



ADOPTING CLOUD WITH CONVICTION

A large, stylized graphic element consisting of two overlapping chevrons pointing to the right. The top chevron is bright green and the bottom chevron is bright blue. They are positioned behind the text, with the green chevron overlapping the blue one.

HOW TO INTEGRATE YOUR NEW CLOUD BUSINESS AT THE OPERATIONAL LEVEL

“Companies launch cloud-enabled innovations and assume the job’s done, when it’s only the beginning.”

Unfortunately, companies can’t simply flip a switch to put their operations on a cloud footing. Instead, they need to manage with one foot in the cloud environment while the other remains planted in the legacy organization, often for an extended period. Companies can succumb to a variety of operational pitfalls during this period, ranging from having the wrong talent to treating the cloud simply as an IT issue, rather than a core business mandate. Making this transition successfully requires resolute leadership, strong operational alignment, a clear execution roadmap based on measurable cloud value metrics, and fearless conviction.

MANAGING TWO DISPARATE ORGANIZATIONS

Established companies that launch a cloud-enabled innovation play on top of their legacy businesses immediately face a variety of challenges.

- Do synergies exist between the legacy operation and the new business?
- Is there an advantageous cultural fit between the organizations that the company could exploit?
- As companies support both the legacy and cloud operations, how can staff rotation strategies ensure employees in the legacy business evolve their skill set to support the innovation and understand their roles going forward?

- Should the company attempt to integrate the two business organizations or keep them separate?
- If the cloud organization is a new, standalone business unit, what's the best way to provide core functions?
- If the cloud organization becomes part of the established organization, what steps are necessary to maintain its relevance within the legacy business, and if it catches fire, at what point should it become a standalone entity?
- What's the best way to integrate legacy IT resources with cloud resources and systems?

Experience suggests that many companies attempting to add cloud to a legacy organization are unprepared for the challenges ahead. The stakes for such

unpreparedness can be high. A failed cloud transformation can disrupt organizations and imperil business objectives. For example, after struggling to build a private cloud in an effort that took years and huge levels of effort and resources, a UK publisher had to scrap the entire project and join an already established public cloud service, in the process disrupting the legacy business and generating major costs. Additionally, a survey of nearly 300 IT professionals reveals that two of the top reasons cloud implementations fail are a lack of clearly identified business objectives for migrating to the cloud, and poor planning.¹ Clearly, it's critical the business and technology management are aligned on specific objectives and develop a detailed plan to adopt and embrace cloud technology.

INTEGRATION SUCCESS REQUIRES CONVICTION

Moving to the cloud takes time – in many cases, shifting to a cloud footing can take two to three years.

During this critical transition period, a tepid approach or lack of strong operational alignment (behavior change) can cause a project to stall. It's critical to have a plan that ensures the legacy organization recognizes the magnitude of the changes ahead. A recent survey asked 140 executives what problems their private clouds faced. Over 30 percent – by far the largest response – reported their failure to change their operational model as the primary stumbling block.² Clearly, agile clouds need agile processes, and people can either become big supporters or ominous roadblocks on the trail to integration.

Operationally, companies need to reconcile their legacy standard operating procedures with the cloud organization's organic agility. In many cases, that means introducing multi-speed IT strategies and reskilling legacy staff to function in the cloud environment. And because cloud-based innovation projects often shift direction, leaders need effective ways to gauge progress quickly and accurately. Only then will they be able to mitigate issues as they occur.

Until the company has solidly integrated the new cloud-based capabilities, the digital platform is in danger of becoming just another box on the organization chart instead of the transformational engine that powers the company to digital parity with competitors.





LEARNING FROM CLOUD-BASED TRANSFORMATIONS

Several companies have successfully negotiated the challenges of integrating legacy and agile resources.

For example, Netflix began life as a dot-com DVD innovator, offering a more convenient service than its bricks and mortar rivals by allowing customers to rent movies online and then receive their DVDs in the mail. The company's legacy DVD mail business dropped from 20 million subscribers in 2010 to 5.3 million in 2015. By embracing agile resources, Netflix replaced them with 65 million cloud-enabled, live streaming

customers worldwide. In the process, the company radically transformed itself from a movie rental competitor to a cloud-focused player that competes with global media players worldwide. In making this move, Netflix proved it could support a new business with a new operating model without facing major legacy conflicts. It split its DVD mail and streaming services in 2011, indicating a desire to let each grow and operate independently. Netflix is currently a leader in over-the-top content streaming, and in 2013 became a content production company, creating its own TV entertainment that it streams to users.

Towergate, one of Europe's largest independent insurance intermediaries, wanted to shift its traditional IT organization to a cloud focus.

The company's 300 acquisitions over 20 years complicated the challenge, however, since many had different legacy IT systems and applications. Accenture worked with Microsoft and joint-venture partner Avanade to migrate infrastructure and applications to the public cloud. The initiative focused on four infrastructure areas: datacenters, the network, end-user computing, and service support. The transformation took less time than anticipated – 12 months – and delivered annual savings of 30 percent, representing savings of about £4 million (US\$5 million)

per year. In the process, Towergate connected 4,500 employees and effectively integrated all 300 of its acquisitions. Featuring a smarter, faster and better IT platform, the company's cloud transformation improved user experiences with new tools, a single service desk and enhanced self-service capabilities. It also made collaborating across departments easier, while boosting Towergate's agility and customer responsiveness. Perhaps most importantly, the program has provided Towergate a solid IT foundation that not only accommodates new acquisitions should they be made in the future, but also enables digital and business transformations that will aid the growth of the business.

TO INTEGRATE, OR NOT?

Embracing cloud is not a trivial decision; it requires strong top management commitment and attention, as well as clear operational strategy.

Leaders face a series of key strategic decisions regarding whether the cloud business and organization nests in the legacy one, and if so, when does it make sense to separate them (if at all)? Netflix introduced its cloud-based streaming business in 2007, but waited until 2011 to split it from the DVD business. Other cases could take less time, especially if the agile organization's fit with the legacy business is unworkable, or the cloud business grows faster than expected. Then options range from creating another business unit to spinning the legacy business off or selling it outright.

If integration is feasible, leaders need to explore their options in this area. Possible solutions include absorbing the cloud business into the legacy one, which then becomes "new" by osmosis, or rotating legacy talent through the separate cloud business unit to learn the new approaches and take them back to their original jobs. In either case, companies must learn how to operate in a multi-speed way. For example, one automaker created a two-speed IT approach capable of handling the higher-risk, more-likely-to-fail technology experiments its emerging digital business requires, while at the same time accommodating the company's more traditional IT system development and upkeep needs.



CRITICAL CHOICES AHEAD

As more companies embrace the cloud to enable innovation and drive profitable growth, they need to make a clear-eyed assessment regarding how to position the cloud organization in the larger enterprise, and what needs to happen, when, to ensure its success. While the new cloud business may infuse agility, the organization might need to reengineer the legacy business, perhaps spinning off or streamlining certain areas while bolstering others. Likewise, the new cloud business could evolve into several different operational end-states – an agile standalone cloud play, for example, or an efficient and effective hybrid.

Three experience-based insights can provide guidance in these areas.

1 GET SERIOUS ABOUT THE CLOUD

Train employees in relevant solutions, tools and apps, and make a “cloud first” pledge to plan future innovations with the technology as their base.

2 GO AGILE

Create a top to bottom agile organization, not just in development but for every element of the company, including human resources, legal, finance, procurement and sales and marketing. Manage projects, projects and services in “sprints and scrums” with clearly assigned ownership responsibilities to create urgency and bolster speed.

3 GET RID OF BAGGAGE

To reduce IT drag, embark on a lean mission for workloads. For example, tackle “IT-4-IT” projects first and plan to de-commission services the company no longer uses.

COMMITMENT TO INNOVATION

As companies reinvent themselves for the digital age, their leaders need to consider how (and whether) to integrate their established legacy operations with the sleek new promise of their emerging agile organizations. They need to retain the institutional knowledge on the legacy side while simultaneously developing new skills for the future. Achieving this goal will compel them to operate in new and perhaps challenging ways, and success will require them to adopt the cloud with conviction, which requires an unconditional commitment to innovation.

Author

Siki Giunta

Managing Director, Accenture Cloud
siki.giunta@accenture.com

Learn more about Journey to Cloud:

www.accenture.com/journeytocloud

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