

## The Cloud: Improving Business Performance

### A business perspective on Cloud Services



**Cloud Business Services** can deliver improvements in efficiency (of 20% and more) and effectiveness (from 10% to 200%) in any organisation's processes. How can you set about realising these benefits for your business?

*This short briefing note will give you an overview of implementing Cloud Business Services. It sets out how best to exploit the potential for value that these powerful new tools can bring to every business, right now.*

### The Cloud: It is not just about IT.

We hear again and again that **Cloud Computing** is having a big impact on Enterprise IT. However, most organisations spend about 2% of their income on IT.

**Cloud Business Services** are having a similar impact right now on back office and middle office processes, where businesses spend an average 20% of their income. This is where the value is right now.

*For a detailed comparison of Cloud Computing Services and Cloud Business Services see our short paper on "Cloud Definitions & Myths". The headline difference is; Cloud Computing is the IT Function's responsibility, Cloud Business Services are the responsibility of the other business functions.*

### Impacting the Back Office & Middle Office first.

It is in the back and middle office processes, often referred to as SG&A (Sales, General & Admin), where Cloud Business Services will make the first impact in most industries. This is because the providers economies of scale across multiple industries are compelling, and translate into cost savings. Also, these processes are a relatively low risk area to build up confidence and capability in deploying the Cloud.

Of course, industry specific Cloud Computing and Cloud Business Services are also impacting the front office. If you are in the Healthcare, Insurance, or Advertising sectors you will already be aware of front office Cloud Services that are changing industry operating models. We can expect that Cloud Services will advance into the Front Office of most industries over the next few years.

### Choosing which Back & Middle Office Processes to address.

This choice is driven by two factors

- The business value created by the process
- The benefits potential in the deployment of Cloud Business Services.



*Gartner predicts that in less than three years, 35% of enterprise IT expenditures will happen outside of the corporate IT budget.*

*Apr 2012 Gartner*



### Map Costs to Value

Establish Baseline & Benchmark

**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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Depending on your Brand Strategy, **some SG&A process create more value for your customers** than others. For example, if your brand is all about service, your Human Resource processes might be key to getting and training the right people to put in front of your customers. On the other hand, if low prices are your key differentiator, your procurement processes will be higher in the list.

Potential Cloud Business Services **benefits vary by SG&A process**, both in cost savings and effectiveness improvements. These variations are generally reflected in the maturity of the market supplying the related Cloud Business Services. Priorities will also be affected by to the relative scale and cost of each process in your business. e.g. If you spend 25% of your income on the sales team, it will be at the top of the list.

### **Mobilising the business around the benefits case.**

Considering the options against these two criteria will establish a **Cloud Business Services Benefits Case** which is specific to your business. Engaging the Executive Heads of Functions across the business in the debate will ensure there is a consensus on the benefits case, and will mobilise support.

Implementing **Cloud Business Services will be a transformational change**. It will require different behaviours and people will need to change their way of working to match new, externally defined, processes. Therefore, it will need **visible, determined leadership** from the top.

### **Integrating Cloud Services into Business as Usual.**

Cloud Business Services will spread through the back and middle office functions, and will move into the front office. This process will happen over a relatively long time (over many budget cycles). In general, this will not radically alter the business model, but it will change the operating model.

Therefore, **business governance needs to be adapted** to manage the new risks and compliance issues that accompany Cloud Services. Special committees or task forces for Cloud are only a good idea when they are also tasked to make themselves redundant, by making Cloud Business Services governance a part of the normal business fabric.

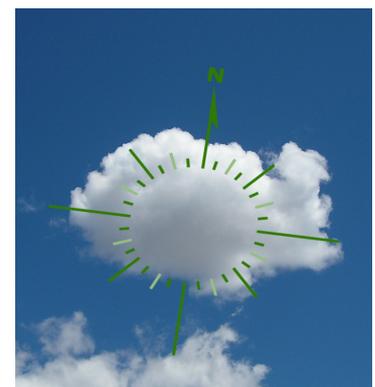
### **Changing the Role of the IT Department.**

Where business functions can use Cloud Business Services they **take the IT team off the 'critical path'** for solutions. This

*Cloud Solutions deliver from 25% to 50% measurable savings in TCO.*

*Established organisations with complex legacy systems will have approx 20% of SW as SaaS in 3 Years. Newer organisations will be as much as 80% SaaS.*

Source McKinsey 2012



*“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

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improves the effectiveness of the IT team focusing their efforts on what is more important to the business. However, this also creates a risk of fragmentation of processes and data across functional boundaries. The business needs to have **clear policies on the degree of; integration, interoperability, or independence** at each process boundary. The IT team are well placed to act as consultants, and compliance monitors, on the development and maintenance of these policies.

This change in the IT Department's role also means that **the costs of Cloud Business Services need to be shifted**, from a combination of IT capex & opex spend to an opex cost in the budget of the relevant function. The process of re-apportioning this spend will be an important step in every organisation that wants to realise the bottom line value of Cloud Business Services.

IT Departments which embrace cloud will deliver more value to the business. They will also need to shift to **a smaller IT team made up of higher skilled individuals**.

### Conclusions:

The back and middle office functions will lead the way. This will require a reassessment of the relative value created by each process or business service – mapped to an understanding of potential in the Cloud Business Services market.

Leadership is key. This will be a transformation in operating models and culture. Delivering on the business case will be essential to underpin the change.

Deploying Cloud Business Services is the responsibility of the various Business Functions, with IT in the role of consultants.

Cloud Business Services need to become the 'new normal' integrated into the existing governance.

In years to come we will look back and say that a business which was slow to adopt Cloud Business Services was like a business which insists on generating it's own electricity. But for now Business that adopt Cloud Business Services as 'the new normal' will gain a short term strategic advantage over slower rivals.

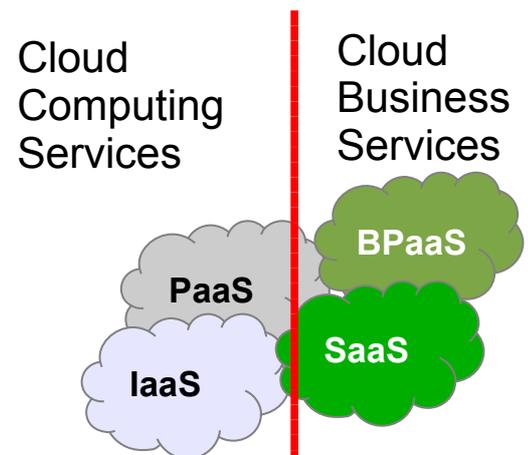


*This briefing paper is prepared by Navidus Consulting LLP, your pilot when navigating the Cloud.*

*This paper forms part of a series of briefing notes which can be accessed at [navidusconsulting.com](http://navidusconsulting.com)*

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



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