



EMBRACING TECH IN FINANCIAL SERVICES EPISODE: CLOUD ADOPTION TRANSCRIPT

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Tim: The rate of disruption will never be as slow as it is today, and cloud is core to driving this. Operating models need to evolve at the same speed or we risk losing out on the opportunities, so how do we solve this complex challenge? Well, I'm about to find out.

Presenter: Welcome to Embracing Technology in Financial Services, a podcast brought to you by Accenture. In this 16-part series, we will hear from experts to uncover the latest in technology and trends in financial services. Now, here's your host, our practice lead, Tim Broome.

Tim: I'm excited to be joined today by Laura Entwistle from the Technology Advisory Business here in Australia. So, Laura, you've been here 12 months now. How are you settling in?

Laura: Yeah, good. I mean, you can't really complain about anything in Australia. Moved

over from the UK where it's pretty cold and wet most of the time, and then here you've got the glorious sunshine and not too far from a beach, as well.

Tim: It's hard to complain about the weather here.

Laura: Even when you get the tropical storms. They're interesting.

Tim: Well, not something you deal with a lot in the UK.

Laura: No.

Tim: Well look, we are both British, we could talk about the weather all day, so let's dive into the topic of today which is we're starting to see cloud adoption accelerate here. That and along with a range of disruption that's coming through is really altering the way that organisations need to structure themselves. How are you seeing the evolution of the operating models, and especially around cloud?



Laura: A lot of the clients that I've worked with previously, they tend to want to jump straight into it. They want to get everything over to their cloud and get everything live and think that it's relatively easy. Then when they start planning for it and start thinking about everything that they might need to do to get ready, they start to realise how much actually needs to be done. From an operating model perspective, I've worked with clients in the past for quite a long period of time, to understand what are the process changes? Whether it's a service management process, or whether it's to do with the actual software that you need to install, or implement.

Laura: Yeah, working with them on the processes, understanding what new technology they might need, or whether their current technology actually works with the cloud, or whether they need to do code changes. And also, the RACI (responsible, accountable, consulted and informed), and the people, so do they need new, I guess, do they need new skills? But also, do they need new functions? In one client that I worked with, they wanted a whole new service management function, because the incidents were going to be very different to the incidents that they currently get.

Tim: Yeah, I mean, you've effectively outsourced a significant part of your organisation, and yet created a brand-new interface. You need to figure out, how does that operate?

Laura: Exactly. And understanding, again, who is accountable for what.

Tim: How are you seeing the actual, the structure? 'Cause we've operated in this historical, go back to days of waterfall delivery. We have these big, horizontal structures. Agile as a principle, has started to change the way that organisations structure themselves. I think you can then throw in things like DevOps as well. That's upsetting the apple cart to a certain extent. All of these things are coming in at the same time, and they're all changing how an organisation thinks about how they do delivery of software. What's your experiences of how that's emerging and changing?

Laura: I think it depends on the client, but in

my experience, some of the clients that I've worked with have actually tried to do cloud and DevOps at the same time. Some find it too much to try and do it at the same time, but others think that it's their opportunity to actually try and blend the two, and try and change the way that they operate across the whole organisation.

Tim: Cloud's a good enabler of DevOps, absolutely.

Laura: Yeah, exactly. But obviously you need to think about how much work needs to be done at one time, and how much change the organisation can do at any one time. One of the things that we have seen is something like the hub and spoke model, where you've got the central teams, and they revolve around whether it's a certain technology or a certain customer for example, and then everybody I guess works around whatever that thing is. It used to be centre of excellences and this is similar but-

Tim: It's almost an evolution of the centre of excellence, and I think the centre of excellence, COE, it landed and then started to get, in many cases I've seen a bit of a bad reputation for it, in that it became quite a small, restrictive group that almost dictated the way that change would be executed. And organisations, big organisations, soon find a way to work around that. The teams on the outside don't want to be restricted by that small group in the middle.

So, then it evolves into the, what we're calling the hub and spoke, and that hub needs to be very flexible in what it can do, and to me, it's a really challenging area right now. The split between the horizontal organisation and the vertical organisation, operates at that intersect. But you've got to be able to accommodate scaling that the horizontal gives you, and knowledge that the vertical gives you, and to be able to be flexible to do both. I'm not convinced anybody's really got it yet. There's a cost implication to the flexibility that that model needs to provide.

Tim: If it's successful, you're putting guardrails in place, but the guardrails are broad enough to enable the spoke to do what it wants to do, but not so broad that you lose control. How are you seeing that evolve?

Laura: I think it definitely takes time, and again, with change. If you're making one type of change, people are going to have to catch up,



so if people are in let's say one sort of structure, and they're moving to a completely different type of structure, whether it's the hub and spoke model, or whether it's DevOps for example, it's difficult. A lot of the time, we go in and we help them understand, using change management as well, understand how they can move to that type of model to start with, and then how to maintain it.

Laura: As you say, if it's too structured, then nobody's going to want to actually use it. They're going to try and find the back door, rather than going through the front door, but you do need some structure in place, so that you can actually get the work done effectively. I think finding that balance has been really important.

Tim: I think cloud adoption is a great place. Organisations want to adopt quickly. As you said, people started running very, very fast and then realised that running very, very fast didn't necessarily get the outcome that you were after, but at the same time, what cloud gives is something that the traditional infrastructure couldn't give. I can be moving within days, not months.

Laura: Yes, as long as your organisation is set up. That's another thing. Moving to the cloud doesn't necessarily make everything go quicker. You have to do so many different things around it, so we've found a lot of our clients have struggled with, again, it's this structure that they've put in place, or the old structure that they had, that stops them from actually moving quickly. Whether it's releasing quickly or anything, but the other thing is financials. If you're offering a service, let's say your infrastructure and you're offering a service, you need to think about how the financial model works so that it's flexible.

Laura: 'Cause people, when they're going to use a cloud technology, for example, or a cloud service, they're going to think that they can use it on an on-demand basis, as an example. But if your financials don't work that way, it's very difficult, and we found a lot of clients struggle with that, to move to a completely new financial model, 'cause they're not used to it.

Tim: Yeah, I guess traditionally, somebody would have bought infrastructure as part of a program. They would have planned out three years of cost, it would have been a very, very painful hit upfront, and as long as the

forecasting was accurate, and I guess we could probably debate how often people got that right, but there was a clear CAPEX (capital expenditure) expense upfront, and then you put that live, you were running, you didn't really have that expense anymore.

Tim: Now, in some ways it's harder to predict what your cost is going to be, because the opportunity, if your business grows successfully, the infrastructure costs will likely go up alongside as you're consuming more services. But at the same time, it gives you that ability to not have a huge upfront CAPEX (capital expenditure) cost.

Laura: Yeah, exactly. I think there's positives and negatives, but if you're in a large organisation, it's difficult to go from one way of looking at the financials and predicting, to a completely different way. I guess in essence, you need the whole organisation to be on board with that, that they might be moving to a completely new financial model.

Tim: You mentioned the whole organisation being on board. When do you see this, I guess the adoption of the cloud and how your model changes around it? You can either have a ground swell and people just try and adopt, or you can get a direction from the leadership that says, "Actually, we're now adopting cloud first." Have you got experience of how the two of those work differently and I guess, which ones you've seen be more successful?

Laura: Yeah. I think the complex ones will always struggle to run to a cloud first. A lot of them tend to do proof of concept first, and try it out, and spend quite a lot of time in development, but not necessarily going live, because they have so many different processes that they need to think about.



Laura: Especially the financial sector. 'Cause they have to think about security, also risk, and there's a lot of regulatory processes that they need to wrap around it. So, a big bang I think would take quite a long time. But at the same time, you don't want to get bogged down in just doing the very small little bits and pieces, and if overall the organisation isn't on board, then it's very difficult to get anything through, or get anything approved.

Laura: So, for large organisations, I think it depends on the strategy that you have, and how on board you are in general.

Tim: Having come over from the UK, what have you seen differently? I mean, I think there's probably an expectation that across Europe, things have probably moved a bit faster than they have in Australia, and especially I was chatting with Mike Aston and Graham Rothwell on Open Banking, clearly that has driven a whole set of behaviours around operating models, and the use of cloud to enable that.

Tim: That's 12, 18 months ahead in Europe than it is down here, so what have you seen differently from when you were there to now, being out here?

Laura: I think in the UK, as you say, there's a lot that they've done that Australia is now starting to look into. Even thinking about the Royal Commission as an example, we had very similar scenarios in the UK quite a long time ago. And people were thinking about cost cutting, and a lot of the programs that I was on was around cost cutting, and cloud always came into that. But sometimes cloud isn't necessarily - it depends where you do it - but cloud isn't necessarily or shouldn't be thought of just as a cost cutting exercise.

Laura: Yeah, in the UK there was a lot of that going on. I think out here, that will start to happen in the financial sector, just because of the Royal Commission.

Tim: Even outside of the Royal Commission, cost has been a pretty strong focus out here for probably the last, getting on for two years, but certainly the last year, cost has been a very strong focus of the banks, certainly.

Laura: Okay, so it will continue to be.

Tim: But what about in terms of how the operating models, especially around use of cloud, how have you seen the organisations out here, their preparedness for cloud adoption versus as it was in the UK when you were leaving?

Laura: Some of the organisations even in the UK that I worked with still weren't quite ready. In fact, I worked with a couple of them and they were still at the stage where they were planning and trying to understand how cloud would work within their organisation, and it's similar out here to some of the clients that I've worked with. There are clients out there, back in the UK, that I guess full cloud first, but it does take a long time.

Laura: I think it goes back to how complex and how large they are. The ones that I'm thinking about are global companies, so it takes them quite a long time to set up all the framework, I guess. Whereas if you're a newer, smaller organisation, or a growing organisation, then you've probably got a lot of the tool set that's cloud native, anyway. You don't have all of the legacy code and all of the complexity within your organisation, so a lot of the smaller ones are already there.

Laura: But the larger ones that I work with in both countries are still going, maybe not now, but back then, still going through the process of understanding how to move to the cloud and how to operate.

Tim: Okay, and any differences on the types of loads? I mean, out here we've got APRA and working with APRA to understand what type of load can be moved. What are the requirements around controls once that load has been moved? Was that a different experience over there? Was the approach different? 'Cause I think here we've started off with... people looked at development and it's almost an experiment with development environments, then starting to move onto data, and I can shift some non-core data platforms, and now starting to shift onto the material workloads. Same pathway you've seen elsewhere?

Laura: I think it does depend on each client and the way they actually want to do it. I'm not sure about specific differences between the UK and



Australia. But with each client, they come up with a, I guess, a different strategy depending on the way they currently operate and what's going to be the easiest, and how much data they have as well. I think it does completely depend and, in my experience, every client that I've worked on, they might be cloud first, but they have a different way of looking at it, a different way of actually migrating. So yeah, I'm not sure whether there's specific differences that I'd see between the UK and out here.

Tim: Okay. Let's say you're CIO of Bank Z as of tomorrow. You want to adopt cloud, what would you focus on?

Laura: As I mentioned right at the beginning, I think the operating model in general needs a whole review. I would focus on looking into how the processes will change as a start. If you think about operating model, you've got people, process, and governance and things like that, and so I'd look at all of those and probably do a piece of work to look at the whole operating model and see how everything will change, and from a process perspective, I think we mentioned around risks.

Laura: The risk review is an example, which is one. I worked on an operating model back in the UK, and one of the processes was, in terms of risk and the reviews that we do every year - or every six months, however often it is - you also need the third party to do something similar, or to input into that risk review.

Laura: The processes, you need to go down into quite a detailed level to really understand what the changes are going to be. Same as looking at the people, but also the technology, so have a look at how complex and I guess how legacy your technology is, and the amount of code change that might be required. Or, if you need to move to new technology. What about you, Tim? What would you do?

Tim: I think there's a lot that an organisation learns as it progresses and organisations are different. I certainly think you need to start off with an experimentation mindset to realise how does your organisation experience and learn from cloud? But we're probably far enough

along at this point that you need to quickly move to, "Okay, I now know how to use it. Now, what is it that I want to move to cloud?" When I understand what I want to move to cloud, then I think you're in a position to understand, "Okay, well know I know what I want to move, how is that going to operate?"

Tim: Then, you dive into the operating model to figure out, "Now I know what's going to exist in the cloud. What's the structure I need to enable that to be successful?" It's probably a bit of a chicken and an egg. In some ways, you don't know how it's going to work until you're there, but at the same time, you don't want to go so fast that you end up with security issues, regulatory issues. It is a balancing act, absolutely. But yes, I think I'd start off with the experiments, but quickly move onto focusing on what do I want to do at load, at scale, and think about what's the structure I need to support that?

Laura: Yeah, exactly. And it's complex. It's definitely complex.

Tim: Absolutely. There isn't a single right answer.

Laura: No, exactly.

Tim: Having a conversation with Jason Douglas who - you know Jason pretty well. We're going to dive into the actual, the nuts and bolts of if you're going to modernise, especially if we look at, for instance, the mainframes, if you want to start looking at that and how you accelerate change around that space, what is it that you're going to do to that technology? Obviously, that's Jason's area of expertise, so that'll be a good conversation I'll have with him.

Laura: Yeah, something that would need to be looked into with every client, I think, that's thinking about moving to the cloud, is how cloud ready are you? Where are you on the journey?



Tim: You mentioned service management. How do you see service management changing? Does it fundamentally change its function? Or, is it tweaking?

Laura: I know some clients that have literally just expanded their current service management function, whereas others have basically created a whole new service management function. Not sure whether you need to do that, but there is a lot of training that's required. We talked about incident management earlier. The incidents are going to be different, and some of them we might need to call up the third party as an example.

Laura: The people that are working through the incidents will need to be trained on what those incidents might be, and then a process needs to be put in place to show what would happen if that incident happened. The other thing that's really important is the engagement with the vendor. You need to understand, if it's a data centre that goes down, then well, you need to actually be able to triage to figure out that it was the data centre that went down, and then obviously you'd need to ring up the vendor and understand what was going on.

Laura: You need that contact, and you need people to be able to do that. The other thing that's very important is SLAs. So, the SLAs, if your infrastructure as an example, or technology team that has SLAs with your own internal customers, you need to make sure that the contract and whatever agreement you have in place with the vendor meets those SLAs.

Tim: They all have to line up.

Laura: Yeah, because otherwise you're going to miss yours and the customers aren't going to be happy, and the processes don't work. There's quite a lot that you need to do from a service management perspective.

Tim: And service management tends to be, depending on the organisation, tends to be... Is often within the workplace, and which then rolls up to often the infrastructure part of the organisation. Service management is one area, surely the whole infrastructure team, the whole function, changes?

Laura: We talked about skills earlier, so they

might be new skills that are required, and there may be new pods of teams that you actually set up, and communication as well. How is everyone going to know when a new service has been on-boarded? I know a lot of the clients that I've worked with have had a website that's dedicated, or at least pages of a website that are dedicated, to the cloud. Some of the communication goes through that.

Laura: So, if there's a new service that they've just on-boarded, they'll have to send out a communication to say if you can access it.

Tim: That's a really interesting point. We often forget about the human end of it and focus on the technology end of it, and change is one of those really significant components that if we don't get right, we often lose sight of what's happened, what's been successful, what do we need to do differently? And do people in the organisation even really know how to operate at the most effective way?

Laura: Yeah, exactly. If you're three years into the cloud journey, and nothing's gone very far, then the people that are working on it start to feel deflated as well. So, it's all about managing that correctly.

Tim: And look, it is a long journey. You do need to keep that, the energy up. There'll be some challenges on the way.

Laura: Exactly.

Tim: All right, thanks Laura. Well, we could talk about this all day, but I really appreciate the time you spent with us today and maybe it's time for you to get back and enjoy that Australian sun.

Laura: Sounds like a good plan. Thank you.

Tim: Thanks very much. Bye bye.

Laura: Bye.

Tim: If you have any questions about today's podcast and want to get in touch with me, please email tim.broome@accenture.com, or you can find me on LinkedIn. See you next time.



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