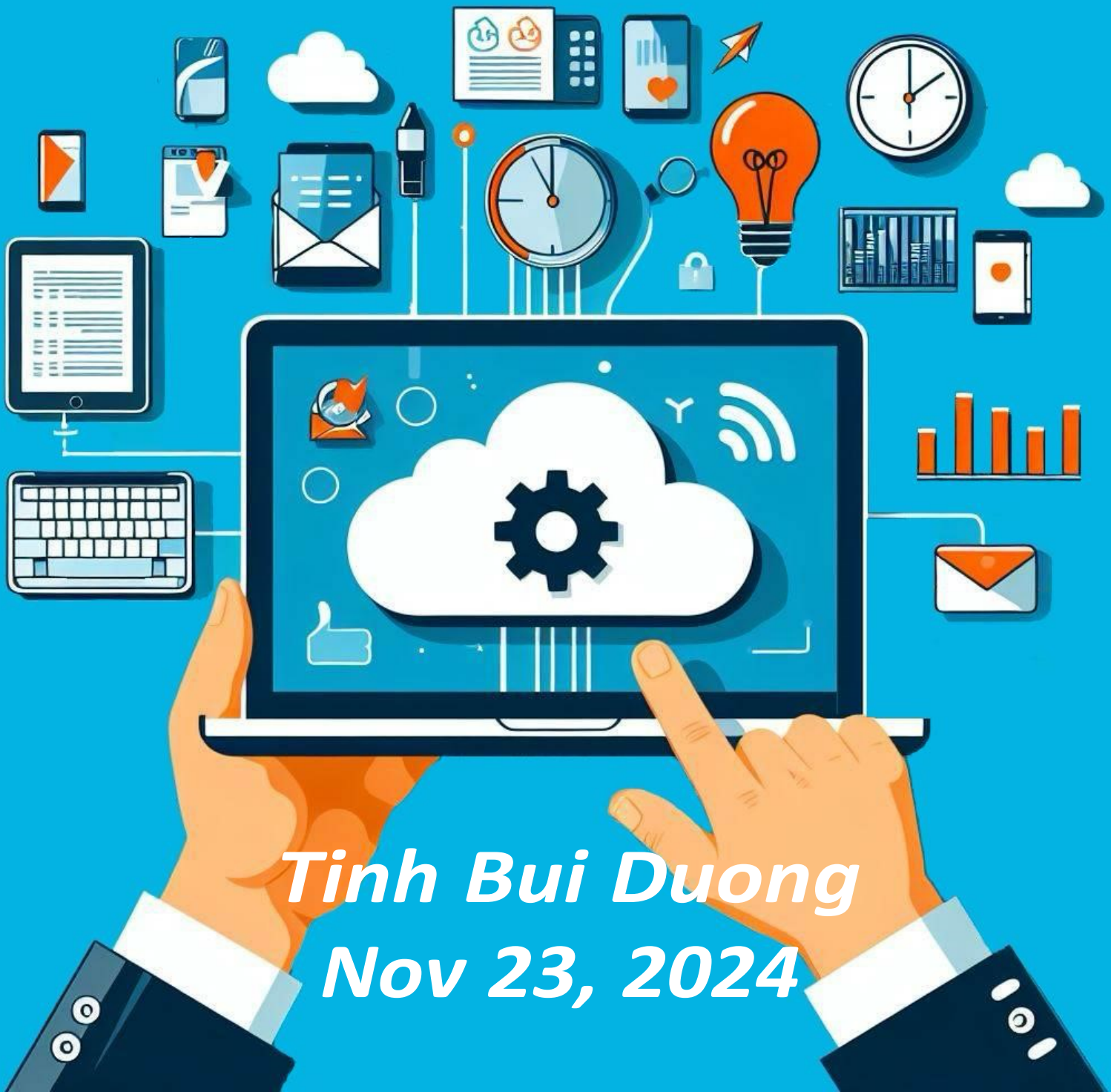
UDACITY

Bintoso's Cloud Transformation



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Project Scenario

Overview

Bintoso was founded in 1978 as a clothing store in North Carolina. Over the years, it has expanded as a department store serving US customers. They have recently expanded into select locations in Europe.

Problems facing Bintoso

- Bintoso faces stiff competition from other department stores as well as online retailers.
- The revenues and margins have been trending down.
- The company closed many stores and laid off 10% of its workforce in the last 2 years.
- Bintoso was late in starting its digital transformation journey.

Simone Warel, the new CEO hired last year from a leading online retailer, is transforming the company to provide a multi-channel experience.

Section One:
Strategy Building

Business Problems

1. Infrastructure Scalability and Performance Issues

Bintoso's current on-premises infrastructure is struggling to meet the increasing demands of their online commerce site, especially with growing traffic from European customers. The company has legacy data centers (DC1, DC2, DC3) that are reaching their capacity limits, and some of the new technologies like Intelli-Robe, which require high computational power, are dependent on data centers with advanced hardware. The existing infrastructure is not designed to handle the dynamic scaling needs of modern applications, especially for new technologies like AI and augmented reality.

Cloud Solution: Moving workloads to the cloud would enable Bintoso to take advantage of cloud providers' ability to scale infrastructure on-demand. Cloud platforms like AWS, Azure, or Google Cloud offer elastic compute and storage resources that automatically adjust based on traffic. By utilizing the cloud for their online commerce site and applications like Intelli-Robe, Bintoso can ensure that performance stays consistent even during peak traffic times, without worrying about overprovisioning or underutilizing hardware. This would also help with managing international traffic more effectively, as Bintoso could deploy instances closer to users in Europe to reduce latency.

2. Security and Data Protection Challenges

Bintoso has experienced security breaches, such as the incident in their Las Vegas data center (DC1), which severely impacted their brand reputation. There is a significant concern regarding the security of their data and the need to tighten up security without compromising operational agility. The company is struggling to find enough qualified

IT security professionals to handle the demands of securing their infrastructure.

Cloud Solution: Cloud providers have advanced security protocols, including end-to-end encryption, identity management, and real-time threat detection, which can help enhance Bintoso's security posture. These providers also offer managed security services that handle regular updates and compliance requirements. By leveraging cloud security features such as automated patching, distributed denial-of-service (DDoS) protection, and multi-factor authentication (MFA), Bintoso can reduce the risk of data breaches and maintain tighter security controls while also improving their ability to scale quickly. Additionally, the cloud's built-in disaster recovery and backup services ensure that data is securely stored and can be recovered in the event of an incident, enhancing business continuity.

3. Inefficient Legacy Application Management

Bintoso relies on a mix of legacy applications (e.g., Siebel CRM, SAP S/4 HANA, mainframe back-office systems) that cannot be easily modernized or moved to the cloud without significant effort. These legacy systems are tightly integrated with the company's operations but are limiting the flexibility and speed of innovation. The inefficiencies in managing these systems create slow cycle times for business requirements, application development, and operations, leading to missed opportunities.

Cloud Solution: Migrating legacy systems to the cloud can modernize Bintoso's IT architecture and streamline application management. Cloud platforms provide tools for containerizing and modernizing legacy applications, enabling them to be more agile, scalable, and easier to manage. For example, by moving the SAP S/4 HANA ERP system or the Siebel CRM to a cloud-hosted version, Bintoso could reduce the

overhead associated with hardware maintenance, streamline application updates, and improve integration with other cloud-native systems. This would reduce the reliance on outdated infrastructure, speed up development cycles, and provide more flexibility to innovate faster in response to changing business needs. Cloud adoption could also improve collaboration across departments like Finance and IT, as cloud systems enable better integration and communication across teams.

Workload to DC map

Please see excel file "workload-to-dc-map.xlsx"

Section Two: Organizational Capabilities

Governance Model

Assuming Bintoso embarks on the cloud journey without a cloud governance model, identify the four key risks to Bintoso.

4 Key Risks to Bintoso
1. Lack of Cost Control and Budget Overruns Without a governance model, there is a high risk of uncontrolled cloud usage, leading to unexpected expenses. As Bintoso expands its cloud footprint, without clear policies, teams might provision more resources than needed, resulting in budget overruns.
2. Data Security and Compliance Issues The absence of a defined cloud governance model increases the risk of violating data security and compliance standards. Sensitive data may be mishandled, misconfigured, or stored in non-compliant regions, leading to potential security breaches or regulatory fines.
3. Operational Inefficiencies Without proper governance, provisioning and managing cloud resources become inconsistent. This may cause duplicated efforts, resource sprawl, and inefficient workflows, negatively affecting operational performance and project delivery timelines.
4. Lack of Standardization and Integration Issues Teams might adopt cloud services independently, resulting in a fragmented approach. This lack of standardization can lead to compatibility challenges between legacy systems and cloud-based applications, creating silos and reducing overall efficiency.

Virtual Structures for Bintoso's Cloud Governance

To address the key risks identified, Bintoso should establish two essential virtual structures: **Cloud Center of Excellence (CCoE)** and **Cloud Financial Management (FinOps)**. Both structures are crucial for overseeing the implementation and ongoing management of cloud services, ensuring that cloud adoption is cost-effective, secure, and aligned with organizational goals. These virtual structures provide a centralized governance framework, integrating leadership, best practices, and continuous support to optimize cloud operations across multiple domains.

1. **Cloud Center of Excellence (CCoE)**: The **Cloud Center of Excellence (CCoE)** is a shared facility responsible for ensuring that cloud governance, security, cost management, and best practices are applied consistently across the organization. It serves as a cross-functional team that provides guidance, training, and support while ensuring cloud projects align with the overall business strategy. The **CCoE** ensures that all cloud initiatives are compliant with internal policies and industry standards, improving efficiency and reducing operational risks.

   Key stakeholders in the CCoE:

   - **Cloud Governance Lead**: Responsible for overseeing the entire governance framework, setting cloud policies, and ensuring that operations align with best practices.
   - **Cloud Security Officer**: Ensures the security and compliance of cloud resources, addressing any potential vulnerabilities or regulatory issues.
   - **Cloud Architect**: Designs cloud solutions that are secure, scalable, and cost-efficient while adhering to the organization's standards.
   - **DevOps Engineers**: Work closely with the CCoE to ensure cloud infrastructure is optimized for performance, scalability, and security.
   - **Cloud Financial Analyst**: Tracks cloud usage and ensures that financial goals and policies are met through cost-effective cloud resource management.

The CCoE ensures that Bintoso's cloud strategy is aligned with business objectives, promoting a collaborative environment where best practices and lessons learned are shared throughout the organization. By centralizing expertise and resources, this structure supports teams across Bintoso in achieving cloud adoption and governance goals.

2. **Cloud Financial Management (FinOps)**: The **Cloud Financial Management (FinOps)** structure is critical for managing and optimizing the financial aspects of cloud operations, specifically focusing on preventing cost overruns and ensuring budget compliance. This structure integrates financial, technical, and operational teams to manage cloud spending effectively and establish processes that align with business objectives.

   Key stakeholders in the FinOps structure:

   - **Cloud Financial Analyst**: Tracks cloud usage patterns, forecasts future spending, and ensures that cloud expenses remain within budget. Provides financial visibility and reporting to all stakeholders.
   - **Cloud Architect**: Advises on cost-effective cloud architecture, recommending cost-saving strategies such as the use of serverless computing, reserved instances, and resource right-sizing.
   - **DevOps Engineers**: Collaborate with the FinOps team to implement cost-saving measures such as auto-scaling and decommissioning unused resources.
   - **Cloud Governance Lead**: Ensures that cloud provisioning practices adhere to financial policies and that cost management processes are properly implemented.

   The **FinOps** virtual team focuses on providing transparency into cloud spending, ensuring the appropriate allocation of cloud costs across departments and projects. By establishing a governance framework that includes regular cost audits, budgeting processes, and cost optimization strategies, this structure mitigates the risk of **lack of cost control and budget overruns**.

Mitigating the Risk of Lack of Cost Control and Budget Overruns with FinOps

One of the primary risks Bintoso faces is **uncontrolled cloud spending**, which can quickly lead to budget overruns. To address this, the **FinOps** team within the **Cloud Center of Excellence (CCoE)** structure can implement processes to monitor, manage, and optimize cloud costs effectively. The FinOps team would work closely with other stakeholders such as **DevOps Engineers**, **Cloud Architects**, and the **Cloud Governance Lead** to ensure that all cloud usage is aligned with business goals and financial constraints.

Key Actions to Mitigate Cost Overruns:

1. **Budget Monitoring and Alerts**: The FinOps team will implement cloud cost management tools that allow for real-time monitoring of cloud usage. Automated alerts can be set up to notify stakeholders when usage exceeds predefined thresholds, enabling proactive measures to address potential cost overruns.
2. **Cost Optimization**: Through regular audits, the FinOps team will identify and eliminate inefficiencies, such as unused or underutilized resources. The team will also recommend strategies like **auto-scaling**, **serverless services**, and **reserved instances** to reduce wasteful spending.
3. **Training and Best Practices**: The **CCoE** will lead initiatives to educate all teams about cloud cost management best practices. This includes promoting the use of cost-efficient technologies, like serverless computing, and ensuring that teams are well-versed in resource management and financial accountability.
4. **Centralized Policies for Cost Management**: The FinOps team will collaborate with the **Cloud Governance Lead** to establish policies and guidelines for resource provisioning, access control, and resource tagging. This ensures that all cloud spending is visible, accountable, and aligns with Bintoso's financial goals.

By fostering collaboration between technical and financial teams and leveraging best practices and tools, the **FinOps** virtual structure will ensure that Bintoso's

cloud resources are efficiently utilized, costs are kept within budget, and the business can scale effectively without financial risk.

Process Changes

Team Structure:	**Cloud Governance and Compliance Team**
Purpose/function:	This team will be responsible for ensuring that cloud resources are used according to company policies, industry regulations, and compliance requirements. It will oversee the proper implementation of governance frameworks, monitoring cloud usage for compliance risks, and enforcing best practices for security and financial oversight. The team will also address any legal and audit requirements related to cloud operations
Key stakeholders:	- **CISO (Chief Information Security Officer)**: Ensures that cloud resources meet security standards and that data protection policies are enforced. - **Cloud Architect**: Works with the team to design cloud solutions that meet governance and compliance requirements while maintaining cost efficiency.
Team Structure:	Cloud FinOps Team
Purpose/function:	The Cloud FinOps team will be responsible for managing cloud spending, optimizing resource usage, and ensuring cost efficiency across the organization's cloud operations. This team will collaborate with technical and financial departments to track, forecast, and manage cloud costs, implement budgeting strategies, and identify cost-saving opportunities. The goal is to achieve financial transparency and accountability within the cloud environment
Key stakeholders:	- **CFO (Chief Financial Officer)**: Oversees the budget and ensures that cloud costs align with financial goals.

	- **VP Infrastructure**: Ensures that the cloud infrastructure is optimized for both cost-efficiency and operational requirements, helping to balance financial constraints with the need for scalability and performance.

Cultural Changes

1. **Culture that needs to change**: **Rigid Hierarchical Communication**
   Evidence and Justification: Bintoso's culture is currently defined by formal, hierarchical communication channels, where interactions occur strictly along the lines of job titles (e.g., VP to VP, Manager to Manager). This structure limits collaboration and slowens decision-making, especially when cross-departmental teams need to work quickly and innovatively, which is essential for cloud adoption. Cloud transformations require agile, flexible communication across teams to iterate quickly and respond to rapidly changing requirements.
   Actions: To initiate change, I would promote a more collaborative, open communication model by encouraging cross-departmental meetings, creating cross-functional teams, and fostering a culture of shared responsibility. Training sessions on cloud technologies and the benefits of agile processes should be held to break down silos and encourage open dialogue.

2. **Culture that needs to change**: **Resistance to Change in IT Processes Evidence and Justification**: Bintoso's IT organization is highly focused on stability, and their strict formal change management processes slow down progress. This resistance to change is a significant barrier to adopting new technologies such as the cloud, where agility and rapid iteration are critical. A cultural shift toward embracing change and innovation in IT processes is necessary to move forward with cloud adoption.
   Actions: To drive this change, I would implement a structured change management framework that balances governance with flexibility, allowing the IT team to adopt cloud technologies more rapidly. Additionally, I would provide cloud training and

certifications to IT personnel and establish incentives for embracing innovation, helping them feel more comfortable with change.

3. **Culture that needs to change**: **Lack of Cloud Competency Evidence and Justification**: Bintoso's IT teams, including the infrastructure and development teams, have experience with legacy systems but lack cloud-native skills. The company's slow digital transformation highlights a gap in cloud expertise that prevents the company from effectively leveraging the scalability and cost-saving potential of cloud technologies.
Actions: To address this, I would introduce a comprehensive cloud training program, partnering with cloud service providers to provide certifications for key team members. Additionally, I would hire cloud experts to guide and mentor the internal teams, while establishing a center of excellence for cloud adoption to promote ongoing learning and growth.

Skills Gap

Employee Name and Role	Spheres of responsibility
Xun Tai, Finance controller	Cloud Business Management, Cloud Infrastructure
Muhammad Arya, CIO	Cloud Infrastructure, Cloud Applications Infrastructure, Cloud Security, Cloud Business Management
Samir al-Akhter, CISO	Cloud Security, Cloud Business Management
Elen Feldspar, Security Architect	Cloud Security
Dominique Crawford, Enterprise Architect	Cloud Infrastructure, Cloud Applications Infrastructure
Riley Doyle, Data Architect	Cloud Business Management, Cloud Applications Infrastructure
Yelena Mikhaylova, Business Architect	Cloud Business Management
Hiroko Tanaka, Application Architect	Cloud Applications Infrastructure
Doria Gilabert, Technology Architect	Cloud Infrastructure, Cloud Applications Infrastructure

Employee Name and Role	Spheres of responsibility
Isa Anthony, VP App Dev	Cloud Applications Infrastructure
Stefano Abasto, Developer	Cloud Applications Infrastructure
Alfredo Figueroa, VP Infrastructure	Cloud Infrastructure
Nishay Phillips, Compute Engineer	Cloud Infrastructure
Isabel Aguinaldo, Storage Engineer	Cloud Infrastructure
Richard Harris, Networking Engineer	Cloud Infrastructure
Syed Bhatt, VP IT Operations	Cloud Infrastructure, Cloud Security
Petya Gusev, Infrastructure Ops	Cloud Infrastructure
Fatima Patel, Application Ops	Cloud Applications Infrastructure
Jack Wang, IT Programs Director	Cloud Business Management, Cloud Infrastructure, Cloud Applications Infrastructure
Han Ning, IT Program Manager	Cloud Business Management, Cloud Applications Infrastructure

Section Three:
Cloud-led Innovations

Innovation Ideas

One area of business innovation for Bintoso could be the development of an AI-powered **Virtual Shopping Assistant** for their e-commerce platform. This assistant would provide customers with personalized shopping experiences, including real-time product recommendations, virtual try-on options (for fashion and furniture), and interactive support for making purchase decisions. The Virtual Shopping Assistant could leverage natural language processing (NLP) to understand customer queries and machine learning (ML) algorithms to predict customer preferences based on browsing and purchase history.

The cloud capability that supports this innovation is **scalability and machine learning**. With cloud platforms, Bintoso can easily scale the AI infrastructure to handle fluctuating traffic and data loads, especially during high-demand periods such as sales events. Additionally, cloud services such as AWS SageMaker or Azure Machine Learning can be used to train and deploy the machine learning models needed for personalized recommendations and virtual try-ons. This innovation would improve customer engagement, enhance the shopping experience, increase conversion rates, and ultimately drive new revenue streams by offering a cutting-edge, user-friendly service.