



**FORGING AN
OPERATIONAL
LINK TO CLOUD
INNOVATION**

NOW, CLOUD = INNOVATION

Cloud technology is the perfect vehicle for enabling innovation, but many attempts fall short because they lack clarity and commitment at the operational level.

True to their name, cloud initiatives – especially those focused on enabling innovation – can quickly turn stormy if companies neglect operating considerations. It's the reason so many advanced cloud-based projects, products and services never reach their full potential, and why enterprise leaders focus most of their efforts on cutting costs via the cloud instead of tapping into its more powerful capabilities.

Businesses worldwide have benefited enormously from the first-generation cloud-based enhancements they've launched so far. From email to software-as-a-service, companies have embraced cloud solutions to boost efficiency and reduce capital expenditure requirements, but far fewer have elevated the technology

to its rightful role as innovation enabler. Given its gathering strength, we believe the cloud offers the best way for companies to keep up with today's ever shorter innovation cycles – provided they develop the innovation-centered culture needed to introduce new products on a continuously quicker schedule.

The technology, techniques and processes associated with the cloud have matured enormously, and advances in container technology have made the creation of cloud workloads easy. Companies need cloud-centered operating and organizational models to exploit the technology's ability to deliver cutting-edge innovation. Developing them will require new skills, talent and programming, not to mention a more agile way of working.

FUTURE GROWTH KEYED TO CLOUD COMPETENCE

The current chaotic global business environment puts a premium on innovation as the most sustainable way to achieve profitable growth.

As traditional go-to-market strategies and business models wither in the face of a steady barrage of channel and market disruptions, company leaders increasingly recognize that their core value propositions could quickly come undone if a competitor or new entrant changes the game, as have Uber and other digital attackers.

Fortunately, cloud technology excels at enabling companies to achieve business transformations through innovation.

However, doing so requires strong operational support for the new technology, which means committing the kinds of front-line resources that can make things happen in a company. It also requires a bold change in strategy. Companies must shift their focus from taking cost out of the value chain to bringing innovation and agility into it. Make no mistake: this is not an elective choice. As advances such as artificial intelligence (AI), machine learning, the Internet of Things (IoT), big data analytics and automation gather momentum, the definition of IT has shifted from the classic support role to an integral enabler of business growth.



STAGING A PROCESS, TALENT AND ORGANIZATION TRANSFORMATION

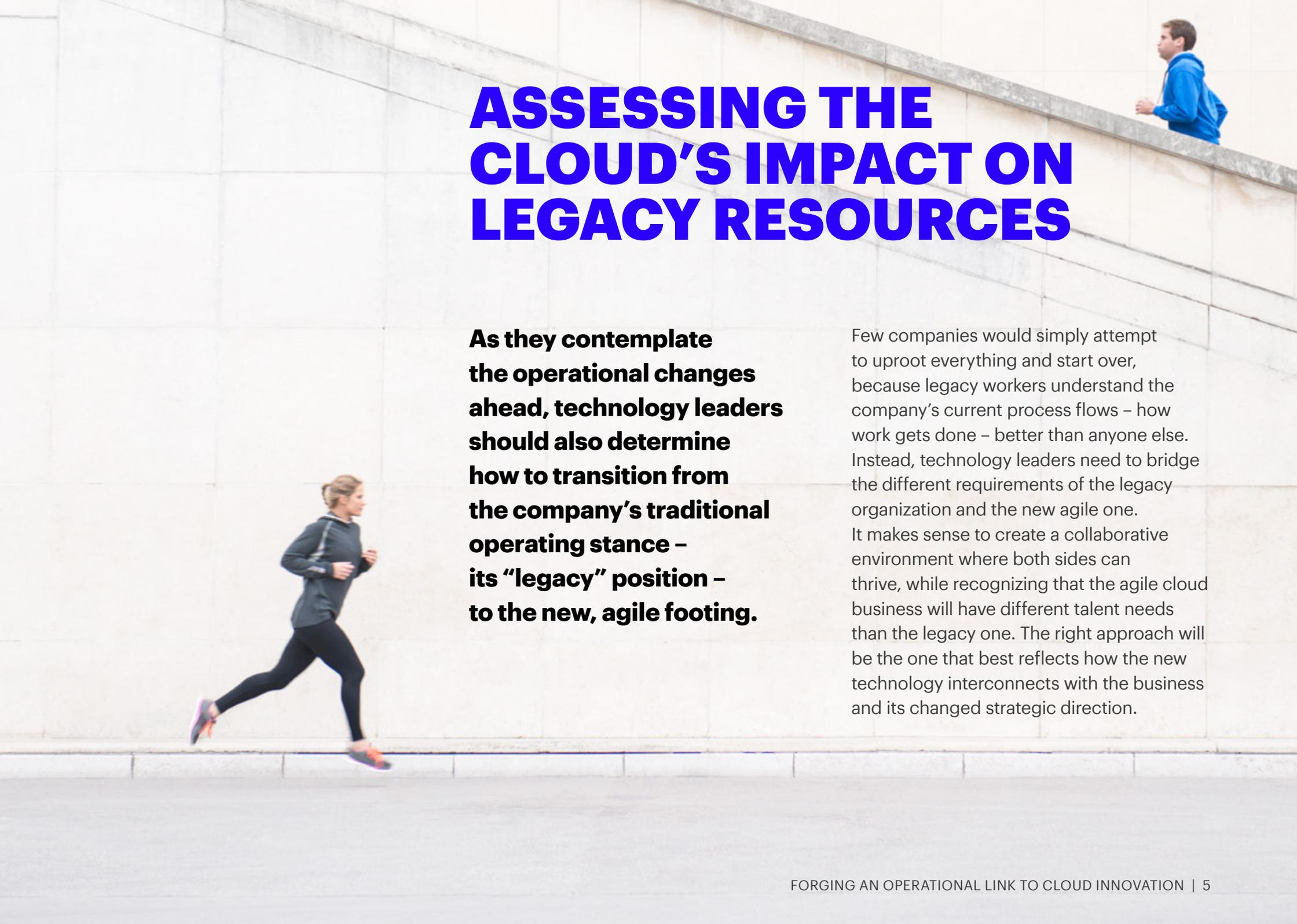
Considering this business climate, companies need to transform their IT processes, talent and overall workforce investments.

Strong competition exists for cloud-qualified employees, who many times will only consider working in innovation-led organizations and cultures. Firms must also invest in boosting their institutional speed and market position to capture future-shaping opportunities quickly. Consequently, attracting, developing and retaining needed talent will require more time and effort than before, and organizations can't wait until they have perfected "innovation" but instead must work using an iterative process of continual improvement.

Several emerging technology trends will support companies in their quest for new capabilities and enhance their organizational agility and flexibility.

One example: the growing availability of automation can revolutionize and accelerate agile development that supports both process innovation and the unique capabilities cloud technology enables. As competitive pressures compel enterprises to move to an innovation and business transformation mindset while adopting a more agile development approach, technology leaders need to determine what must change at the operational level.

Key questions include: how will the new agile operating model work, what new talent does it require, and what's the best way to "rearchitect" the firm's workforce investment to boost effectiveness?

A woman in a grey athletic top and black leggings is running from left to right in the lower-left foreground. In the upper-right background, a man in a blue hoodie is walking along the top edge of a large, light-colored stone wall that curves across the top of the image. The overall scene is bright and outdoors.

ASSESSING THE CLOUD'S IMPACT ON LEGACY RESOURCES

As they contemplate the operational changes ahead, technology leaders should also determine how to transition from the company's traditional operating stance – its “legacy” position – to the new, agile footing.

Few companies would simply attempt to uproot everything and start over, because legacy workers understand the company's current process flows – how work gets done – better than anyone else. Instead, technology leaders need to bridge the different requirements of the legacy organization and the new agile one. It makes sense to create a collaborative environment where both sides can thrive, while recognizing that the agile cloud business will have different talent needs than the legacy one. The right approach will be the one that best reflects how the new technology interconnects with the business and its changed strategic direction.



Several companies have already begun this transformation, with good results.

For example, GE has reinvented itself to address the new, more disruptive business realities it faces. After shedding most of GE Capital in 2015, the company has centered part of its strategy on its cloud-based Predix platform-as-a-service offering, known within the company as the “operating system for the industrial Internet.” Coupled with other innovations such as digital software solutions and 3D printing, the company has acquired specialist companies in these areas, augmenting its agile talent pool.¹

GE drew inspiration for elements of its new strategy from a project done by a team in China focused on developing less expensive ultrasound technology. The local team succeeded in creating a cheap, portable laptop-based

ultrasound unit, which changed the game in developing markets and at places like remote accident sites.² This success ultimately inspired GE to pursue a similar low-cost/high value strategy.

In addition to the committed support of a top executive, the Chinese ultrasound project succeeded because the team enjoyed unprecedented autonomy – something the legacy organization would not have allowed.

The company has also addressed the expectations and work-styles of its rising population of millennial generation workers, who want a more horizontal organization that emphasizes agility instead of the command and control model.³ The firm introduced a new approach called “the GE Beliefs,” which includes the following tenets: focus on customers, stay lean to go fast, learn and adapt to win, empower and inspire each other, and deliver results in an uncertain world. The beliefs highlight the need for new levels of acceleration, agility, and customer focus across the organization.⁴

CLOUD: THE ONLY CHOICE FOR INNOVATORS

Accenture itself has undergone a similar transformation, having invested more than \$400 million in cloud technologies, capabilities and training for its client-facing workforce. To support these investments, it is currently reskilling its workforce and focusing on hiring “cloud-native” talent.

In addition, Accenture’s internal IT organization is currently enabling agile, scalable cloud usage and services company-wide to make possible digital provisioning and operation. The program is establishing a robust new cloud IT infrastructure that can enable Accenture to implement digital services and capabilities. To date Accenture has transitioned over 60 percent of the organization’s internal applications to the public cloud, with plans to increase that to 90 percent by 2018.

Cloud technology offers the only platform that can provide the speed, scalability, global reach and agility required by businesses seeking to embrace innovation. Firms need to reposition the cloud within their organizations as the fundamental element of competitive technology operations to enable innovation, which typically means re-engineering their operating model to address change.

While the legacy organization represents the company’s status quo (see table 1), the agile organization values quickness and the flexible support of experiments, frequently reassessing and adapting projects, products and services to market needs, and cultivates an entrepreneurial “freedom to fail” mindset. In the tug-of-war between the approaches, companies need to create an alternative organization structure that supports and promotes innovation. The good news here is that

agile organizations are usually much more resilient than legacy organizations and easier to recover when something goes wrong. Characteristics of the legacy organization include never having enough time, a lack of capacity and technology, and difficult-to-rollback processes. By way of comparison, the cloud-enabled agile organization offers plenty of capacity, has time requirements measured in nanoseconds and enjoys clear access to the latest technology, providing far more flexibility.

The mix of agile and legacy talent needed to optimize the cloud’s launch and ramp-up will vary from company to company and strategy to strategy, although in most cases where cloud-based innovations become the dominant focus, legacy staff will necessarily undergo a metamorphosis that companies need to manage proactively while maintaining the “tribal” knowledge that legacy resources provide.



REORGANIZING FOR CLOUD SUCCESS

Given the individual nature of most cloud-based innovations, each enterprise will select the transition path that works best for the business.

The two primary paths are:

1

ORGANIC

This is an evolutionary path within the company's legacy operational structure. The firm first implements or reconfigures cloud for the back office to reduce costs, acquire skills and fund future cloud-based innovation. It's a moderate transformation conducted at the company's traditional cultural pace.

2

AGILE

The agile path allows companies to start fresh with fewer legacy concerns. Teams focus on speed-to-market, seeking faster solutions and product-based operating models to drive growth. Companies often establish an entrepreneurial start-up culture and a venture capital-based operating model. Agile-path companies often find talent recruitment easier due to the company's commitment to innovation and leading-edge technologies.

1

ORGANIC

The transition to an innovation approach will evolve within the company's legacy operational structure.

The firm first implements or reconfigures cloud for the back office to reduce costs and fund future cloud-based innovation and acquire skills – all at a slower-than-agile pace. It's a moderate transformation conducted at the company's traditional cultural pace. This approach has several downsides, including longer time-to-market for innovative new products, greater difficulty when recruiting talent, and increased competitive threats as others introduce new products and services faster. It can force compromises because of the need to integrate legacy technologies, which can increase costs and reduce speed.

Organizationally, organic path companies simply add a cloud responsibility line to the traditional management team. These companies will start by sourcing most of the workforce internally with the rest of staff drawn from external "cloud-native" talent pools. As the transition progresses, those legacy employees who do not transition their skillset to cloud will be let go. Organic path players typically have larger teams and longer delivery periods than do agile path players, and may focus on perfecting technology instead of pursuing market-winning innovation.

2 AGILE

The agile path allows companies to start fresh with few legacy concerns. Teams focus on speed-to-market, seeking faster solutions and products to drive growth.

Companies often establish an entrepreneurial start-up culture and find talent recruitment easier due to their clear scope, speed and commitment to innovation. On the downside, the agile path uses an unfamiliar organization model, relies on unfamiliar technology, processes and business models, and has greater scalability risk than the organic path.

Agile path companies adopt a venture capital-based model with investments based on business metrics and includes spinoffs, labs and joint ventures. They enforce the notion of “failing fast” to preserve funding, stamina and reputation, and have a flat organization team. These companies strive for true agile production and contain all operational business model components from R&D to sales and marketing.

They employ a transformed compensation system that supports innovation adoption and key performance indicator (KPI) performance, and use a KPI-based reporting system aligned with business growth. Agile path workforces usually include mostly new hires, with the rest drawn from the internal talent pool.

More a mandate than a choice, most companies view becoming agile as a competitive necessity – it is Darwinian in the sense that a company’s competitors will likely pursue this path even if it does not. Organizations that embrace agility have a better chance of persevering in the age of innovation, as they change their classic human capital into digital, product-based, denominations.

CHOOSING A PATH FORWARD

Companies must determine how to establish cloud-based innovation in their organizations while also managing the legacy business.

For most, the tangible IT transformation will start at their operational core, and their choice will involve a key strategic decision about which of two paths to follow. The slower, organic path won't provide the growth impact and speed that innovation-focused leaders seek; the agile path – which we recommend – nonetheless represents the more entrepreneurial and thus riskier approach. While many companies will plan to make the agile switch, a sizeable number will fail to complete the transition due to

organizational inertia and uncertainty – clear indicators of a lack of conviction or support for the transformation.

Whichever path appeals the most, leaders need to determine the organization's optimal innovation pace from a competitive standpoint, recognizing that the company's commitment to becoming agile will guide its speed of innovation and the quickness of the transformation itself. Once determined, the organization can reference this pace to set goals and targets, and undertake a formal review of the people and culture to identify strengths and weaknesses. Companies may initially meld both paths to varying degrees, and will need to determine at what point the agile, innovation-centric path will gain enough critical mass to take precedence over the organic path.



TABLE 1: PROMOTING CLOUD-BASED INNOVATION

Transition paths and operating model pros and cons

	ORGANIC PATH	AGILE PATH
PROS	<ul style="list-style-type: none"> • Implement cloud for back office first • Cost reduction focus • Leverage, transform and reskill internal resources • Moderate, low-profile organization transformation • Status quo culture and pace 	<ul style="list-style-type: none"> • Innovation - start fresh with no legacy • Speed to market and growth focus • Recruit externally and leverage a pay-and-hire-as-you innovate investment model • Cloud-driven innovation and transformation leveraged publicly to create market differentiation <p>Start-up culture and pace</p>
CONS	<ul style="list-style-type: none"> • Slow time to market and growth from innovation • Recruitment harder due to slower pace of transformation and innovation • Competitive threat - others could get to new services/products faster • Legacy technology integration impacts costs and speed 	<ul style="list-style-type: none"> • Innovation team and initiative funding dependent on back office transformation cost reduction; must kill something to fund it • Unusual and unfamiliar organization model inhibits recruitment • Scalability risk from start-up to commercialization • Unproven technology, processes and business models

TABLE 2: TALENT ELEMENTS

Talent elements for cloud-enabled innovation

ORGANIC MODE	AGILE MODE
Talent pool: 80% internal and 20% new hire	Talent pool: 40% internal and 60% new hire
Leadership: internal promotion on merit	Leadership: external hires based on expertise and experience in scaled innovation
Low number of technology development certifications to support innovation (e.g. AWS certification)	High number of technology development certifications, skills and practical experience
Internal talent transfers from existing groups; less competitive, less rigorous	Internal talent transfers go through same selection process and compete with new hires
Traditional new hire recruiting	New hire recruiting from technology ecosystem
Agile training executed as internal pilot; certification not required	Agile resources trained, certification required.

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www.accenture.com/journeytocloud

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4. Ibid.

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