

The cloud gets down to business

Cloud computing is transforming the way companies operate, go to market, and perform on the bottom line. Our global survey of 200 senior business and IT executives, fielded in 2012 and again in late 2014, shows that the cloud is widely understood as a strategic investment and is well on its way to becoming the primary platform for business applications.

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There have been some changes in the way companies view the cloud over the past three years. The realities of implementation at scale and the maturation of the marketplace for cloud services have led to more realistic goals and a sharper focus on operational details (for more details on this evolution, see our paper, *The Cloud Grows Up*). But momentum remains strong.

Spending on the cloud is expected to be robust in the years ahead, continuing a long-term trend. Some big payoffs are being realized from earlier investments, and expectations for future performance are high. Among the key research findings:

- Nearly one-third of respondents say the adoption of cloud computing has had a transformative impact on their business performance.
- Supply chain, talent, and collaboration will be high-growth areas for cloud over the next three years.
- Real-time use of Big Data, enabled by the cloud, has grown in strategic importance.
- Companies see huge growth in the way cloud will transform the role of HR and change demand for new skill sets.

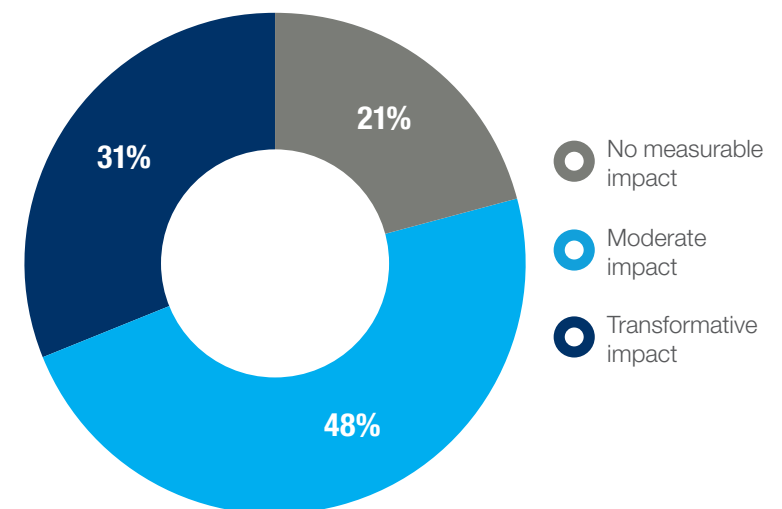
Cloud today is a maturing technology that boasts both a meaningful track record and the promise of untapped potential. Don Whittington, CIO of ASR Group, the world's largest refiner of cane sugar, says the business case for cloud is clear—and those who cannot find it in their own companies probably are not focusing hard enough on the possibilities.

The cloud is transformative

The impact of the cloud has been swift and powerful. Although many companies are in the early stages of working through the challenges of serious cloud implementation, nearly one-third of our survey respondents say their adoption of cloud computing has already had a transformative impact on their company's business performance, and nearly half report a moderate impact.

The cloud's transformative potential

To what extent has the adoption of cloud computing had an impact on your business performance?



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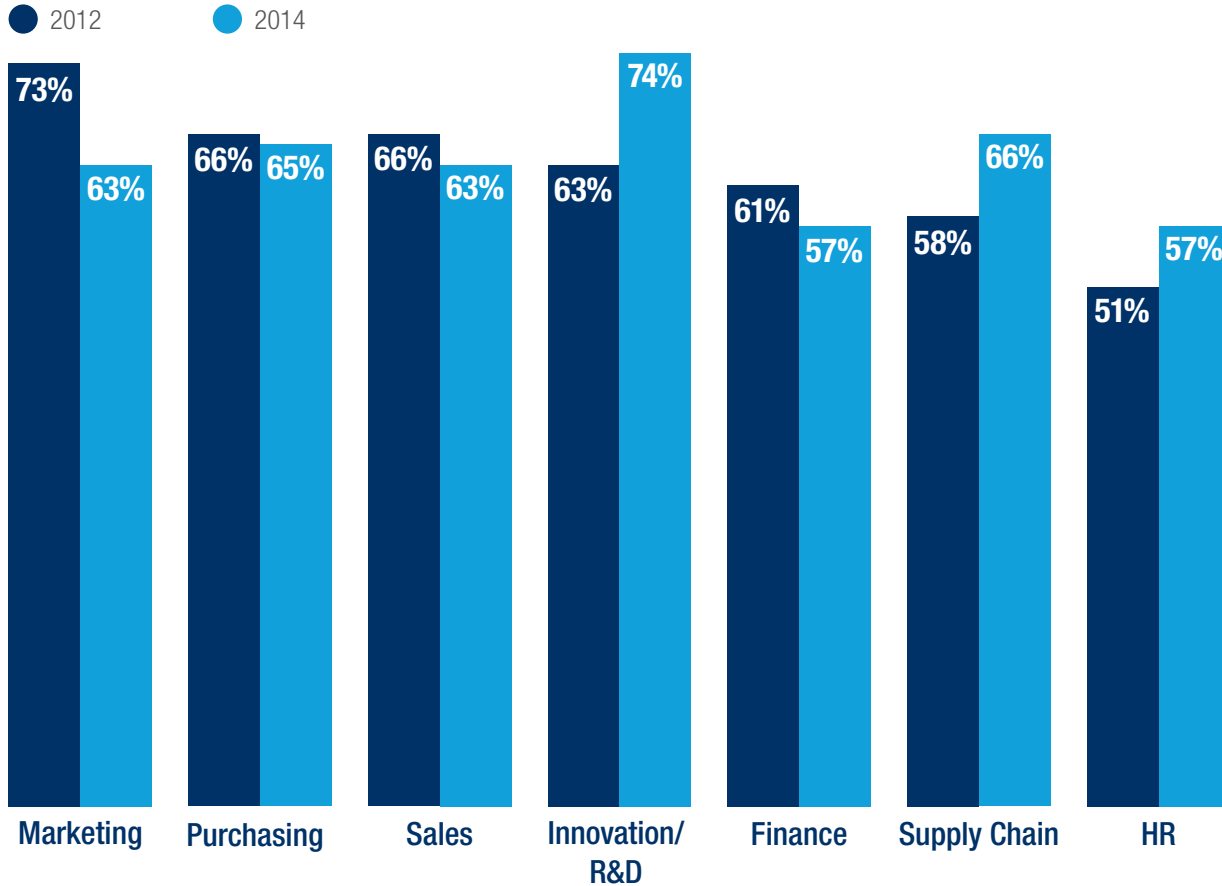
The cloud grows up: The cloud gets down to business

Some of this impact is reflected in traditional (and critically important) financial metrics like top-line growth, but benefits also are accruing in less-tangible areas like collaboration, leadership, and transformation. And the changes are widespread across the enterprise; the migration of core business functions to the cloud is well under way. Roughly two-thirds of respondents say marketing, purchasing, and supply chain are somewhat or mostly cloud based, and three-quarters say the same for innovation/R&D.

This epic migration will continue, as companies expect that these functions will be even more cloud based within three years. Key areas for growth in that time include supply chain and processes related to hiring and retaining talent.

Key functions widely cloud based

To what extent are key business functions using cloud platforms today?



HR in the spotlight

Business transformation requires significant investments in tools and processes—and in people. Cloud plays a major role in talent strategy, both as a change agent for the Human Relations function and as a driver of increased demand for specific skills. The role of HR and the way it works are shifting, along with the job descriptions it must accommodate.

Businesses recognize that finding and retaining people with state-of-the-art IT skill sets will be particularly challenging as competition for more traditional-thinking workers continues to heat up. “One of the biggest challenges we face is finding people with the right skills to understand and deploy new technology within a business context,” says Jeroen Scheer, senior executive with Dutch energy company Alliander. “We need people with the right mindset—who are curious, analytical, and also have a deep knowledge of the technology and business.”

Over half of respondents are planning to change the way they meet their talent needs over the next three years. Companies will also have to rethink training and communication strategies among existing employees, especially as business collaboration—inside and outside the company—requires training on new tools and forces employees to work in new ways.

Businesses expect cloud to drive business transformation, responsiveness to customers, agility, and even top-line growth over the next three years. While the technology itself is core to achieving these goals, companies need the right skills and culture to drive this transformation and get results. Those that keep HR strategy at the forefront will be more likely to maximize the cloud's potential benefits.

The cloud grows up: The cloud gets down to business

“We take a stance of cloud-first unless there is a reason not to. We take a measured step-by-step approach, and over a number of years have seen a greater level of adoption.”

Robert Anderson,
British American Tobacco

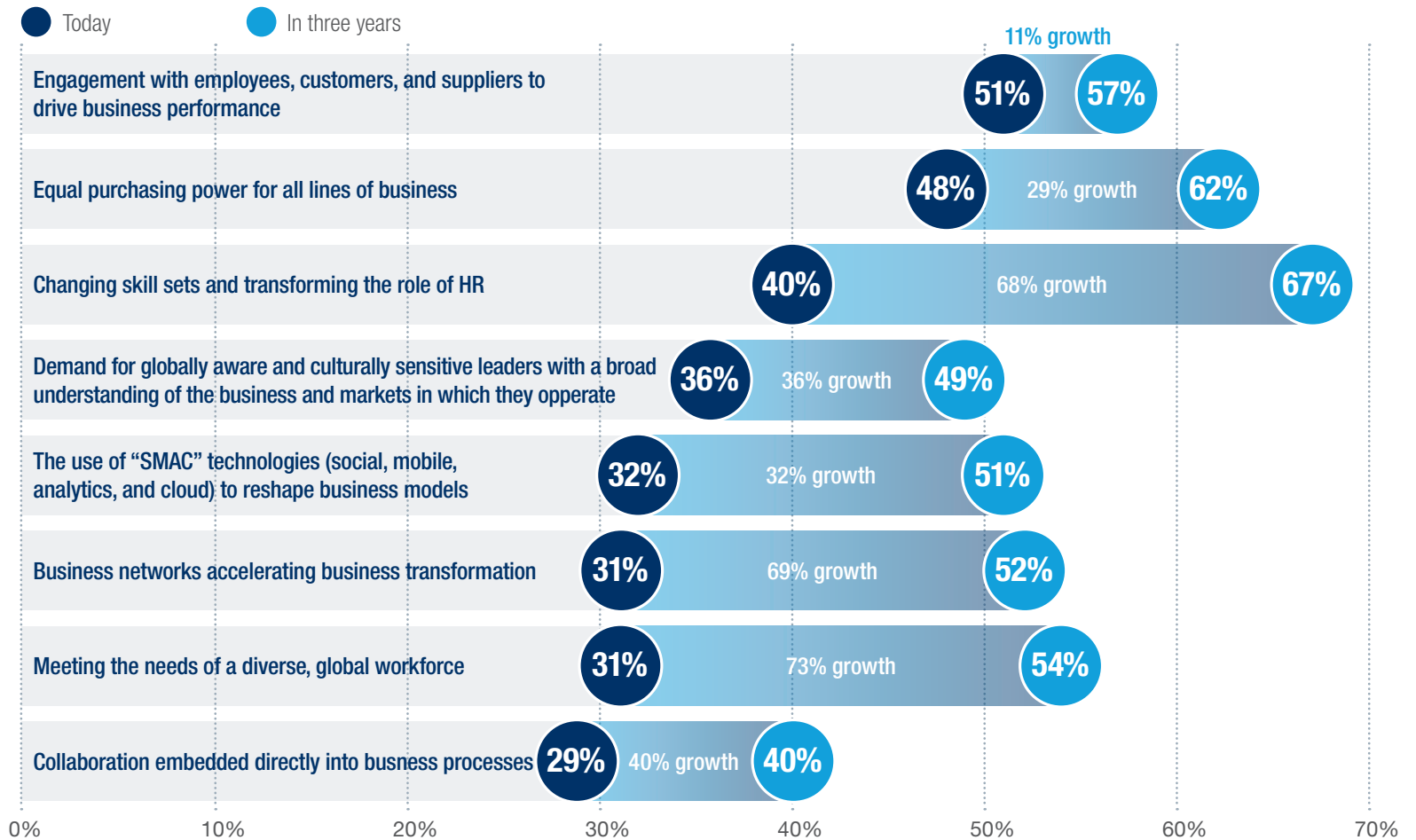


But the speed of change does not mean that companies are undertaking the transition lightly. “This is not a case of cloud for cloud’s sake,” says Robert Anderson of British American Tobacco. “We take a stance of cloud-first unless there is a reason not to. We take a measured, step-by-step approach, and over a number of years have seen a greater level of adoption.”

More than a technology platform and a tool for controlling costs, cloud is increasingly understood as a catalyst for business transformation—across internal organizations and beyond the firewall. It already enables businesses to engage in new ways with employees, customers, and suppliers. Next up: greater focus on redistributing purchasing power among business units, using business networks to accelerate transformation, and meeting the needs of workers across the world.

Cloud: Catalyst for change

How important is the cloud to driving change in the following areas, today and in three years?



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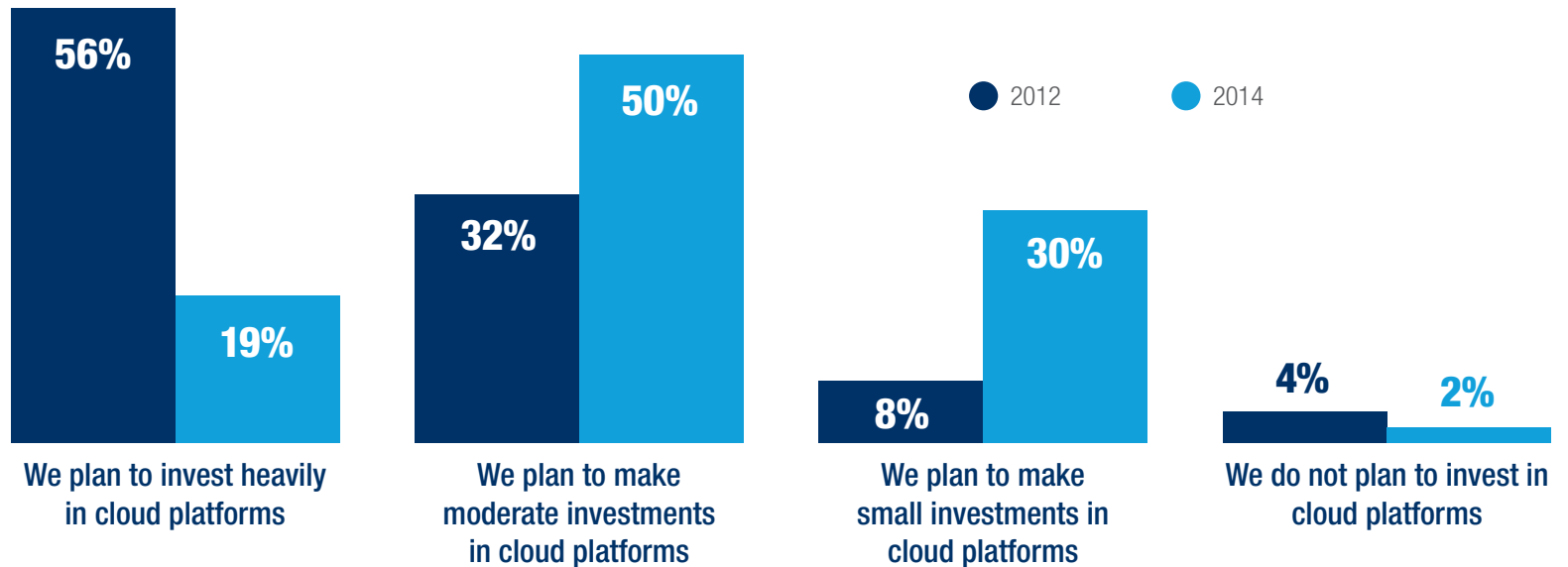
Removing barriers

While many companies have already made significant investments in the start-up costs of migrating to the cloud—over half of respondents to our earlier, 2012 survey said they planned to make heavy investments in cloud over the next three years—plans for continued funding at substantial levels point to widespread enthusiasm for the cloud and its potential impacts. Over two-thirds of today's respondents say they plan to make moderate or heavy investments in the cloud over the next three years.

While strategic implications have become increasingly important to companies investing in the cloud, good old-fashioned cost savings have been a big part of some early success stories. For ASR Group, cloud-powered agility has reduced the risk of testing new projects. "If I want to deploy a new solution, I no longer have to buy hardware—I can just 'spin it up,'" says Mr. Whittington. "The cost of entry is no longer so high."

Continued investment on the horizon

How would you describe your company's planned investment in cloud computing over the next three years?



And of course this new cost structure makes strategic bets easier to cover. For Dutch energy company Alliander, investment plans change to match the state of the energy industry. Needing to find ways to facilitate the energy transition, the firm created ten cloud-supported businesses units that are working to develop digital solutions for grid-management challenges. On a very regular basis, Alliander's leadership team meets to assess the progress of these business units, evaluating the effectiveness of recent decisions against the financial realities of the energy industry (e.g., a surge in electric-vehicle sales). From there, the company decides where it needs to accelerate or rein in its efforts.

This kind flexibility—for business plans, processes, and investment levels—is one of the cloud's core value propositions. As companies reevaluate strategies based on real-world successes and challenges, they can scale programs up or down in ways that older models of software distribution, ownership,

and innovation would never have allowed.

New priorities

Companies are expecting big things from cloud investments, including better use of data, better collaboration with partners and suppliers, and chances to make major strategic moves like entering new markets and developing new lines of business. While relatively few have successfully done so already, 61% of respondents plan to have developed new products and services via the cloud within three years, and 51% plan to have developed new lines of business.

The focus on innovation and R&D and supply chain highlights the growing strategic importance of cloud. One key area where cloud is emerging as a critical enabler is in Big Data and analysis efforts. Well over half of respondents say they are using the cloud to better manage and analyze data, anytime and from anywhere—up substantially from our 2012 survey.

At British American Tobacco, managing and protecting information—both internal and external data—is an essential part of making cloud plans come to fruition. “We anticipate using the cloud much more than we are today,” says Mr. Anderson. “We have a number of large cloud-based initiatives

that we expect to execute, and have done a huge amount of work around issues to do with data, data privacy, data security, and data sovereignty.”

Priorities are clear: businesses are no longer looking to cloud with vague hopes of revenue generation or cost-cutting. They are approaching cloud implementation with specific goals in mind—and are making the investments in resources and strategy to match.

Conclusion

Experience is a wonderful teacher, and technologies continue to evolve long after early adopters have made their initial moves. Businesses understand the cloud today in ways they could not fully anticipate just a few years ago. They know more about what it takes to implement at scale, and can anticipate some of the strategic benefits it can deliver in a world where mobile access and real-time data are increasingly commonplace.

Even as priorities have shifted and new opportunities have emerged, evidence that the cloud’s promise is paying off has accumulated. That is the reason that enthusiasm for its transformative potential remains strong.

The cloud drives innovation

No longer just for cost-cutting and efficiency, the cloud promises an array of strategic benefits—and companies are increasingly focusing their sights on these efforts.

For example:

- 74% say innovation and R&D are somewhat or mostly cloud based today, compared with 63% in 2012.
- Over half (53%) say cloud will have a major impact on innovation within three years.
- New business models, responsiveness to customers, and collaboration with customers are also key areas of focus for the next three years.

The impact of the cloud is large and growing across the enterprise, and businesses are increasingly looking for creative solutions from their cloud computing efforts. As innovation breeds more innovation, strong growth is anticipated in the years ahead.

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