



# Tapping the true value of the cloud

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The cloud is much more than a new computing environment. End-to-end adoption of the cloud across the entire tech infrastructure and operating model can be completely transformational. The benefits from such cloud-based tech transformations could be worth \$1 trillion to the global economy.<sup>1</sup>

Yet many business leaders still regard cloud adoption as an IT infrastructure play, rather than a comprehensive transformation play. From our client interactions, we hear a whole range of arguments, from the inability to procure enough servers for their own data centers or wanting to understand cloud better, to reducing capital commitments/cost in general or improving IT reliability. However, this kind of reasoning completely misses the potential of the cloud to enable a truly data- and code-centric organization that can serve its customers better and faster.

It is important to focus on delivering entirely new business value rather than using the cloud as a mechanism to cut IT costs or increase technical agility. Indeed, the cloud can be used to radically reinvent a business in a way that will accelerate growth and boost revenue. "Cloud-first" organizations use the formidable and flexible capabilities of the cloud (rather than limited in-house tools) to create entirely new propositions.

Investments in cloud, data, and analytics need to be accompanied by direct improvements to the decision-making process itself. If they are designed to streamline value chain processes, cloud and data investments can revolutionize business models, break down the walls between silos, and speed up the rollout of new products and services.



## Moving beyond modest expectations

Today, only a small number of companies have really grasped the transformational potential of the cloud. The root cause of this myopia is a lack of collaboration between business and IT, leading to tactical, rather than strategic, decisions.

A disconnect between business aspirations and technology means that cloud investments generally do not meet expectations (as shown in figure 1 on page 2, which depicts the results of a Harvard Business Review survey). Unfortunately, most enterprises still regard IT as a cost center that delivers technology projects. Therefore, cloud migrations are seen as just another IT project on the to-do list.

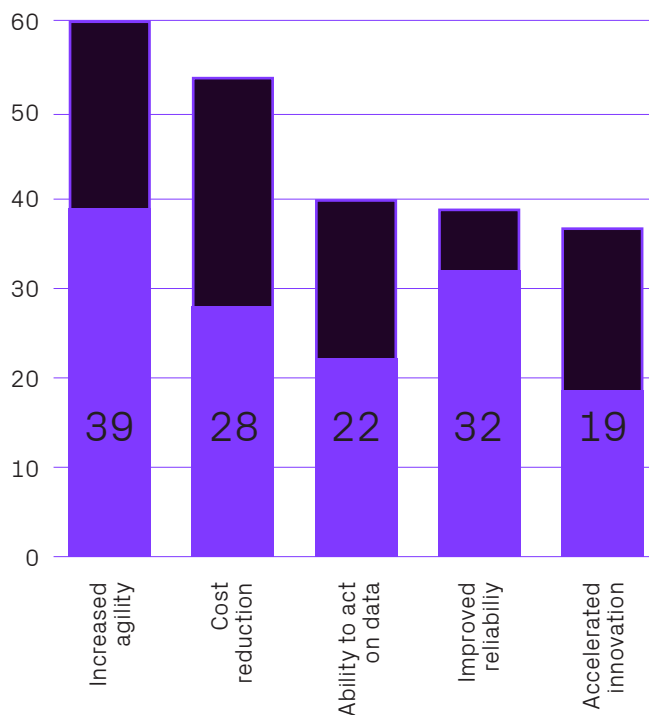
Boxed in by this mindset, the business sees the cloud as a way to reduce IT spending on on-premise servers and other infrastructure. In response, IT builds a shallow business case to use the cloud to bring about cost reductions. The project then begins with a limited proof-of-concept, which often delivers limited results that fall short of even the modest expectations of the business. A cloud migration will often stall at this point.

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# What businesses expect & what they actually get

Figure 1  
**When reality bites: the disconnect between strategy and technology means half of all cloud investments are failing to deliver on their value potential**

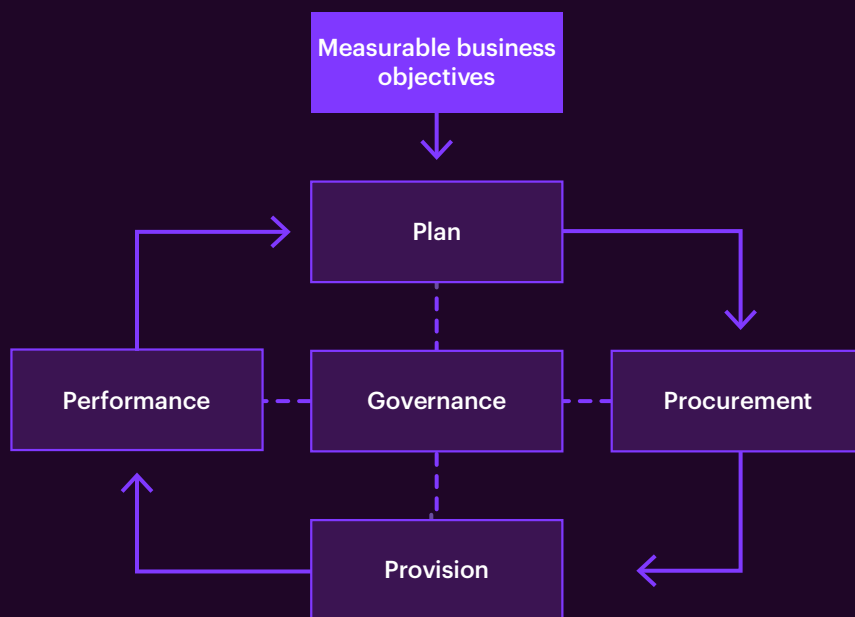
- ▶ What % businesses expect
- ▶ What % businesses get
- ▶ Unrealised potential



Sources: Harvard Business Review, BinaryCore; Kearney analysis

## Cloud life cycle value

Figure 2  
**The cloud life cycle value methodology helps enterprise IT leaders take a more collaborative value-driven approach to the cloud**



# Resetting and rethinking cloud life cycle value management

BinaryCore is working with enterprise IT leaders to take a more collaborative value-driven approach to the cloud. We advocate the cloud life cycle value management methodology depicted in figure 2 on page 4.

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## The first step is to set measurable business objectives.

Product groups and business leaders should consider how new cloud capabilities (for example, artificial intelligence (AI) services and third-party API connectivity) can be used to enhance their existing propositions or create new ones. This can be extremely challenging, so focus on identifying individual use cases where the business value is measurable. This should be done in collaboration with technology teams to find the most appropriate enabler (including cloud, data analytics, AI/machine learning, and API ecosystem) to maximize the overall value creation.

In this way, you can build a lean business case for a subgroup of use cases to prove the potential strategic, financial, and non-financial benefits. This analysis should be informed by a clear view of capabilities (strengths and gaps), economic and technology trends, and business constraints (internal and external); technology projects often focus on execution delivery only rather than taking a comprehensive view early on.

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## The second step is to plan, fund, and mobilize.

By taking the measurable objectives and working closely with technology leaders, we can identify cloud frameworks, services, and suppliers that suit your business. The aim is to get the right balance of speed, quality, and cost. Creating a lean business case (with realistic IT infrastructure decommissioning targets) allows this step to remain light touch, while encouraging the practices required for good governance.

Important in this step is to establish a realistic, long-term, and staggered/waved road map. Rome was not built in a day, neither can a successful cloud-based transformation be realized in one go. Pivoting will be required, as well as adaptation of MBOs; however, what should not waver is the end objective established during step one.

With the business case and execution road map in place, the executive board should then be prepared to make a long-term commitment to the planned transformation.

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► BinaryCore is working with enterprise IT leaders to take a more collaborative value-driven approach to the cloud.

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**The third step is procurement.**

The Cloud [FinOps](#) framework can be used to guide cloud financial management (see figure 3). A transition to the cloud fundamentally changes the need for infrastructure capacity planning and centralized capex funding and reduces the role of IT asset management, which have historically been gate keepers for financial spend.

However, given the risk of cloud overspend, business leaders are recognizing the need to bring back elements of centralization to ensure cloud adoption generates continued business value.

Centralized cloud vendor management can help negotiate volume discounts with cloud vendors and optimize cloud spend. It is vital to have a well-developed business case with infrastructure visibility prior to entering into negotiations with the major public cloud providers—it is important not to get locked into minimum spend requirements on the promise of large discounts too soon in your cloud journey, especially if they won't meet your business needs.

These negotiations are a vital step: an upfront awareness of costs helps to manage expectations and shift the conversation to business value.

**The fourth and fifth steps are provision and performance.**

Here the focus is on the automated provisioning of cloud infrastructure (and governance checks), cloud monitoring, chargeback/showback transparency, architecture implementation, and spend optimization, among other processes. These stages are well covered in the extensive literature on DevOps, FinOps, SecOps, and ITIL. Don't reinvent the wheel: businesses should assess these frameworks and adopt what they need to realize the value of cloud.

But the life cycle does not stop here! You should continually review the original business objectives and assess the unit economics of cloud spend to identify opportunities for further improvements. In fact, the organization's progress in embracing the cloud should be a regular discussion topic at executive board meetings.

**Lastly, governance**

Is required to support and steer the realization of business value. In this regard, business leaders need to have the courage to cancel projects that are not performant. Historically, multiyear program funding can lead to a "point-of-no-return" mentality, which further heightens the fear of failure. Focusing instead on clearly funded use cases will help minimize the likelihood of regretted spend and failure.

Figure 3  
**FinOps Framework**

FinOps is an evolving cloud financial management discipline and cultural practice that enables organizations to get maximum business value by helping engineering, finance, and business teams to collaborate on data-driven spending decisions

**Phases**

**Inform**  
Visibility and allocation

**Optimize**  
Rates and usage



**Operate**  
Continuous improvement and operations

**Principles**

- Teams need to collaborate
- Everyone takes ownership for their cloud usage
- A centralized team drives FinOps
- Reports should be accessible and timely
- Decisions are driven by business value of cloud
- Take advantage of the variable cost model of the cloud

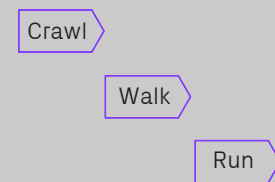
**Domains**

- Understanding cloud usage and cost
- Performance tracking and benchmarking
- Real-time decision-making
- Cloud rate optimization
- Cloud usage optimization
- Organizational alignment

**Personas**

- FinOps practitioner
- Executive
- Business/product owner
- Finance/procurement
- Engineering/operations

**Maturity**



## Rethinking how IT works

For the adoption of the cloud to be driven by strategic business objectives, rather than tactical cost or practical considerations, IT may need to be repositioned within the organization. Firstly, the CIO needs to ensure his or her team isn't evaluated on purely cost-related KPIs.

A migration to the cloud may also need to be accompanied by an overhaul and modernization of IT governance to ensure it is bespoke to the business and its architecture standards. The IT operating model may need to be modernized so that it focuses on end-to-end responsibility and is sufficiently flexible. The DevOp or FinOp approach could be the basis for such a model.

In organizations where product teams are not tech-savvy, the IT function may have to lead the shift to the cloud. But IT still needs to work closely with the business. A good way to fully engage the business is by explaining how the cloud can bring value beyond cost. At the end of the day, though, business needs to take its responsibility, too, as a cloud-based transformation can only unfold its full potential if business builds on the opportunities that a cloud-first technology foundation provides.

At the same time, external consultants can help business and IT collaborate to bring about a digital transformation that comprehensively uses the cloud, data analytics, and APIs. However, in our opinion, a clear objective should be established from the outset of any cloud-based transformation: to run IT (for example, future cloud operations) in-house. We fundamentally believe that in order to unleash the full potential of cloud for any business, each business needs to build the internal capability to operate its own cloud stack. Cloud provides the means to do that in an automated way (for example, through infrastructure-as-code) such that operational costs will be kept at bay, further reducing the need to externalize such basic functions.

Indeed, a migration to the cloud is a great opportunity for the CIO to orchestrate business transformation and demonstrate the strategic value of technology.



## Key takeaways

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A transition to the cloud can unleash enormous potential.

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However, many cloud migrations fail to deliver significant value.

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That failure is typically due to an IT-centric implementation with an excessive focus on cost.

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To realize the full potential of the cloud, you need to take a complete life cycle view.

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No matter where you are in that life cycle, BinaryCore's experienced, business-minded cloud practitioners can help you unlock cloud value.

## The Authors

If you would like to discuss how to unlock the full potential of cloud life cycle value management through our unique methodologies, please contact the authors below.



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## About BinaryCore

BinaryCore was born from a need to tackle complex technology challenges businesses face in an era when realizing the full value potential of software engineering and cloud usage will clearly distinguish the leaders from the laggards. But addressing these challenges requires radical step change—a willingness to unlearn what went before, an openness to new possibilities and partnerships, and the confidence to make bold decisions and rewrite the rules.

With deep technology expertise, powerful proprietary software, a sharp focus on the numbers, and a clear set of rules, we'll guide you every step of the way to transform your technology and talent set and put in place the infrastructure and teams needed to set you up for long-term success.

[binarycore.com](https://binarycore.com)

