

Moving from the Tactical Cloud to the Disruptive Cloud

The Cloud: disruptive business enabler or commodity?

IT doesn't matter

Most of us in IT leadership positions may remember the unforgiving – and very relevant – article by Nicholas Carr that appeared in the May 2003 edition of the Harvard Business Review, "IT Doesn't Matter"¹. A heated debate ensued with rebuttal attempts, hurt feelings and authoritative input, including a major disagreement at an analyst meeting from former CEO at Intel, Craig Barrett.

Today, many CIOs and IT leaders may be wondering the same about Cloud technology: Does Cloud matter? We know it works, but can it add strategic value to organizations? Or is it just an elaborated plot by vendors to rehash the old Buy vs. Build debate to extract more value for convenience? If the latter is the case, the Cloud would primarily be the realm of purchasing leaders. But when hordes of vendors come armed with tools, cases, references and anecdotes that unequivocally prove how miraculous and valuable the technology is, the question resurfaces, requiring a more conclusive answer.

A differentiating...commodity?

Cloud brings the promise of utility-like services to IT and has been touted to revolutionize the way we consume, think about, and generally leverage technology. Yet, since it's ubiquitously available at the same cost to everyone, and in any desired volume, in what way does the Cloud add strategic value?

Hints of an answer may lay within Computerworld's Frank Hayes' reaction to the original article by Carr, in which he reconciles the apparently opposing views this way: "You can get real business advantage with technology. You just don't get it from products, services and information. You get it from processes, skills and execution – the same things that let any business differentiate itself in ways that don't involve IT."²

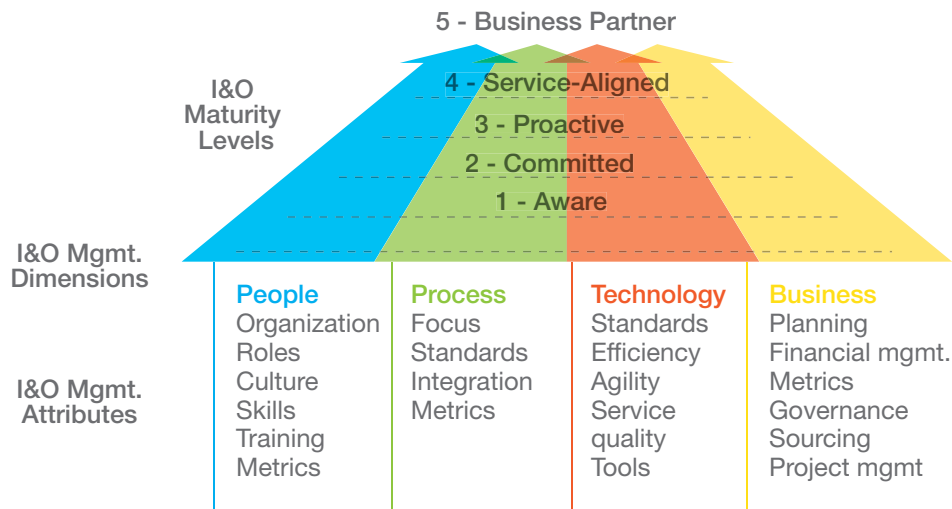
New paradigms, like Cloud, suggest more than just adaptation to/adoption of a new technology. They can fundamentally alter how organizations drive value from business process innovations. As Harvard's Dale W. Jorgenson concluded in a 2010 paper³, application of new technologies requires new organizational structures, as prevailing structures rapidly become antiquated, leading to a continuous process of restructuring and incessant updating to match business needs.

But how ready are organizations to execute in this flux of constant change? Furthermore, how prepared is traditional IT to deliver at the pace of business change?

Processes, skills and execution create strategic value

Gartner evaluates the maturity of the average Infrastructure & Operations organization (I&O) through its ITScore methodology. As depicted in Figure 1, progress is measured along four key dimensions: People, Process, Technology and Business.

Figure 1. ITScore for I&O: Model Structure



Source: Gartner, August 2012

By looking at the ITScore, we can explore how ready organizations are to drive strategic value from Cloud offerings. But before jumping into numbers, it's also important to acknowledge the increasing complexity of I&O – the growth of online marketplaces; rise of mobility; ubiquity of always – on strategies; the need for 24/7 continuous availability, among several other factors – are raising the bar in terms of operational demands, and thus, organizational maturity.

When did you first hear of Knight Capital? If you've ever traded online with TD Ameritrade, E-Trade or ScottTrade, chances are you've used Knight Capital's services, unknowingly. However, many now know them as the company that introduced a deadly bug into production. Taking from an August 2012 article in BusinessWeek, "In the mother of all computer glitches, market-making firm Knight Capital Group (KCG) lost \$440 million in 30 minutes on Aug. 1 when its trading software went, to use the technical term, kablooey."⁴

In I&O, even the most minor of mistakes can cost dearly. Therefore, the need for maturity in all four dimensions ranks high in priority, as it becomes a natural hedge against disruptions. Yet, in a January 2012 survey by Gartner, 306 I&O leaders indicated that process metrics have the lowest maturity (1.68 on a scale of 1 to 5). Almost as bad, overall maturity averaged 2.35. Gartner Analyst Tapati Bandopadhyay added: "This is a particularly disheartening conclusion, because the sample size is reasonably large and is a good representation of Gartner clients."⁵ In light of these findings, rather than asking if Cloud matters, perhaps a better question is: Can we make Cloud really matter?

100 Billion Reasons Cloud Matters

As Gartner estimates that organizations will source more than \$100 billion dollars in Cloud services during 20126, clearly the maturity of the I&O organization really matters.

Leveraging these investments is no easy feat for I&O organizations. Business will introduce new processes on top of the existing web of legacy systems and processes, while the need to meet security and regulatory compliance prevails. This adds complexity, hampering the organization's ability to realize the value promise of the Cloud.

Winners, we argue, will drive strategic value by improving processes, ensuring three key aspects critical to their operations strategy:

- Establishing clear, business-aligned metrics for I&O organizations that fulfill business needs.
- Charting a road map to incrementally improve service delivery maturity.
- Teaming up with vendors that bring proven processes, deep knowledge of business processes and the skills required to accelerate execution.

The legacy of Carr's article still looms today. But for those ready for the change, it doesn't matter.