

Cloud Evolution

Make innovation a habit

HCLTech | Supercharging
Progress™

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Foreword

Cloud is still evolving, but it has already proven to be a scalable, cost-effective way to do computing and is becoming the optimal business platform for organizations that are transforming to grow at scale.

Organizations that choose cloud as their business platform are making innovation an everyday activity. Because as a platform, cloud—along with the services it provides—empowers businesses to be agile in the way they:

- Respond to massive global challenges such as geopolitical and economic events
- Orchestrate new programs and processes to provide a sustainable future
- Adopt new technologies that promise to change the future

As we look around the globe and across industries, we hear about cloud's advantages. But we wanted to know whether all companies are making the most of their cloud investments.

Are they ready to do more and go big with cloud? Are they regretting the investments they have already made? What's working and what still needs to be done to ensure their cloud future?

We wanted to find out how organizations can use cloud technology for transformative change and identify what's holding them back, so we surveyed 500 senior executives in business and IT. The results are revealing, and they underscore the anticipated impact of cloud as a platform that enables leading-edge technologies.

There are both consistencies and contradictions in the survey results, so we're taking a closer look at the **compelling events**, the **investments** that yield the greatest

return and the projects on the **critical path** to realizing the potential of cloud.

- 1 Compelling events.** An organization's cloud strategy must evolve to meet the ever-changing challenges of business and the rapid introduction of technologies that can only live in the cloud. Compelling events include shifts in the competitive landscape, geopolitical challenges and economic pressures.
- 2 Exploiting cloud investments.** Only a small proportion of the senior executives say they are fully utilizing their cloud investments. Executives say they could boost innovation by increasing and leveraging utilization for a consistent return on investment.
- 3 On the critical path.** The obstacles stopping greater use of cloud capabilities depend on where the business is today and its industry. Obstacles identified by the executives in the research include concerns over securing data at rest and in motion, talent shortages affecting cloud operations, cybersecurity and the adoption of leading-edge technologies such as generative AI.

In this report, we take a closer look at what the survey results tell us about the relationship between business strategy and cloud strategy, and what businesses can do to improve how they use their cloud investments—which many respondents say have the potential to improve business outcomes. We also hear from experts who are intimate with the process of implementing and managing cloud and suggest steps businesses can take to make innovation a habit.



The future is bright

The survey results are positive and highlight the correlation between businesses that have an aggressive cloud strategy and businesses that prioritize innovation to grow at scale. We also learn from the survey that not every senior executive thinks their company is ready to use cloud as a business platform.

The senior executives we surveyed are excited about the potential of new technologies such as generative

artificial intelligence (AI), and seem to be aware that companies with viable cloud strategies will be the first to benefit from these technologies.

Organizations that neglect their cloud strategies will get left behind because their competitors will be able to innovate faster.



Cloud is not just about infrastructure—it's a platform that's critical to business resilience and growth. cloud fuels an ecosystem discipline that drives collaboration and exchange among customers, partners and suppliers, leading to a growth-driven symbiotic business model. Organizations are reimagining their businesses to pivot on this collegial business existence, which promises long-term industry dominance and differentiation.

Kalyan Kumar
Global CTO & Head—Ecosystems
HCLTech



About the survey

In March 2023 HCLTech commissioned FT Longitude, the research and thought leadership division of the Financial Times, to conduct this survey.

We spoke to 500 senior executives: senior directors, directors, heads of department, C-suite members, board members, senior vice presidents and vice presidents. The mix was

designed to capture both business and IT perspectives. To ensure a diverse slate of responses, we selected participants from 17 different sectors in the Americas, Europe and Asia-Pacific.

We also reached out to the following experts who have experience in exploiting the potential of cloud and related technology. In this report, we offer their views on the role of cloud technology and how it can be used to enable innovation and continuous modernization.



Raahil Burhaani
Chief Information Officer
Essar Oil UK



Mike Kail
Chief Technology Officer
PrimaryIO



Shyam Enjeti
Executive Vice President, Digital Business
HCLTech



Kalyan Kumar
Global CTO & Head—Ecosystems
HCLTech



Siki Giunta
Executive Vice President, CloudSMART
Offerings Strategy, Industry Cloud Consulting
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Suresh Sankaran
Head of Model Risk and Governance
Metro Bank



Meg Greenhouse
Senior Vice President
Zalando Technology Foundation



Sanjoy Ghosh
Executive Vice President
Engineering and R&D Services
HCLTech

Continuous **modernization**

Continuous modernization

Our research shows that most leaders have had to pivot their business strategies at least twice in the past three years.

Continuous modernization has become a standard for thriving businesses. Why is it so important?

1. Rapid response to critical issues

Business leaders tell us that agile response to change requires a viable cloud strategy. Events requiring rapid response include frequent changes in customer preferences, cyberattacks and meeting sustainability targets. Cloud enables a rapid response.

Over 90 percent of senior executives say that cloud has helped them respond quickly to **changing customer preferences**. For example, many applications generate data about customers, their product preferences, order frequency and demographic data. Cloud enables companies to aggregate this data and use AI to analyze it for critical insights. Cloud lets data gravity improve the analytics for better outcomes.

“Cloud has enabled people to interact with the data without having to go to IT,” says Raahil Burhaani, Chief Information Officer at Essar Oil UK. “It’s now more about self-service, which is being driven because of the cloud strategy. And this service is helping business teams to do things better and faster.”

Over 90 percent of senior executives also say that cloud has enabled them to quickly identify and respond to **cyberattacks**. Working with their cloud provider, they can react quickly to attacks, isolate bad actors and redirect network traffic to protect their company’s assets. cloud providers prioritize security: they know the impact that a breach caused by a compromised security posture can have on a business.



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Raahil Burhaani
Chief Information Officer
Essar Oil UK

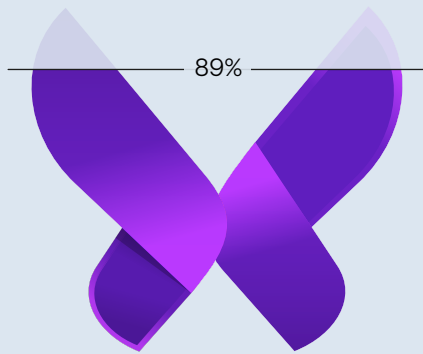
A huge proportion of executives (91 percent) say that cloud is supporting their **sustainability** strategies. At Essar Oil UK, for instance, cloud has reduced paperwork in day-to-day activities.

“The system that issues permits at our plant is now cloud-based,” says Burhaani. “It’s easier to access the various documentation needed along with the permit.”

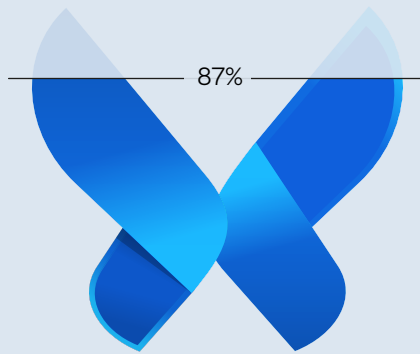
Previously, we had a paper-based solution, and we moved straight from paper to a software-as-a-service system.”

As a business platform, cloud enables agile response to changes in business strategy. As a technology platform, cloud is resilient and enables IT to develop new applications and work processes and introduce data strategies to reduce the cost of doing business.

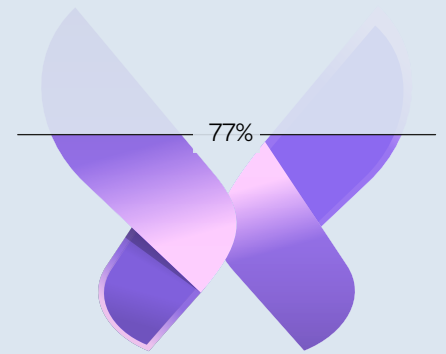
Respond to critical issues with cloud



of executives say that cloud has been instrumental in their ability to respond to geopolitical changes

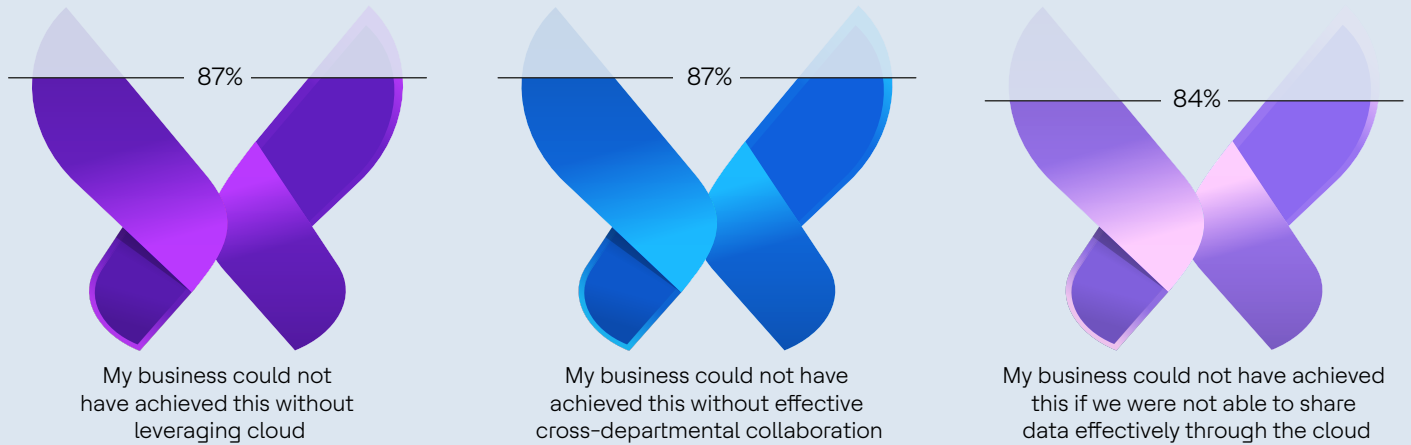


of executives have used cloud to circumvent global supply chain issues



of executives see cloud as a way to minimize the impact of rising inflation

You will struggle to change your strategy without cloud and collaboration



Percentages are of businesses that have pivoted their strategy in the past three years.

2. Switching strategies at speed

Most of the senior executives surveyed say they have had to pivot their business strategies at least twice in the past three years and believe they couldn't have done it without cloud.

Strategic pivots are normal. But the events of the past few years—a global health crisis, rising inflation that affects the cost of living and buying habits, the destabilization of the geopolitical infrastructure that has affected energy supply chains—have put unexpected pressure on many businesses. These are unusually uncertain times.

■ **87 percent** of senior executives say that cloud helped them navigate huge numbers of employees working from home and dropping out of the workforce entirely

Many survey participants in financial services and healthcare agree that cloud enables them to continue serving customers and patients. This is likely to be partly motivated by growth in services such as mobile banking and telehealth—changes that wouldn't have been possible without high-speed development and the implementation of cloud applications.

■ **91 percent** of senior executives in financial services and healthcare identify cloud as a critical success factor

■ **87 percent** of executives in industrial manufacturing and **83 percent** of those in consumer services say that cloud enabled strategic pivots when their businesses were being challenged



In the company's origin, we started on servers and data centers, but as we started to grow and rethink how we provide these capabilities and experiences for our customers, there was only one way to go: cloud. This has been essential to meeting the growth that we want, to meet the aspirations of the company and to give us that flexibility to stay nimble.

Meg Greenhouse
Senior Vice President
Zalando Technology Foundation

Survey surprises

In general, the survey shows that executives have positive opinions about cloud's role in enabling progress. However, 24 percent of organizations are planning to move a proportion of their apps or workloads into traditional IT estate in the next three years. This process is usually referred to as "repatriation."

We asked our panel of experts about this trend and what it says about cloud adoption. Mike Kail, Chief Technology Officer at cloud solutions firm PrimaryIO, explains that repatriation could be a result of workloads not being optimized for cloud. "Repatriation usually happens as a result of workloads being migrated or lifted and shifted to the cloud without optimizing them," he says. "You have to optimize your applications and workloads to get the full benefit."

Optimizing workloads requires rewriting or writing new cloud-native applications. This suggests that businesses should prioritize modernizing applications over simply moving them to the cloud. Changing the location of a workload doesn't provide the same advantages as modernization, which will fully exploit cloud's security, agility and resilience.

Kail points out that businesses need to consider "the return on investment of the agility and elasticity that cloud gives you." A short-term decision to move workloads from the cloud back to an on-premises environment could have a negative impact on the business.



Repatriation is more of an infrastructure workload conversation—it's not a business value conversation. If your goal for moving workloads to the cloud is transformation and modernization of business processes, then repatriation is not a viable option. Organizations that haven't modernized the applications may consider repatriation because they aren't saving the money they expected to by choosing cloud as a lower-cost alternative.

Kalyan Kumar
Global CTO & Head—Ecosystems
HCLTech



Maximizing cloud's **potential**

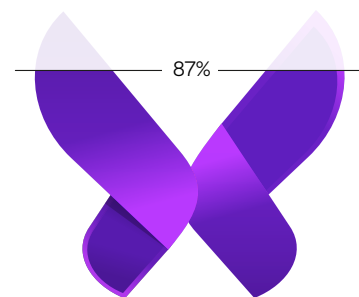
Maximizing cloud's potential

Most of the leaders in our survey (73 percent) say their business is only just beginning to unlock the potential of cloud. This suggests there is a bright future for continuous modernization. Eight out of ten respondents, 82 percent, believe that greater adoption of cloud could give their companies a competitive advantage.

What's standing in their way?

Unfortunately, 59 percent of respondents say senior leaders do not understand that their business strategy must drive their cloud journey. The data suggests that there's a gap between what organizations believe cloud is capable of and the impact cloud is having on their business today.

This opinion is prevalent across the industries in our survey, but financial services is the sector where leaders are most likely to say their business is not maximizing the potential of cloud. These same respondents identify security and privacy as their top cloud concern. One explanation is that confidence in the ability of cloud to secure data and protect depositors may be affecting financial services companies' evolving cloud strategies.



87% of senior executives from financial services organizations say there is a strong appetite to invest more in cloud



The evolution of cloud has revolutionized business operations in today's experience-centric world. Businesses need to balance agility, flexibility, scalability, compliance, and security needs with the most optimum economics, which can only be achieved with the right mix of people, process and technology in a hybrid mode. HCLTech's hybrid cloud services span the entire breadth of consulting, migration, modernization, systems integration, operations, management and consolidation. Enabled by our strategic ecosystem, intelligent automation and artificial intelligence, we provide sustainable offerings, full stack observability and differentiated consumption models that let organizations focus on what matters – innovation, business growth and customer-centricity.

Rampal Singh
Global Business Head – Hybrid Cloud
HCLTech



Overcoming obstacles

The survey results suggest that there are three primary obstacles stopping faster adoption and utilization of cloud technology: **security, talent and culture.**



Security

Security concerns are identified by 41 percent of respondents across all industries as a barrier to using cloud to achieve business goals.

Mike Kail, CTO of PrimaryIO, suggests that many companies are still using traditional methods of security, and this creates concerns when moving to the more proactive, granular approach required by cloud.

“Security concerns certainly still vary across different people, companies and industries,” he says. “Many companies are still in the process of evolving and moving away from traditional security perimeters, such as firewall and router appliances.

“Once you adopt cloud technology, you should be proactive about security and make sure you’re continuously auditing risk,” he adds. “The power and flexibility of cloud should be deployed with modern security tools and processes.”



Talent

The demand for trained, certified and experienced talent is exceeding supply. Talking about their recent cloud projects, two-thirds of executives say they underestimated the time required to complete new projects in the cloud. And 70 percent say that skills shortages have affected their ability to use cloud effectively.

“The problem facing the industry is that there are lots of newly qualified people that come with the skills, but they lack experience,” says Siki Giunta, HCLTech Executive Vice President responsible for the company’s CloudSMART Strategy and Industry Cloud Consulting Recruiting. “These candidates come with the knowledge that you are investing in the future. It’s a necessary step in building a technical workforce that is well trained and experienced. You are making the investment today to realize the value in the future.”

About three-quarters of executives (71 percent) say it has been difficult to make a business case for investment in cloud technology. Fifty-nine percent say that senior leaders do not understand that business goals and decisions should inform how cloud is used, and 56 percent say that senior leaders don’t take enough interest in cloud technology and innovation. Perhaps these leaders still consider cloud to be a money saver instead of a money maker.



Culture

Every company has a culture—intentional or accidental. Engaging in and encouraging collaboration is often considered as a success factor in many companies. To fully appreciate the value of cloud, business and technology leaders must communicate in a structured way to collaborate on cloud projects and create meaningful business outcomes. Nearly a third of senior executives (32 percent) report that business-technology departmental alignment is hindering their ability to use cloud to achieve their business goals.

Senior executives say company culture was a barrier to innovation during their last cloud project

We underestimated the time it would take to leverage cloud for this project 66%



Our company culture held us back from innovating as effectively as we could have done with this project 58%



We did not extend enough strategic decisions beyond the IT/tech department 55%



A surprising number of senior executives, 58 percent, say that company culture limited their ability to innovate during their most recent cloud project. Executives in transportation, logistics and distribution are the most likely to take this position, and those in consumer services, technology providers and manufacturers are least likely to say this.

As cloud has become the platform of choice in some sectors, businesses are having to adopt a culture that encourages collaboration and strives for flexible, scalable work processes. The numbers suggest that businesses should take the next step in promoting a culture that prioritizes innovation and speed.



The introduction of hybrid working was an organizational game changer. If you're still planning an on-premises implementation strategy today, it's a one-way ticket to disaster. This is a prime example of why it makes sense for organizations to embed and enshrine their cloud strategy into their business and organizational strategy.

Suresh Sankaran
Head of Model Risk and Governance
Metro Bank

Shyam Enjeti, Executive Vice President, Digital Business at HCLTech, explains how cloud fosters a culture of collaboration. "In the past, IT was perceived as order takers and business teams would become frustrated with IT because, in the on-prem world, the time to completion could be untenable," he says. "However, cloud has changed this perception quite dramatically. In the world of cloud, IT can act quickly on opportunities identified by the business. This reduces friction and fosters collaboration. The new model provides the time IT needs to focus on innovation and align to business teams and their initiatives."

Change is inevitable when a business implements new ways of working enabled by cloud. When applications are digitized, the everyday tasks and work processes undergo change, affecting many workers. Not everyone is comfortable with change. So leaders need to provide the support and encouragement to embrace these evolutions.



Differences of **opinion**

Differences of opinion

Our survey shows that IT leaders overestimate what the business knows and understands about pending cloud projects. The numbers tell an interesting story:

IT leaders and business leaders have different views about their companies' organizational awareness of cloud as a business enabler. There's also a gap between their perceptions of how the company is aligned behind a strategy and how they plan to realize cloud benefits.



91 percent of IT leaders believe that the potential and power of cloud is understood across every department, while only **78 percent of business leaders** say that cloud is understood to be impactful to the business



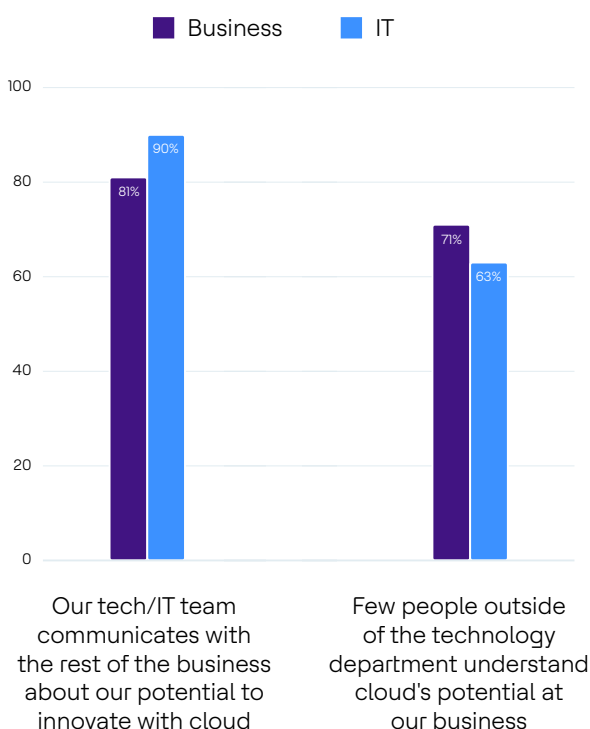
86 percent of IT leaders compared with **78 percent of business leaders** say that everyone knows how to tap into cloud expertise and they meet regularly to discuss cloud strategy and update the plan



90 percent of IT leaders say that the IT team communicates with the rest of the business about the potential to innovate using cloud, compared with **81 percent of business leaders**

Among the organizations that are using cloud to achieve business goals, 34 percent say they are failing to define clear business outcomes for each project.

IT leaders are more optimistic about cloud awareness



The unprecedented surge in cloud adoption has helped organizations across industries unlock demonstrable business outcomes. One of the key pillars of our digital engineering offering is to build powerful digital platforms that, when combined with the power of cloud technologies and data, become massively elastic and scalable, helping our clients move beyond the traditional constructs to accelerate the pace of growth across the value chain. We help them choose the right cloud strategy to bring agility to their processes, bring down complexities, infuse efficiencies into their operations and pave the way for game-changing innovation together

Sanjoy Ghosh
Executive Vice President
Engineering and R&D Services
HCLTech





“IT teams have the technical knowledge of cloud; business teams can envision what cloud can achieve on a wider scale,” says Kalyan Kumar, Global CTO & Head—Ecosystems, HCLTech. “It’s extremely valuable to have people in business teams who understand the business functionality of cloud. They can collaborate with the IT teams to discuss how cloud innovation will support their vision for the business.”

Business and IT leaders may have slightly different views of how well cloud is understood, but our research suggests that they agree on something: both groups want to collaborate more. Companies are well aware that organizational silos hinder innovation and automation.

“We often see that the very nature of cloud as a business platform and the fact that technology is easier to consume as a cloud service bridges the gap between IT and the business,” he adds. “The business can take control of decision-making that had previously been siloed in IT.”

“

Many companies are moving away from traditional silos. There’s no distinction between business and IT—they’re part of the same team working toward the same competitive mandate: to improve products and operational efficiencies in an effort to increase revenues and profits.

Shyam Enjeti

Executive Vice President, Digital Business
HCLTech



Powering
evolving
technologies

Powering evolving technologies

The survey results indicate that most businesses will increase investment in cloud technologies over the next year.

Technologies are constantly evolving, and organizations must prioritize continuous modernization to position themselves to use and manage them. Companies that plan to be on the leading edge of new technologies such as generative AI must have a robust cloud strategy.

The launch of ChatGPT at the end of 2022 made generative AI the most talked-about topic in the tech world. Now, businesses are exploring how they can incorporate generative AI while avoiding the pitfalls. In our research, 87 percent of leaders say they are actively exploring generative AI, and 90 percent say they will be using it in a year's time.

"Cloud keeps creating generational and social changes," says Siki Giunta, Head of CloudSMART at HCLTech. "A popular example of generative AI is ChatGPT, and the enormous

amount of available data and high-speed access facilitated by cloud enables this latest innovation. Businesses need to work out whether they have enough quality data to enable the ChatGPT models, and they need the right cloud strategy to start using generative AI at scale to make important decisions."

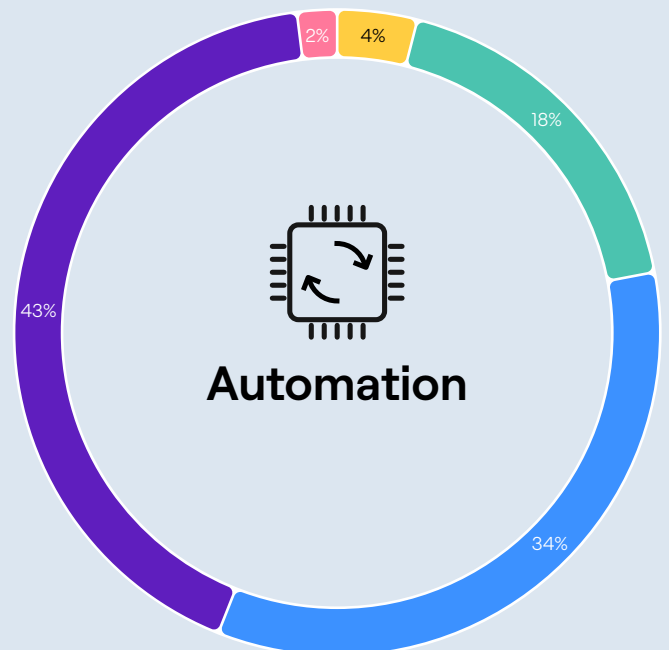
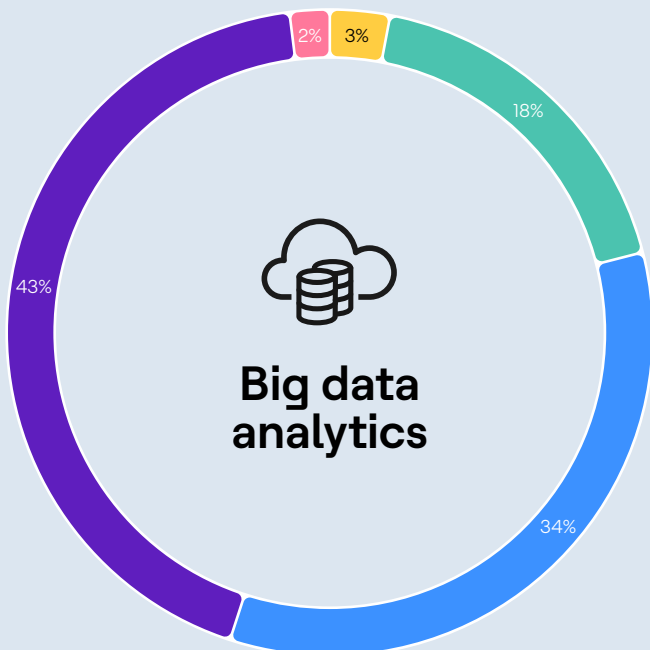
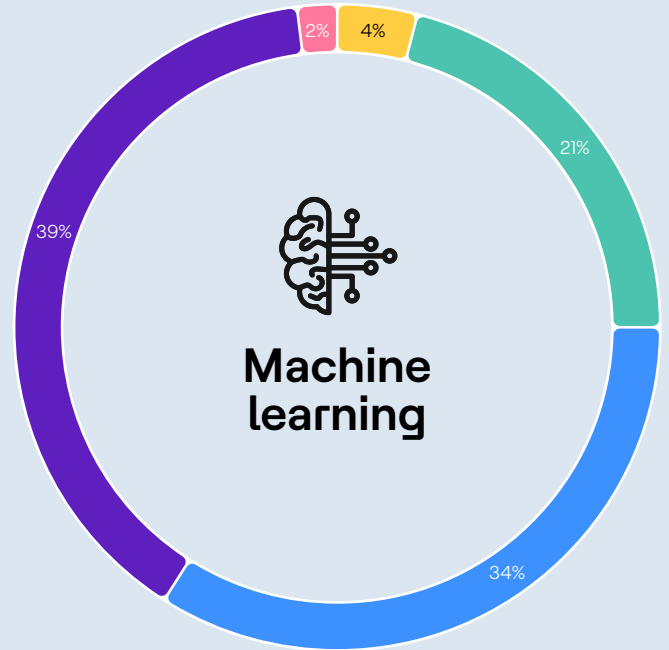
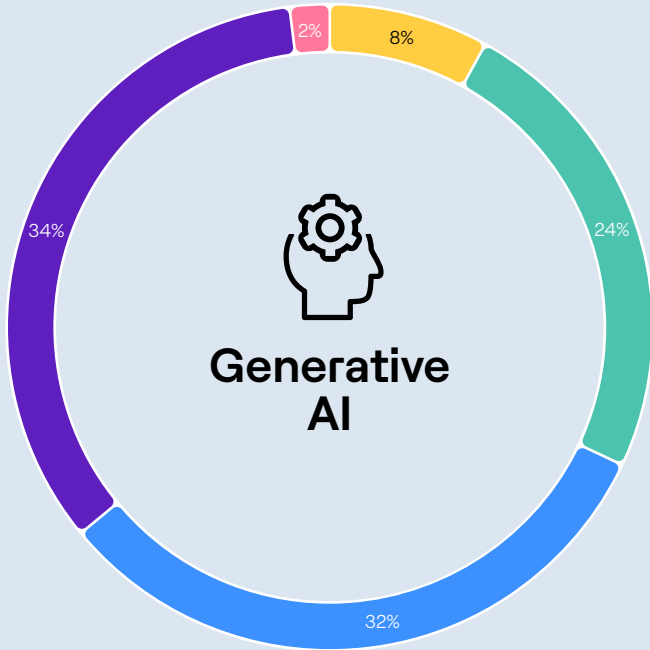
The survey results support Giunta's claim: 85 percent of senior executives recognize cloud's role in enabling generative AI and agree it can only be deployed with the right cloud strategy.

IT service companies, technology developers and manufacturers, industrial manufacturers and financial services companies agree that generative AI is an exciting opportunity. Even those in the healthcare sector are interested in exploring ways to use the technology.



Most businesses will increase investment in cloud tech over the next 12 months

- **Already deployed** and plan to increase usage in the next 12 months
- **Already deployed** and don't plan to increase usage in the next 12 months
- **Not currently deploying** but plan to within the next 12 months
- **Not currently deploying** and have no plans to deploy in the next 12 months
- **Don't know/** not applicable



Make innovation a habit

Reflecting on the survey results and applying our experience working with our global customers, it's clear that innovation is a top priority and that a viable cloud strategy enables innovation—no matter your industry.

Here are our five ways to make innovation a habit:



1. Power an agile organization with cloud as a business platform

Leaders tell us that cloud has helped them respond quickly to critical issues, such as cyberattacks, geopolitical events and meeting sustainability targets. It has also enabled them to pivot their business strategies over the past three years. Think about the benefits cloud brings as an agility-enabler and resist the urge to move workloads back to on-premises legacy environments. Instead, optimize your workloads before moving them to the cloud.



2. Build company culture around cloud culture

Most of our executives say that company culture has stopped them from innovating. To benefit from cloud technology, your ways of working need to leverage the flexibility, resilience and innovation provided by cloud. This starts from the top and filters into the rest of the organization.



3. Break down IT and business silos

Over half of senior executives say they didn't extend strategic decisions beyond the IT department during their last cloud project. Your CIO and CTO need to link their cloud strategy to business initiatives and outcomes, which means they'll need to collaborate with your business departments.



4. Increase cloud awareness

IT leaders support the idea that the IT team communicates with the rest of the business about the innovation potential of cloud, but fewer business leaders agree. Try using case studies and presentations to communicate the benefits of cloud technologies throughout your business and create deliberate planning exercises to develop business strategies enabled by cloud. Place technical roles within the business teams to champion cloud as business decisions are being made.



5. Incorporate adoption of transformative technologies like AI into your cloud strategy

To benefit from transformational technologies, make sure your cloud strategy roadmap is closely aligned with, for example, your generative AI strategy. Most businesses already know that taking this approach is vital: 85 percent of leaders agree that generative AI can be deployed only with the right cloud strategy.

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