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Behind Every Cloud, There's a Reason

Analyzing the Six Possible Business and Technology Drivers for Going Cloud

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Executive Summary

So you want to move your business to the cloud. Do you have a good reason for making the move?

Moving to the cloud is very popular among enterprises right now, with global SaaS software revenues forecasted to reach $106B in 2016 and a compound annual growth rate of 9.14% from 2011 to 2020.[1] But why is cloud technology so irresistible? Why is making the migration such a good idea for businesses?

Answering this question for your business before you make the move is essential. There's no two ways about it: Your business will move to the cloud, and in general, making that move is a good idea. But your success hinges on your reasoning for making the move. There are many different opportunities to migrate to the cloud, each of which may have a different reason behind it, and it's critical that you identify each of these reasons.

These reasons for going to the cloud are commonly referred to as drivers, and they should provide insight into what you hope to accomplish by making the move. This insight can then help inform your cloud strategy and roadmap. As a result, making a strong case for moving to the cloud is an important first step in your ongoing cloud journey.

This paper will explore the six most common business and technology drivers for making the move to the cloud, including how to identify these drivers, how to identify the right drivers for your program and how to define your drivers. Properly identifying, defining and balancing these drivers can help your business successfully execute its cloud strategy and move toward a true transformation.

Six Drivers for Going Cloud

The six drivers for making the move to the cloud fall under two main categories: Business drivers, including business growth, efficiency and experience, and technology drivers, including agility, cost and assurance.

Business Growth
What are you doing to make your company more successful from the perspective of expansion? This can take a number of different forms, for example driving sales, enlarging wallet share or increasing productivity, so it's important to clearly define how you intend to achieve this growth.

Efficiency
Efficiency includes streamlining processes to get work done faster or with less resources. This can turn around and fuel growth (for example by allowing you take on more work) or reduce costs (for example by reducing the amount of resources required).

Experience
Whether it's external or internal, the customer experience is of utmost importance in today's world. A good experience can increase brand loyalty among customers and retention among employees. In general, a positive customer experience is strongly tied to brand value.

Agility
Agility is the most common cloud drivers today, especially when IT is leading the charge. Being agile helps IT change and scale fast enough to keep up with business needs.

Cost
The difference between the technology driver cost and the business driver efficiency is often misunderstood. While efficiency can lead to cost savings, the cost driver focuses on reducing the cost of IT licenses or operations and/or redefining the cost model for technology solutions.

Assurance
Finally, assurance encompasses the achievement of mission critical technology outcomes, such as protecting against data center crashes or security breaches and maximizing disaster recovery effectiveness. Going to the cloud for assurance frees IT to be more strategic and passes these responsibilities to a provider who is typically better at handling them than your business is.

As you begin your move to the cloud, it's important to identify which of these factors is driving your journey. Doing so should help inform your next steps and justify making the move. The adage "there's more than one way to skin a cat" comes to mind here. You can build your cloud program many different ways, but the best way to build it is with the components that will help you achieve your targeted drivers. Doing so is the fastest path to success and identifying your drivers lead the way.

While you may start with only one primary driver, more and more of these factors will come into play over time. As they do, it's important to balance these drivers with one another. Your business case for moving to the cloud will factor in all six of these drivers at one point or another, and you must make sure that by achieving one, you're not inadvertently hurting another. For example, if you are laser focused on cutting technology costs, you run the risk of hurting your ability to achieve growth, efficiency and experience goals on the business side. The key is to find a balancing point that satisfies your overall business case.

Business Growth

Business growth is one of the top accomplishments enterprises realize from adopting cloud technology, with 52% of organizations reporting achievements in this area since going cloud.[2] However, in order to achieve this goal, you need to take a thoughtful approach to cloud adoption.

How you define growth, for example increasing sales, gaining market share or improving productivity to take on more work, is extremely important and very much dependent on the maturity of your business. Whereas newer or less mature companies can grow quickly by grabbing more market share, the more mature your company becomes, the more growth must be moderated by profit. For mature companies, growth becomes more cautious and efficiency often creeps into the picture.

If your goal is to drive sales in order to increase growth, you have a strong business case for moving CRM to the cloud. For example, cloud CRM can help power more intelligent and targeted sales and marketing efforts, and these activities can support strong customer growth. Additionally, advanced CRM can provide insight into the performance of these activities to help you determine what's working well and what's not in order to adjust accordingly and hone in on those activities that lead to the most growth.

You can also make the business case for using CRM to drive more mature growth, it just requires looking at the service side of the equation. Investing in cloud CRM to power a next generation contact center can help drive efficiency, for example by introducing self-service capabilities, and improve the customer experience, which in turn drives loyalty and leads to growth.

Mature organizations might also choose to improve internal processes like collaboration in order to drive productivity to support growth. In this case, adopting cloud-based communication and collaboration tools can help cut down on process inefficiencies and make working together simpler to allow teams to handle more each day.

Regardless of your organization's maturity, you need to clearly identify your plans for growth and determine how cloud technology can help you achieve those goals. The best way to do this is to think about cloud technology in the context of business transformation. Looking at it from this perspective, you may pinpoint any of seven transformation factors you hope to achieve: Velocity, collaboration, intelligence, communication, engagement, adaptability and/or innovation.[3] For example, instead of using on-premise CRM simply to track sales activities, you may need to harness the power of cloud CRM to transform these activities by making them more intelligent and meaningful. The key element here is thinking through your business requirements and making

sure you're introducing cloud technology for the right reasons based on these requirements. If all you do is buy cloud CRM and throw it at your sales team without thinking through processes like lead generation and how you can personalize offers, you probably won't accomplish your growth objectives.

Efficiency

If your organization hopes to transform with a move to the cloud by increasing velocity, then efficiency should be a key driver for making the transition. This is a large area of focus for many businesses, with 71% of organizations ranking efficiency as the top area they want to improve by moving to the cloud in Accenture' recent survey of enterprises worldwide.[4]

In the simplest sense, efficiency encompasses taking unnecessary elements out of processes. Your end goal here might be to increase productivity or to deliver on customer requirements faster.

While increasing productivity by making processes more efficient can certainly lead to cost benefits, it can also lead to growth if you invest these efficiency gains back in the individual workers. By doing so, you allow the same amount of people to handle more work at scale, which can support a mature growth strategy.

Although the idea of making processes more efficient to accomplish more work with the same amount of people is still relevant, this isn't as big a focus anymore. What is a focus today is allowing people to remain efficient while working in more places and providing them with tools to collaborate successfully across different locations. Aiming to provide this flexibility serves as a nice complement to the transformation factor of adaptability.

Experience

The final business driver is all about improving the quality of the customer experience. In many organizations, the quality of customer interactions with employees, products and digital channels directly impacts brand value. As a result, making investments in cloud technology to continue to support evolving customer needs is now a very common business driver.

One of the most common ways businesses are using cloud technology to improve the customer experience is by introducing new channels of engagement, which of course ties back to the engagement transformation factor. Because today's customers want to engage with your business on multiple channels, the more channels you can support, the more likely you are to satisfy the experience for which your customers are looking because you allow them to select their preferred methods of engagement.

The idea of balancing your driving factors really comes into play here. While improving the customer experience can lead to gains in other areas, for example efficiency when people choose self-service, it's also very easy to hurt the customer experience by focusing on other areas like efficiency. When you introduce self-service with the main goal to reduce costs and provide efficiency, the customer experience will suffer. Consider a "phone tree" that requires you to press through a series of options to help yourself. These phone trees are certainly a cost-effective and efficient service method for your contact center, but no one likes going through them.

As this last driver illustrates, the three business drivers for moving to the cloud can often be in conflict with one another, so it's very important to identify which drivers are right for you and why. In most cases, you're best off picking one driver that will take precedent when conflicts arise.

Agility

How do you set up IT to become more responsive to the business? With business needs and requirements changing faster than ever, answering this question is top of mind for 66% of organizations.[5] Improving IT agility is such a popular driver for moving to the cloud because the cloud does an excellent job of enabling this type of responsive environment. When your business is in the cloud, IT no longer needs to be fully consumed by traditional application management operational tasks. Additionally, SaaS environments are easy to install and, because you're technically "renting," IT can easily (relatively speaking) swap out a solution when it no longer satisfies the business' needs. As a result of benefits like these, 73% of organizations report that IT has benefited the most from moving to the cloud.[6]

However, it's important to recognize that when you start moving into the cloud space and relying on SaaS instead of application development, it changes the nature of IT. Your organization has to change as your technology changes. Because the cloud allows IT to be more agile and support rapidly changing business needs, IT must learn to manage and broker those products and become an expert on different platform options, which is a much different skillset than application development. Currently, 43% of organizations report that their IT teams still need to build these skills.[7] Improving IT's knowledge in this area is key to achieving the desired results.

While agility starts with IT, it can also trickle down to the business. For example, if IT wants to improve agility in order to support a BYOD environment, this initiative will also impact end user agility and efficiency. But here's the interesting twist: Helping IT become more agile to support a BYOD environment can lead to a degradation in support, which in turn hurts the user experience. When your IT team supports a single technology, for example Blackberry devices, they can become experts in delivering that support, but that's much more difficult to do when users can bring in any number of different devices that run on multiple operating systems. So while IT may be able to respond to the business better, the support they can provide might decrease as a result. Once again, this is an important illustration of the need to balance your cloud drivers and identify which one will take precedent when conflicts arise.

Cost

The cost driver for moving to the cloud covers two areas of focus: Reducing the overall cost of IT and restructuring expenses to spread them out over time. In general, the cloud can be very helpful in reducing IT's footprint and reducing front-end IT expenses.

Giant, on-premise applications require a lot of investment upfront while the cloud model spreads licensing expenses over time. This reduced upfront expenditure is especially helpful for organizations without large IT budgets and for newer businesses that can't afford a large IT footprint.

In general, research reveals that cost savings aren't a given in the cloud. According to independent analyst Gartner, you shouldn't "assume you will save more unless you have done the hard work of honestly analyzing the situation," and should always look at total cost of ownership as well as other models to "assess the implications of moving from capital expenditure to operating expenditure."[8] Additionally, technology website TechTarget finds that, depending on the application, cost reductions aren't always realized in the cloud, though there is "massive value" in the automation that cloud technology provides.[9]

That said, there are some cloud platforms that are extremely cost desirable. For example, fashion retailer Jordache found that moving to the cloud with Google Apps would reduce costs by over 20% compared to Novell GroupWise and even 30% compared to Office 365.[10] Meanwhile, the Wyoming Medical Center estimated that moving to the cloud with Google Apps would lead to approximately $30,000 a year in savings compared to its legacy on-premise system.[11]

While moving to the cloud can lower costs by helping reduce the IT footprint, most organizations will choose to prioritize agility here and refocus those IT resources from simply keeping the lights on to becoming a strategic body that can solve business needs faster. This tension between agility and cost on the technology side is very similar to the growth-efficiency tension on the business side.

Assurance

Assurance is the final technology driver for moving to the cloud, and it contends that your data will be more secure in the cloud and you'll attain better uptime because you're relying on providers who have built their businesses around these competencies. Would you rather place your data security and uptime in the care of a company who's in the business of being good at IT or in the care of a small component of a company who's in the business of being good at whatever it is your organization does as its primary reason for being (which for the vast majority of you is not IT)?

The one wrinkle here is that some businesses in highly regulated industries, such as financial services, need to worry about data residency laws. For many such organizations, data residency is an important consideration when determining which cloud service to use. In most cases, however, data residency laws don't prohibit the adoption of cloud technology. Common solutions include those dictated by EU Model Clauses and the ability to work with cloud providers to choose an availability zone. At the end of the day, it's important to recognize that it's much easier to manage and secure data in the cloud than it is to secure data that's running around on hundreds, if not thousands, of devices, which is the case when you have an on premise architecture. Think of it this way: Tons of laptops are stolen every day, but with cloud technology, none of your data is actually stored on the device. This change in where data is stored makes it far easier to achieve compliance and regulatory control with cloud-based systems than it is with on premise systems. Additionally, having a single source of truth can help assure that you can integrate a myriad of other systems and applications in real-time.

In general, cloud providers have better measures in place for key IT competencies like security, uptime performance, managing peak performance and disaster recovery. As your IT team relies less on its abilities for these measures, it can then put more effort into meeting strategic business needs and doing so faster, which brings us back to agility. Assurance is very complementary to and can even fuel agility, just as experience can be complementary to and even fuel growth on the business side.

Conclusion

Although moving to the cloud is next to inevitable in today's business landscape, your transition should be driven by more than just "everyone is doing it and we should too." Whether it's to benefit the business or IT, properly identifying and balancing your drivers for moving the cloud are critical for the long term success of your program.

Identifying your drivers for going to the cloud is essential at the start of your journey. Whether it's a business case (growth, efficiency and/or experience) or a technology case (agility, cost and/or assurance), backing up your decision to go cloud with a clear goal is an important first step. Doing so should help you determine your goals for the new cloud program and therefore help guide your implementation and set up.

In the longer term, not only identifying these drivers, but also determining which ones are your top priority is critical. As your cloud program matures and more and more drivers come into play, it is inevitable that they will come into conflict with one another (for example, there is often a tension between efficiency and experience on the business side). In order to resolve these conflicts and stay true to your program roadmap, you must prioritize one driver over the other. Determining which one will take precedence from the start can simplify this conflict resolution and ensure consistency.

These drivers are labeled with this moniker because they are just that. They drive the "why" in going to the cloud, and these factors drive the benefits received when you do. So get your drivers set from the start and they will drive your program to success. Bon journee!

Resources

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