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WHY ORGANISATIONS ARE OPTING FOR A HYBRID CLOUD STRATEGY

A business strategy for a cloud enabled world

Public cloud is recognised as a truly transformational development in its various guises, from infrastructure and platform to software as a service. However, it remains relatively immature in its adoption with Goldman Sachs indicating that there is a further seven times growth potential. In this respect, every organisation should consider just how far it will proceed with its cloud adoption and what outcomes might be achieved. According to delegates from multiple sectors, a combination of public cloud and on-premise appears to be the most practical solution for the next five years.

But what became most apparent from discussions is that instead of declaring a 'cloud-first' strategy', leading organisations should be developing a 'business strategy for a cloud enabled world'. This implies that CEOs and 'C' suite executives should set the direction of travel together with the IT organisation.

Where are organizations currently on their cloud journeys?

Without exception, delegates have arrived at hybrid positions in their adoption of public cloud services. Many expressed their comfort in maintaining on-premise facilities and few are planning for a complete conversion to public cloud. The most common drivers for some level of public cloud adoption include:

- Ability to cope with rapidly changing demand for compute capacity, especially in the retail space where transaction levels can vary dramatically
- Adoption of agile development methods such as DevOps that benefit from public cloud platforms and tooling (e.g., Platform as a Service)
- Increasing displacement of internal applications with Software as a Service (SaaS) that is delivered over the public cloud (e.g., HR, Finance and CRM services)
- Merger and Acquisition activity that requires rapid integration or divestment of IT facilities enabled by flexible cloud platforms

However, many of the delegates are still virtualising their private computer facilities before proceeding into a public cloud environment. The prospect is for a combined on-premise, private and public cloud landscape for at least the next five years.

What are the challenges associated with cloud migrations?

There are four challenges around the full adoption of public cloud: Cost, Control, Compliance and Customisation.

In the case of cost and control, public cloud is often described as a 'fire-hose' of compute and storage capacity. With unlimited access, this can ramp up IT bills rapidly. Most delegates have found that total life cycle operating costs (or TCO) increase as dependence on public cloud grows. However, group negotiations with major cloud vendors such as AZURE and AWS have helped to place caps on price rises.

A further cost is the need for specialist skills to operate within a public cloud environment. This includes developers who can rebuild applications for public cloud, and those who are familiar with complex, multi-cloud operations. With today's war on talent, such skills are expensive to procure.

Compliance and regulation are especially influential in the move to public cloud for financial services. The caution exercised by regulators varies between countries. For international banks and insurance companies, cloud adoption is often heavily constrained by local regulatory attitudes. Only in very recent times have regulators accepted that cyber risks within public cloud environments may be acceptable.

A changing IT landscape?

Many emerging factors are influencing today's IT landscape such as agile development, workplace automation, move from Capex to Opex and adoption of Software as a Service in place of internal applications. Delegates described their move to public cloud platforms as taking three different routes:

- Lift and shift of existing applications (common at the outset)
- Rebuilding such applications for cloud environments (lengthy)
- Creating entirely new 'cloud native' applications (innovative)

Much of the cloud migration difficulties encountered by delegates relates to their current investment in legacy systems and applications.

However, for most financial and public institutions, the cost of replatforming core transaction systems is unaffordable. In the case of large ERP systems such as ORACLE and SAP, many organisations are gradually reducing dependence by introducing SaaS applications around the core such as Salesforce and Workday.

Implications for cloud governance

As CEOs begin to recognise the potential of digital business in influencing their stock prices, several are committing their companies to 100% public cloud migration such as Deutsche Bank and JP Morgan. Given the challenges associated with a complete rebuild of core systems, such declarations seem to be naïve in practice. However, it is the start of a much bigger conversation as to who makes such IT decisions – the business or the IT organisation?

In talking to digital leaders across Europe in 2021 it become apparent that the role of IT is evolving to one that specifies and controls tooling and platforms, enabling the businesses to pursue their own application strategies. In such a scenario, IT should remain influential in the selection and management of public cloud platforms.

At group level, companies are taking control of vendor relationships to extract better commercial terms from companies such as Microsoft, Google and AWS. Given the limited number of cloud vendors, organisations need to select appropriate combinations of hyper-scalers, and ensure consistency of usage through the divisions and national entities. Equally, they need to develop appropriate strategies for dealing with heritage vendors such as IBM who are largely concerned with on-premise resources.

Coping with new waves of technology

Most cloud discussions have focused on traditional IT applications and technologies such as ERP systems, data analytics and customer channels. Over the next decade we can expect an explosion of new techniques with their own compute and storage requirements. Those mentioned by delegates include the Internet of Things, 5 and 6G mobile, Edge Computing, Artificial Intelligence and Virtual Reality (enabling the Metaverse).

Such developments will continue to influence the balance between public and

private compute facilities, with many being better suited to a cloud-native environment. This could shift the balance over time towards public cloud.

What are our conclusions regarding cloud migrations?

The discussions threw much light on the realties behind public cloud, indicating that ambitious plans to achieve full cloud migration are proving unrealistic. Instead, we conclude that:

- Organisations will retain a mix of private and public compute facilities well into the future
- Such combinations will require a range of new skills and operational processes to manage workloads and data flows between different environments (public and private)
- Large amounts of investment will be required to migrate legacy applications onto public cloud. Few companies have the means to do this.
- The move to agile development and emerging technologies such as Edge will help to accelerate migration over time.

About CIONET

CIONET is the leading community of more than 10,000 digital leaders in 20+ countries across Europe, Asia, and the Americas. Through this global presence CIONET orchestrates peer-to-peer interactions focused on the most important business and technology issues of the day. CIONET members join over a thousand international and regional live and virtual events annually, ranging from roundtables, programs for peer-to-peer exchange of expertise, community networking events, to large international gatherings. Its members testify that CIONET is an impartial and value adding platform that helps them use the wisdom of the (IT) crowd, to acquire expertise, advance their professional development, analyse and solve IT issues, and accelerate beneficial outcomes within their organisation.

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