

Summary: Cloud Business Services will transform business models

True, there are hurdles to overcome; choosing the winners in a highly fragmented market, integrating the cloud alongside traditional legacy solutions, and managing the behavioural impacts on roles and fiefdoms internally. But the Cloud is a reality and CPOs will be required to be at the heart of the debate as it is a business opportunity with serious cost and supplier implications.

Context: The Cloud is here now and it is here to stay

Cloud Business Services have been made possible by a new generation of IT capabilities called Cloud Computing. However, much of the value the Cloud can deliver to your business will happen outside of the IT department. Gartner predicts that in less than three years, 35% of enterprise IT expenditures will happen outside of the corporate IT budget. *(Apr 2012 Gartner)*

The potential benefits of Cloud solutions are increasingly well understood, including:

- flexible cost models,
- more transparent TCO,
- faster deployment of pre built solutions,
- less need for traditional in house technical skills,
- avoiding costly and time consuming legacy IT upgrades.

CPO's are unusual in that the procurement department already have experience in deploying Cloud Business Services. Before it became fashionable and was called Cloud, procurement began using third party eAuction services and Purchasing Platform services such as Ariba and Xtenza. These solutions had many of the characteristics of Cloud, and have delivered measurable benefits. The procurement team can act as advocates and share their experiences of implementation.

Of course, there are also risks to deploying cloud services which will require the CPO's engagement to contain including:

- 🕒 **Cloud Creep:** Many cloud services can be introduced tactically at low cost, and therefore without appropriate vetting by senior management. Once in place dependency on the services increases and, with it, risks to the business including rising costs. An objective balance of potential value against execution risks, to ensure the right projects are chosen, is essential to success and hence to realising value.

This short briefing note will give you an overview on how Cloud affects the CPO. It will enable you to take a lead in the discussion on how best to exploit the potential for value that Cloud Business Services can bring to every business right now.



“Line-of-business leaders everywhere are bypassing IT departments to get applications from the cloud (aka SaaS) and paying for them like they would a magazine subscription.”

Daryl Plummer,
Gartner Mar 2013

The Cloud: The CPO's Perspective

A business perspective on Cloud Services



- 🕒 **Supplier tie in:** Despite lots of good words about plug and play flexibility once an organisation is bought into a SaaS or PaaS solution, it is expensive and risky to reverse engineer an exit strategy.

These challenges are familiar to procurement professionals and will be mitigated by a professional approach to supplier selection and contracting.

Implementation: The value starts in the Back & Middle Office.

The general view is that Cloud transformation will start in the S&GA space (Back Office & Middle Office). This is where economies of scale and scope are the key drivers in the market for cloud services. Here also, standardisation is acceptable as Cloud customers have little potential to drive differentiation for their business.

From the CPO's point of view one challenge with this business area is that acquisitions of Cloud Business Services will only deliver the promised TCO benefits if spend outside the CPO's remit is not reduced in turn. Also, this business area is generally concerned with indirect procurement. The well understood selection criteria that guide indirect procurement are not the same as those required for procuring sophisticated cloud services.

Challenges: Commercial and technical.

Cloud as the Holy grail? Maybe. But today there are a number of blocks to the widespread adoption of Cloud computing. It's a highly fragmented market, which will inevitably consolidate, so picking the winners will be vital. There are legal, regulatory and security concerns about where data resides that need to be understood and resolved – cost effectively and securely. The role of IT will need to evolve, and similarly the responsibilities of Procurement will change. Finally, there are important supplier management concerns, very familiar to the procurement team, relating to; ability to exit, future growth in costs per user, and so on.

Conclusions: CPOs need to take action

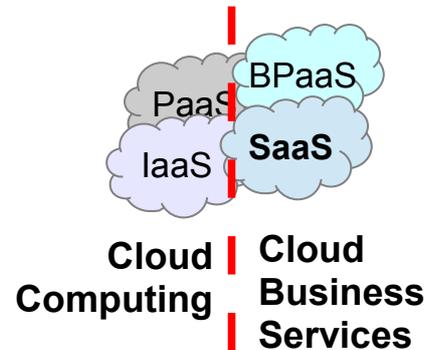
The Cloud has the potential to transform businesses. It is moving from an IT problem to a business opportunity. Forward thinking CPOs will be at the heart of the debate.

A potential 'To Do' list is:

- Engage with the CIO to understand the current technical strategy for Cloud, and how this strategy will influence

PricewaterhouseCoopers' Digital IQ Survey indicates that at 100 of the companies PwC ranks as "top performers," IT controls less than 50% of corporate technology expenditures.

PwC 2012



Navidus Consultants help our clients use the cloud to create business value.

We know where the value can be found in your business .

Our methods integrate Legacy and Cloud solutions.

Our approach is value driven, we contract for business outcomes.

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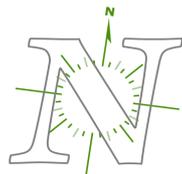
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procurement decisions inside the IT Department and elsewhere in the organisation.

- Confirm which Board Executive will have ultimate responsibility for Business Services strategy, and agree how the Procurement Team will integrate with new Cloud friendly governance structures.
- Review category management roles and capabilities in the procurement team. Deploy training or recruit to address any gaps.
- Develop a plan for the use of Cloud to improve the effectiveness and efficiency of the Procurement Team.

Now is the time for the CPO to engage with the business. It is vital to support colleagues who are beginning to consider Cloud procurement decisions, with far reaching consequences.



*This briefing paper is prepared by Navidus Consulting LLP
Your pilot when navigating the Cloud.*

This paper forms part of a series of briefing notes which can be accessed at navidusconsulting.co

Our Cloud Solution delivered 30% sales increase without adding to the management. Also, automating the billing process freed up staff... generated an immediate ROI of 15x.

- NetTel Partners

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