infographic, visit our [project landing page](#). For more project news, check out cloudvaluepath.com.

