How to mitigate the risks and leverage the power of the cloud

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The move to the cloud and digital transformation means that partnering effectively with service providers is more important than ever before. While a cloud-based approach can offer businesses significant benefits, there are also potential hidden costs and risks that must be mitigated.

The cloud model has become increasingly popular because of its flexibility and agility. It lets businesses access powerful computing resources that they may not otherwise be able to afford — from storage and computers to applications.

Smart organizations should be moving toward software-as-a-service (SaaS) and platform-as-a-service (PaaS) models to take advantage of the benefits of the cloud and assist with their digital transformation journey.

The time to move to the cloud is now

The competitive landscape has changed. New generations of competitors in any industry can spin up a whole new business in weeks using cloud infrastructure and readily available business and technology resources. This is creating a sense of urgency for organizations to think about technology, including how to stay relevant and respond appropriately in a timely way.

Organizations that have not yet considered the cloud need to find their way or risk being left behind. For a successful transformation, organizations need to identify current risks as well as the challenges of moving to the cloud.

Organizations should consider business and operational risks, which include existing technology and related systems; the challenges of transitioning to the cloud such as identity and access management, integration, security and compliance; and the known risks related to the new technology proposed. They should then assess the risk and challenges based on the ongoing provision of technical services, along with the potential impact on their core business functions and objectives.

Cost benefits of a cloud-based approach

Accustomed to a "pay-as-you-go" model for other types of expenditure, customers are increasingly seeking the clear benefits that come with this type of model for cloud service. Benefits will include:

- **Enhanced flexibility.** Customers pay for the technology they use rather than having to invest upfront in technology they may not need. Being able to scale up or down as business needs change lets companies stay nimble and more closely align costs to actual needs.
- **Cost efficiency.** Because IT expenses are incurred on a per-use basis, they are no longer part of the organization's capital expenditure (CAPEX), but can instead be accounted for as operating expenditure (OPEX). This is ideal for CEOs and CIOs tasked with reducing overall costs.

A cloud model helps predict cash flow more accurately, understand customers more clearly and nurture ongoing relationships.

- **Easier budgeting.** When the subscription-based approach is underpinned by a clear licensing agreement, it lets organizations manage budgets carefully. This can increase cash flow since funds will not be tied up in large-scale technology investments.

Technology providers are also realizing the benefits of this approach. A cloud model helps them predict cash flow more accurately, understand their customers more clearly and nurture ongoing relationships.

Beware of the "race to services"

The systemic shift to move IT infrastructure and applications to the cloud brings fundamental changes to IT companies' revenue models. There is a dramatic increase in the demand for IT consulting services, but a lack of skilled people in this area.

This cloud economy has precipitated a "race to services," where many vendors and resellers are reinventing themselves as service providers rather than simply as technology sellers.

This is an issue because it has encouraged organizations to set themselves up as cloud service providers despite lacking the necessary qualifications to do so. They have neither the knowledge nor the experience to deliver specialized, high-value services to customers. They may hire some experienced staff, but without a strong strategic direction set by management and reinforced by an entrenched services culture, they are unlikely to be able to deliver the business transformation organizations seek.

The cloud economy has precipitated a "race to services," where many vendors and resellers are reinventing themselves as service providers rather than simply as technology sellers.

Additionally, the industry has seen significant consolidation by acquisition because of this shift. This means there are fewer specialist providers and more generalists.

While they can provide end-to-end solutions, the lack of specialization means the solutions they provide can be too broad-based or unfocused to deliver strong results. This supermarket approach limits organizations' choices when it comes to potential partners and can eventually put pressure on prices without a corresponding pressure on quality.

At the same time, established IT service providers are losing experienced staff to these new players, which rely on installing experienced staff to establish legitimacy. This can dilute the quality of the market overall, since established players lose valued experience. But that experience is not enough when it is brought into an organization by one or two individuals. The overarching culture remains that of a product reseller rather than a true integration partner.

A key indicator of the integrity of a service provider is the ability to collaborate closely with vendors, particularly when it comes to the vendor's technological and delivery expertise. A strong partner can immediately contact key people at the vendor company to resolve issues and manage licensing and other support. Re-badged resellers rarely have a strong connection with the appropriate people at the vendor organization.

Choosing the right partner is critical, but it can be difficult to know exactly what to look for.

How to choose the right partner for a cloud journey

Re-badged resellers have a number of flaws, including:

- Limited experience
- Limited funds
- Limited knowledge about specific industries and solutions
- Lack of governance due to being able to provide people to execute projects but no overarching management
- Lack of service-oriented culture because previously the focus had been on selling rather than on building relationships
- Increased offshoring, which can be a positive in some instances but can also be a signal that the organization does not have inherent capabilities and needs to outsource the work

These flaws mean risk for the companies that choose to work with these new services organizations.

Choosing the right partner is therefore critical, but it can be difficult to know exactly what to look for.

A good place to start is by understanding how a potential partner has traditionally made money. If the partner has previously been mostly or exclusively focused on selling software and/or hardware, then it can be a sign that its focus and experience is not deep enough to provide a high level of service.

It is important to demand:

- A mix of specific technology knowledge and business knowledge so the team can clearly understand the organization's business imperatives and deliver cloud solutions accordingly
- A strong physical presence and footprint in the industry with positive customer references, preferably from long-term customers in the same industry as the organization
- A stable, well-qualified team with significant tenure at the organization, proving that the organization is a genuine player in the marketplace rather than a re-badged product reseller
- Proven project control and governance methodologies that can be clearly explained
- The ability to bring senior vendor representatives into any discussion to drive results

Organizations should beware of partners that introduce high-level consultants to the customer but get junior staff or offshore teams to execute the work. It is important to meet and speak with the team that is doing the work. The clarity and effectiveness of communications can suffer enormously when the team doing the work is not the same as the team speaking to the customer.

Staff retention rate is a red flag that can indicate a partner is newly arrived to the services industry and therefore may not be able to provide an adequate level of stability, experience and knowledge to complete the project to a high standard.

Likewise, customer retention rate can demonstrate how well the partner organization can deliver.

Organizations should ask the following questions to determine whether a potential partner is capable of delivering successful cloud service:

- What is your customer retention rate and how do you measure it?
- Where will our data reside and what access controls are in place?
- Is there a dedicated project manager for this implementation and what are his/her qualifications?
- How will you ensure that we have control of the system?
- How will your team work with ours to ensure project success?

Once these questions are satisfactorily answered, the organization can move to the next stage of assessing whether the partner is suitable.

How to ensure the success of your move to the cloud

With the right partner in place, organizations can achieve enormous benefits when moving to the cloud.

When it comes to defining a path to the cloud, organizations should focus on providing increased business efficiencies, increasing user satisfaction and meeting business expectations, as well as addressing the risks identified. The key is using the new technology to create business efficiencies that improve customer experience.

With the right roadmap, organizations will have a clear and defined path to transition to the cloud. Each step should be identified, and timelines laid out. Importantly, a roadmap will also provide a foundation if the market or technology changes, so organizations can adapt or pivot but still continue on their journey.

With the right partner in place, organizations can achieve enormous benefits from moving to the cloud.

To give a cloud project the best chance of success, DXC Eclipse recommends the following steps:

- Securing CEO and management engagement
- Implementing a strong change management program
- Planning and monitoring for compliance
- Choosing the right project management team and enabling them to drive the project

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