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Cloud Operating Model

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Introduction

Have you been hearing CXO conversations focusing on the following questions: If only we could scale up our business model faster? Why does our IT infrastructure have so little flexibility to move to new business models fast? Why are my business peers not making full use of the renewed technology landscape to innovate more and faster? What is influencing this, what are some of the underlying organisational dynamics?

We live in a fast-moving environment where organisations are facing important challenges, with an ever increasing pace of change. Consider how music distribution has evolved from physical media sales and distribution (tape, LP, CD) to a subscription-based model with vendors such as Spotify, Apple Music, and Tidal, giving users instant access to a virtually unlimited music repertoire.

Recent evolutions in cloud technology by the global cloud providers like Amazon Web Services, Microsoft Azure and Google Cloud have made this revolution in music distribution possible. They provide solutions to organisations that tackle today's business challenges and accelerate value generation in multiple ways:

- At the most fundamental level, cloud allows organisations to save costs and increase flexibility by migrating technology workloads, optimising capacity and money spent on infrastructure.
- Driving product and service innovation by enhancing business processes with cloud capabilities, such as machine learning, decision making,...
- Defining new business models that were previously unattainable and transforming business segments.

	Cloud 1.0	Cloud 2.0	Cloud 3.0
What is it?	Providing flexibility at an infrastructure level by running existing applications in the cloud.	Leveraging data and AI in combination with Software as a Service to make better decisions and get more intelligent insights.	Leveraging cloud functionality to deliver business differentiation, like new services, products and business models.
Organisational change required?	Requires changes in the IT organisation, with IT operating model changes like DevOps thereby driving a more agile IT-business operating model.	Requires changes in the organisation to collaborate cross-functionally and achieve a culture change to become a data-driven organisation (e.g., decision making based on predictive intelligence vs. predefined standards).	Requires a transformed organisational model to fully enable working in this new paradigm. The cloud transformation is business-driven under the CEO's leadership. It is both a top-down change and a bottom-up enabler (e.g. citizen-led development).
Key benefit	Cost savings and technology workload optimisation primarily driven by IT capabilities (scalability, SLA, agility, ...).	Better corporate decision making and process streamlining.	Strengthens top-line growth and profit by reinventing the business, creating new ecosystems and similar business changes.

Many organisations have invested in cloud 1.0 and cloud 2.0 by migrating data centres and implementing SaaS solutions for key functions like resource planning or CRM. Few have started or made the move to cloud 3.0 and are most likely not tapping into the true transformational potential of cloud.

Cloud 3.0 provides a platform where with the smart integration of cloud services on existing processes or combining them in new processes and products some of today's challenges like continuous innovation, becoming more sustainable, promoting diversity and inclusion, etc. can be addressed.

A key inhibitor to success is that the full potential of cloud and cloud solutions is not clear to organisations and their teams. In recent interviews with business and technology executives it was confirmed that there is a need to educate executive stakeholders on the potential impacts of cloud technology.

In fact, while in cloud 1.0 the ownership of the transformation is governed by IT, a blend of IT and a specific function like sales and marketing for CRM in cloud 2.0; In cloud 3.0 it is a topic that is impacting the whole organisation, and should be led by the CEO. This to enable cross business decisions making & resource allocation) to realise the potential of cloud for your organisation. Beyond functional logic as main driver.

Why a new operating model?

In the 2019 Deloitte Human Capital Trends report we introduce the social enterprise as an organisation that provides benefits for a large group of stakeholders and thrives on purpose. Today's business challenges require an organization where the different functions work together in superteams to address these challenges.

"Superteams" are groups of people and intelligent machines working together to solve problems, gain insights, and create value. They are the next step in AI's continuing integration into the world of work as introduced in the Deloitte Human Capital Trends 2020 report.

The full benefit of cloud 3.0 transformation can be realised only when the organisation works in full symphony, across the different domains with multidisciplinary and skilled teams. Working in an adaptable and agile way with a focus on shared outcomes and controlled experimentation is key. Tapping in the collective intelligence of the organisation and external partners to drive opportunity and results.

To embrace the full transformational potential of cloud it requires business functions to be integrated in a new cloud technology operating model by providing vision, requirements and deployment support but adding taking full ownership of technology and how it is leveraged on top.

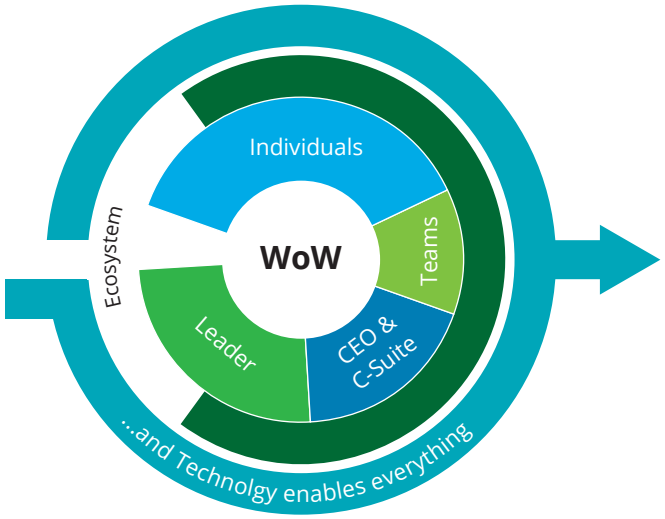
In its most essential representation, two of the key elements to make the jump to cloud 3.0 are the need for new skills and capabilities in the workforce and the need to revisit the operating model. Some examples of new skills and capabilities are agile project management, machine learning and tenant management. The organisation will need to install a new symphonic operating model where different functions and lines of business collaborate around technology.

First steps originating from IT.
BizDevOps is a technology operating model that complements DevOps by explicitly adding a business function with responsibilities for business requirements, planning, reviewing and deploying. It allows to change to connect the business to the DevOps chain in IT and links the business stakeholders at the right touchpoints.

The ability to develop applications using no or low-code platforms that allow for changes within an agreed upon framework, governed by IT to safeguard security and architectural standards.

What does the operating model look like?

To realise the full benefits of the cloud, a more significant shift in operating model and organisational behaviour for a broad human scope is a necessity.



The purpose-driven ecosystem leverages existing and new partnerships and alliances to deliver work and outcomes. Customers are part of the ecosystem and work in collaboration with the organisation, for example in real-life testing of the products. Ecosystem partners like integrators, consultant and other participants can enhance performance and high scalability of the team.

The organisation is first and foremost centred on customer missions and leverages a collaborative approach to build outcomes that drive value. It promotes the organisation of cross-functional teams and enables functional silos to be broken, which are no longer seen as the primary way to organise and govern work. It promotes a culture and environment where all workers can experience the benefits of cloud and learn how to operate in this new reality.

The teams are inclusive and work in an agile way to be able to shift fast in response to challenges and deliver outcomes with speed. Teams are empowered and able to take ownership of the outcomes and the process of creating those outcomes, leveraging the cloud technologies. Technology like AI is embedded in the teams to create 'superteams' and provides further insights into the tasks. Teams that are traditionally outside of IT are technology savvy and feel enabled and skilled to work on technology-related topics.

Individuals will blend in the new organisation and have the opportunity to continuously learn the latest generation of cloud-related skills and behaviours. Reward and compensation models should promote the ability and willingness to learn new relevant skills and apply them to the desired outcomes. Performance management focuses on these outcomes and not on process.

The leader has a critical role in this new operating model, unlearning some of the key behaviours that made organisations successful in the past. The focus shifts to leaders that cultivate a culture of innovation and adaptable practices. This will allow teams and individuals to thrive through self-organisation, empowerment adapting to the situation, while balancing it out with the necessary level of control and business realism.

The organisation also introduces new **ways of working.** It represents teams and individuals working at two different speeds in unison.

- On the one hand, you have the operational side which is looking at keeping the day-to-day business and related applications running and stable.
- On the other hand, you have the evolutional side responsible for innovating at speed and ensuring new elements are added in line or ahead of demand.

In a cloud organisation both the operations and evolution side are the same team working together in unison and combining the end-to-end task chain. Much like a jazz band, an ensemble is playing the main musical composition while band members have the freedom to improvise and deviate from the master score while maintaining a harmonic ensemble.

The individuals are supported by a culture of outside-in learning, where individuals and teams are empowered to explore beyond the day job and bring external expertise in the organisation.

How to get started and make progress?

A first step is to conduct an inventory of the available cloud workforce capabilities and skills to determine the need to reskill and hire talent. This will allow to identify the skills gap to leverage cloud and the need to train, recruit or co-source.

In our Cloud Workforce Analytics product we assess hundreds of cloud capabilities in multiple dimensions:
IT business: Business strategy, relationship management, cloud finance, change leadership, ...
Cloud and technology: Cloud strategy, cloud provisioning, cloud technology management, ...
Information security: Security provision, cloud security strategy, ...
Data and analytics: Cloud data migration, data wrangling, data lake design, machine learning, ...

In parallel, a first product or service line could serve as a test bed to set up a focused cloud operating model and gain experience in working in this new way. From this first endeavour a more structural approach with a cloud centre of excellence can grow organically as new outcomes, products or services are added to the cloud-enabled portfolio and the whole organisation transforms.

To enable the transition to the cloud, an organisation can invest in a cloud centre of expertise that provides several enabling services to the business:

- Creating and enabling partnerships with third parties like cloud providers, innovation incubators and others.
- Creating awareness in business departments and product teams on cloud and how it can create value.
- Providing agile and adaptable teams and skills to co-deliver with business and technology counterparts.
- Working out acceptable governance and architectural standards with respect to technology, security and privacy.

Conclusion

With the many changes in the business environment today, there is no better time to start (or accelerate) embracing the power of cloud and the innovation and growth it brings. Making better decisions as an executive toward being more symphonic can—and should—be practised on a regular basis.

By gradually transitioning the operating model, acquiring the required capabilities, and setting up the cloud centre of excellence, organisations can future-proof their product, services and business and be ready for the next cycles of innovation and disruption.

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