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The Deloitte On Cloud Podcast

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Title: **Speed digital transformation with the right strategy and industry clouds**

Description: Global market forces, coupled with the pandemic, have spurred most organizations to accelerate their digital transformation to keep their competitive edge—but that's often easier said than done. In this episode, David Linthicum talks with Deloitte's Diana Kearns-Manolatos about why strategy is central to accelerating the transformation journey. Diana lays out five "digital imperatives" for speeding transformation. She also explains the role industry clouds play in that process.

Duration: **00:26:41**

David Linthicum:
Welcome back to the On Cloud Podcast. Today on the show I am joined by Diana Kearns-Manolatos. She's the senior manager for Deloitte Center for Integrated Research. How're you doing, Diana?

Diana Kearns-Manolatos:
Hey, Dave, I'm doing really well. How are you?

David Linthicum:
So, as part of Deloitte's Center for Integrated Research, Diana draws on 15 years of business and technology experience to develop new and differentiated insights around digital transformation. She currently leads Deloitte's global research on digital transformation and a technology investigator, researcher, futurist, and author. Her research has focused on issues related to digital transformation, AI, blockchain, cloud, digital ecosystems, and the future workforce and DEI. Wow, that's a lot of stuff. So, do you focus on any particular stuff or do you just love talking—looking at a lot of different variety of topics and doing a lot of different types of research?

Diana Kearns-Manolatos:
Yes, so I am in such an interesting role here at Deloitte. The Center for Integrated Research focuses on cross-industry trends that are impacting markets, technology, and culture. So, very broadly that means I do get to look at a lot of different topics, but digital transformation is really my core area of specialization, and even that's quite broad. It covers a lot of different things.

So, over the last year I've been really focused on cloud and done a lot of work looking into cloud strategy and the future of cloud as an opportunity for organizations to really modernize their businesses. And then in addition to that, some of my more recent research has focused on how organizations should really be reframing how they think about digital transformation in a digital economy. So, hopefully we'll be able to get into some of that today.

David Linthicum:
Yes, absolutely. So, Diana, what attracted you to research initially, kind of as a core career path?

Diana Kearns-Manolatos:
Yes. Whenever people ask me that, I tell them I think I do what I do by accident. I went to school for English and history, and so I knew that I liked to read, and I liked to write and think about why people do what they do. In history, I looked at a lot of social-cultural history. But my master's degree is in medieval European history, and so I thought I was going to be a teacher. And I think, people who have an interest in reading, writing, and academia—doing research I think is a really great way to take that discipline and, instead of looking at what's going on in the Middle Ages, apply it to what organizations are doing today and looking at social and cultural trends.

And I guess just by accident—when I was in grad school, I was looking for internships for people that had English degrees or that related to research and writing and found my way into PR. And I spent a lot of my career in marketing communications, looking at telling stories, exploring ideas around technology, and ended up working with a lot of financial and services technology companies over the years. And found my way into fintech by accident and just really found that I loved learning about businesses, how they operated, and how technology helps to power strategies. And I guess the rest is history.

David Linthicum:
Yes, I worked on some papers with Diana, and let me tell you that I'm, not somebody who writes a lot of things with other people. Certainly—I probably wrote some gang books back in the '80s around programming, things like that, but she really added a lot of value. So, I was really appreciative of some of the insights that you brought to the reporting, some of the things that we did, and some of the stuff you did on your own and work with other folks, and really taking the game to the next level.

So, get down to digital transformation research and, it involves lots of different technologies—cloud, AI, cyber, Edge computing, IoT. What are some of the common themes that are bringing this together in a business strategy? And what should enterprises be thinking about in terms of digital enablement and how to weaponize these technologies?

Diana Kearns-Manolatos:
Yes, thanks, David. First off, high praise coming from you, so really appreciate it.

David Linthicum:
Well-deserved.

Diana Kearns-Manolatos:
Thanks so much. And then just, on the topic of all of those technologies that you just mentioned, I think the key there is really taking a step back and not starting with the technologies, because in the digital environment, technology is moving at such a fast pace and every day there is a new technology that is maturing and at an increasingly rapid pace. And, so, really what I've found through my research and with conversations with our clients across different industries is that they really need to start with strategy. And, so, at the highest level, that starts with what's your enterprise strategy or organizational strategy for government as the strategic north star, and really understanding the long-term vision of where you're trying to go so that you can look back to that.

And then from there, thinking through what the business goals are and how technology aligns to that. And, so, for me this is not really a new story. It's very similar to what you might think about with digital product design, that you start with your business requirements and then you build your technical, functional requirements out of that. But at an organizational level, organizations don't really work or function that way, because the business and technology and operational people within—human capital, they all are very siloed. They don't speak the same language. Maybe there's some co-teaming going on, but it's not incredibly integrated across the C suite of how they're thinking about digital transformation strategy.

And, so, really the crux of some of the new research that we've put out is helping organizations to understand—we know there are all these technologies and that we should be strategy-led, but how do we actually do that? And, so, what we have put out in one of our latest pieces of research called, "A New Language for Digital Transformation," gets into what we call five digital imperatives that are meant to give them that common language to help think more thematically about technologies and business strategies together in a way that transcends any single technology, that can evolve into the future so that it's more of a paradigm thinking. So, maybe cloud today, Edge computing and quantum for tomorrow and thereafter. And, so, I'm excited to talk a little bit more about that research and those five digital imperatives.

David Linthicum:
Yes, I think I get it. I mean, with the ability to kind of get everybody on some sort of a common framework and common understanding of what the business value of this is, and then back the technology into it, but that's typically not how companies like to work. So, they like to work and drive around a particular kind of technology. So, in other words, they may leverage a hyperscaler first, and then suddenly do their digital transformation around that. I always thought as an architect that's a bit backwards. In other words, you really should understand your—a common understanding, or like you have as a common language to move forward, and before we start throwing technology at the problem. But that's a bit of a different change than I think the kind of patterns of behaviors we're seeing out there, certainly in the United States. What are your recommendations there?

Diana Kearns-Manolatos:
Yes. So, I think it goes back to asking the right questions. And when you start to ask the right questions, then you can start to change minds and processes. And, so, I think the question that really resonated with people, that really got them nodding as we were doing interviews around this research is, have you heard your organization asking the question, "What should our AI strategy be? We know we need to be doing something with AI and using that technology. Or what should our cloud strategy be?" Dave, I know you're a cloud strategist. You should absolutely have a cloud strategy.

But that's not the first question to be asking. And, so, when we started saying, "Have you heard what should our AI strategy be? What should our cloud strategy be?" and suggesting that maybe that's the wrong question to be asking, that's when people really started nodding their heads. And you could get to what are we actually trying to achieve for the business being the right first question to ask. And, so, I think that as a starting point to change minds and change the conversation is the first place that really came out as something that could actually be quite useful, so that when a cloud architect then needs to be thinking about how to modernize platforms for the business, you have a similar language.

And, so, maybe to make it a little bit more concrete, I can share those five imperatives. So, we have—the first is experiences. And, so, just like with cloud, your organization might be thinking the metaverse—that's hot right now. What should we be doing with the metaverse? And, so, hold on for a second. Take a step back. This is an experiential technology. That's really the power of the metaverse, is to create really compelling user experiences.

So, from a business standpoint, what are the interactions with users, customers, your workforce, whatever stakeholder it is within your ecosystem? What are the experiences that you're actually trying to create for them? And then you can start to think about which technologies, or more than likely suite of technologies you'll need to bring together to create that experience. And, so, experience is an idea that transcends a single technology but allows you to transition into augmented or virtual reality or the metaverse or digital twins or whatever is going to help you to create that experience.

The second one is around insights. So, instead of asking, “What should our AI strategy be?” very similarly assess what data and analysis and insights you're trying to learn to drive forward your business case. And then think about how AI or automation or a chatbot or conversational AI strategies could enable that, but don't start with the technologies.

And, so, platforms is the broader category of how we talk about with the third imperative, thinking about cloud and IoT and Edge and some of these other technologies, where the business goal is really about the location and management of information across the organization or the network.

The fourth is around connectivity, and so this is very closely related with platforms. From a technology perspective, this is around your broadband, 4G, 5G technologies. But from a business standpoint, that same idea of connectivity, it's really more about understanding the business requirements around the flow of information across not just the organization but also its ecosystem and who needs access to that information and how and how quickly.

And then, finally, the fifth one is integrity. And, so, integrity is really about thinking on the business side about organizational purpose and mission and trust and all of these important things that the business needs. And then on the technology side, it's how technology is related to cybersecurity or processes like DevSecOps can really help to enable those integrity goals.

So, those are the five digital imperatives, and, really, they're meant to get us out of that trap of speaking about a single technology and to have a higher-level strategy conversation which hopefully gets rid of the technical jargon and allows us to talk at a more human level across different parts of the business.

David Linthicum:
Yes, I love the thinking here, because I always tell my clients if I have enough time and money, I can pretty much solve anything with technology. It's the ability to kind of come up and come to a consensus as to what problems we're looking to solve and where is the business looking to go, and it's not just an option. I think that lots of existing traditional businesses are about to be disrupted because people are going to leverage technology as a force multiplier, whether it's AI, cloud, whatever, and become better at digital enablement than they are, better at creating a customer experience that's more compelling than they are. And they're going to find that they're going to have a real business challenge, and many of them are going to exit the market just because other folks are able to move up, do better with the technology, use it in more of a coordinated, strategic way, and disrupt them and push them out of the market.

So, let's switch topics here. Talk about industry clouds. This is something I've been following probably for ten years, and kind of the way this emerged is there were 15, 18 clouds public clouds in the business back in 2009, 2010. All the telecoms had cloud providers and things like that. And then they realized they couldn't spend to keep up in parity with the big three hyperscalers that have today, and so they pivoted and started focusing on what they called verticalized cloud, or the ability to kind of have a cloud that's only focused on healthcare, focused on manufacturing, those sorts of things.

And that's kind of where the notion of industry clouds kind of came up, and certainly the big SaaS providers have industry-specific features and they're an application on demand, things like that. So, what's the compelling reason we're back talking about industry clouds now? And how should enterprises figure the value in industry clouds in terms of how it fits into their business?

Diana Kearns-Manolatos:
Yes. That's a great question, and I think a lot of it has to do with the pandemic. And we know over the last two years that really overnight organizations had a really significant push to digitize their businesses across all different industries. You have virtual and hybrid work with the push to digitize that aspect of

the workforce, being able to have digital workplaces. You have organizations that had physical locations for their businesses needing to think about how to digitize supply chains and inventory for their businesses. And, so, I think that whereas industry clouds have existed, what's really new and different is the urgency around speed to digital.

And what is really, I think, unique about industry clouds versus a more kind of horizontal infrastructure that you would customize to your specific business case is they could be used as an accelerator. So, like you were saying, these industry clouds are bringing together industry-specific business cases or sector-specific business cases already and therefore serving as a building block to quickly accelerate development with a new type of buy-build equation where you're really able to kind of co-create and accelerate speed to market and an environment where organizations are, I think, feeling increased pressure to digitize their businesses.

And some of the analysis that we did as part of our research found that industry clouds right now have the potential to be up to a $640 billion potential market over the next two years or so. And, so, I think that there's a big opportunity here right now as we see a continued push to cloud in general for organizations to have to do less customization work specific to industry, specific to sector, be able to take advantage of these 21st century digital blueprints that are part of the industry cloud already, be able to take this more modular approach to building technologies. Instead of taking a core banking solution and having to have two or three or four years of pain migrating your legacy, you can take a much more modular approach to transforming one discreet capability at a time.

And we also, I think, all know that the operating model that organizations really want to reinforce is Agile with pod teams. And industry clouds really do enable organizations to be more Agile with the way that they're developing and to potentially co-create with cloud providers and system integrators and other partners to be able to kind of bring together the full force of their ecosystem.

David Linthicum:
Yes, I think one of the things that I loved about your research was the fact that we can finally get around to finding new homes for these existing legacy systems, these white elephants that have been around for a period of time, where there's no analogs for them to easily move, or certainly from a value point of view to move to a new platform such as on the cloud. In other words, it's not moving from a LAMP stack on premise to a LAMP stack in the cloud, those sorts of things. It's getting into very old, but also very valuable, systems that are more vertically aligned.

So, in other words, they may have built these things that are proprietary to a particular business, which could be as much as 25 percent of their business, the ability to process orders in a certain way, the ability to live up to rules and regulations, the ability to deal with certain laws that exist in kind of an international framework, things like that.

And the great thing about industry cloud—this finally may be a compelling reason to start moving those things to the cloud, not that we're porting these existing legacy systems but we're providing analogs for them, better analogs for the existing stuff where we can basically use OPC, other people's code, to automate a particular business and have the business align with the particular industry. And all the volatility in dealing with regulations and changes and audit compliance, things like that, are built into the industry cloud. That's a smarter way to do it. What are your thoughts on that?

Diana Kearns-Manolatos:
Yes, I think that there are a couple of trends at play there which are really important. So, one, there's the shared service model with the cloud providers. And, so, if you have this core, just like you were saying, the regulatory and compliance considerations, you can think about where the organization's responsibility starts and the cloud provider's begins. And the more of that infrastructure-as-a-service that you have with the industry cloud, the more that responsibility is with the cloud provider as part of the shared services model. So, I think that's one of the first things.

And then the second that came to mind was around shifting business models. And going back to this idea of co-creation, I think through the research as well we saw that there's a lot of opportunity for organizations to be thinking about using cloud to enable platform and ecosystem business models. And, so, that is taking a platform that brings together buyers and sellers and to really think about how, for example, they can monetize their data or create an open API marketplace. And, so, I think these are trends of kind of the more modular tack open technology environment.

In financial services, it's open banking. In other industries, like life sciences, there's been similar trends of taking open data for X-rays and patient non-PII information that could be used to enable research. And, so, being able to use cloud to go to market with platform and ecosystem business models and have others benefit from that capability, I think it's another compelling use case that relates to what you were just saying.

David Linthicum:
Absolutely, and this gets to the notion of value. And one of the things that I think we're coming around to finally is understanding how technology is able to create value within the organization. It used to be just technology automated things. It solved particular tactical problems. Now it's strategic to where these organizations are going. It could be even the entire organization itself. You look at the ride-sharing systems and the house-sharing systems that are out there and all these sorts of things that are basically just automation. They don't own an asset, but unto themselves they've had valuations that go into the many billions of dollars. And, so, the value creation metrics are considered differently than they were as close as ten years ago. So, how should people be thinking about the value of technology and evaluating how technology should be leveraged within their business?

Diana Kearns-Manolatos:
Yes, it's a great question. I think you're absolutely right that technology is a business enabler. And, so, really understanding the complexity of how and where technology offers value is a very complex and elusive topic, but I think some of the research that Deloitte has done through our strategy business—there's a great piece of research recently published called, "The Exponential Enterprise." And it talks about from a business standpoint two factors that really enable organizations to achieve enterprise value. Organizations that are very mature in their capacity for change and also very mature in their strategy around where they are—their ability to win, where they look to compete and differentiate in the market, are the highest performers. That research showed that they're 176 percent more valued and 30 percent less volatile.

And, so, if you look at just those two factors of capacity of change and ability to win and you start to think about technology, well, industry cloud and what we were just talking about—your technology enabling your capacity to change, to market need and demands, it's such an important enabler of that. And,

so, I think each of those digital imperatives that we had talked about, we've done some research into looking at how those five imperatives we talked about earlier impact an organization's capacity to change and ability to win and have found that when you're using technology well in those five imperatives, you are more able to change with disruptive events like COVID-19. You're more about to scale digital pilots. You're more able to enhance revenue growth and competition.

So, I think in terms of how and where technology adds value, it's still something that organizations have difficulty quantifying. But there's a lot of value, impact, and creation that's just not being measured, and I think that's because—you said the word earlier, that the value is—it's really exponential. And, so, the more that organizations can kind of rethink and reframe how they're measuring value and not just measure it within technology but think about how something like a conversational AI asset that they've built for one part of the business could extend value to other parts of the business, the more they'll be able to capture some of that missing value and understand the full potential of the investments that they've made.

David Linthicum:
Yes, it's everything. I think, ultimately, we have to be a bit more value-driven when we select technology. I've been looking at this through the lens of architectures. In other words, if we're going to get to an optimized architecture, it's not optimized for the particular technology we're looking to leverage. In other words, we're not creating value by stuffing as many red-hot technologies like container and serverless into the architecture. It's the ability to kind of meet the needs of the business. And there's typically only one architecture or one architecture pattern that ends up being the solution, but there's three factorial different architecture patterns that you can leverage, and therefore that architect becomes very important. He or she has to kind of pick the configuration of the technology that gets to the essence of the ability to solve the core needs of the business which gets to the optimized value, and that's the harder thing to do.

So, where can we find you on the web? Where can we find some of the research that you've done, some of the papers that you've written?

Diana Kearns-Manolatos:
Yes, absolutely. So, check out Deloitte Insights and search for digital transformation and you should find a few of our pieces there.

David Linthicum:
Yes, you guys should check it out because let me tell you. She's a very thoughtful writer and thinks a lot through this stuff and it's extremely valuable. I always end up going to her work as a reference for stuff that I'm doing and client engagements, things like that, so we're glad to have her on board and part of the team.

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