



For Cloud Professionals, part of the On Cloud Podcast

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Title: Cloud-first as a catalyst for higher business value

Description: Some companies are still reluctant to take the leap into being a cloud-first organization, despite the plethora of information about cloud's benefits. The issue is often the lack of ability to square perceived risks with the business value of digital transformation. In this episode of the podcast, David Linthicum sits down with Deloitte's Basit Saeed and Chad Montgomery to discuss why it's a great time to become cloud-first (even for Deloitte), the benefits companies can expect, and how those benefits outweigh the risks. The upshot? A cloud-first strategy makes you more agile and it gives your business the scalability, resiliency, and continuity capabilities you need to meet any situation--even a pandemic--head on with confidence.

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Operator:

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David Linthicum:

Welcome back to the On Cloud Podcast, your one place to find out how to make cloud computing work for your enterprise. This is an objective discussion with industry thought leaders who provide their own unique perspective around the pragmatic use of cloud-based technology. Today on the show we have a couple of great guests. We have Chad Montgomery and Basit Saeed. Chad is a principal, chief operating officer, and deputy CIO of Deloitte's US firm's, internal technology. And Basit Saeed is deputy CIO and chief technology officer at Deloitte. So, hey, guys. Welcome to the show.

Chad Montgomery:

Hey, thank you very much.

Basit Saeed:

Thank you, sir.

David Linthicum:

One of the things that I was really excited about when I saw I was going to have you guys on the podcast was the fact that people often ask you know, what are we doing at Deloitte in moving to the cloud and leveraging technology as a force multiplier. And having been at the firm for three years I see that we leverage technology very effectively, and I always wanted to get to the people who do this, who really kind of pull this off behind the scenes. And I guess I have a couple of the bigger contributors here.

So, Chad, question for you. In moving to the cloud, one of the things that I'm sure you had to do, is really kind of defining the business value and figuring out how the technology can be a force multiplier and measured by business value. Can you tell me how you went about that?

Chad Montgomery:

Well, first and foremost, I mean, let's face it. Moving to the cloud has been something that organizations have been talking about for a long period of time. And I would say that there's a number of factors that have been keeping companies from wanting to move to the cloud, from the worry about security, control of their own IT environments, just the whole nuisance of moving this mix of applications that's strewn across so many different platforms into some kind of an organized cloud-based fashion. It's very daunting. But one of the things that we realized and, as well, something that we preach to our clients is that moving to cloud is a catalyst for operational optimization.

And so, what we mean by that, though, is we look at the opportunity – moving everything into the cloud – as a means of achieving something that, we call total cost of ownership. And that's really where you take a look at the full lifecycle of the application, from the point where an application is formed, the ideas of an application are formed, all the way through to the end of life. And why that's important is that the cloud itself allows the sort of determination of the exact sort of size and complexity, the growth of the data that's stored to the cloud. So, it's not only understanding the total cost of the application, to build it in terms of programming, but also understanding the cost of the application in terms of just where and how it's stored and how large it becomes and who uses it.

So, the business value piece really is the catalyst and the driver, but it's not the only, right? There's certainly a very important component around the technology transformation of moving to the cloud. And I think that the combination of the business value and the technology transformation is really the main motivator or inspiration for us to move.

David Linthicum:

So, Basit, you're kind of the technology wizard in the middle of this, so when we really put the business value question to you, how do you balance business value versus the ability to leverage technology as a force multiplier?

Basit Saeed:

It is a good question. So, of course, I mean, I do lead our strategy and direction based on technology, but for any technology strategy to make sense to be applied, it has to make economic sense. So, as we've looked at Deloitte and our pivot towards cloud and preparing to be cloud first we're very consciously balancing both of them. We are aggressively moving towards a cloud-first and cloud-native operating model, and that applies to all the new assets we build, how we run our business, and the decisions we make around technology providers. But then as we do that we look at our existing technology spend, our technology priorities, and aligning them to that cloud-first strategy.

So, when I look at what we're actually doing at a tactical level, I would say I have two major streams of work. One is around building the foundation for Deloitte to be cloud-native, and that means in how we operate, how we make decisions, the people we hire, and the core of our technology organization. But the parallel path is then to address our digital debt. We have very large datacenters, we have many legacy systems, and we don't want to live in a world where we're co-operating between the two of them. So, as we build our cloud-native capability, we're building transformational platforms on how we will run our business and how we will serve our clients.

We're also then looking at our existing datacenter footprint and aggressively migrating to the cloud. And as we do that, we are trying to take advantage of the new benefits that cloud provides, applying those to business continuity, moving them to application agility, using cloud-native services to drive cost optimization. But what we anticipate to do is within two years the path will meet. We will migrate from our legacy datacenters to cloud, and as we do that we will get closer to cloud-native on our legacy stack. And then in parallel, as we build new services and transform our business that will also be in the cloud, and what we expect is then two years from now, not only will the technology that serves Deloitte reflect a cloud-first organization, but the organization and how we operate that technology will also reflect a cloud-first organization.

David Linthicum:

So, Basit, back to you, we've been going through some shifts in priorities over the last nine months. I guess it started in March with COVID-19 and the global pandemic. So, what has that taught us in terms of impact, strategy on BCP, and you know, in essence weaving in the various ways in which we're approaching technology structures and picking technology that have changed around COVID-19?

Basit Saeed:

Absolutely. So, it's a great question, and we've learned a lot, and I would say in many ways we were – we had great foresight. You know, we never predicted, as no one ever could have predicted, a pandemic of this scale, but we had started making technology decisions in previous years around mobility, around tech agility that we were able to un-surface very quickly. So, one example was we started relying on cloud providers for our core communications and collaborations toolset, and where that was very beneficial is that – it wasn't around business continuity from an availability perspective, but from a scale and capacity perspective we were able to rely on massive amounts of capacity on demand as we pivoted our business to be virtual-first. So, at this point in time we are the number one consumer of videoconferencing services from one of the leading conference servicing providers on any given day, and I know if we were hosting them on premise, on our infrastructure, I don't think it would be possible or achievable to scale up the necessary capacity we needed within days. So, one was just from a scale and demand perspective, we learned a lot around the benefits of cloud.

The second thing that we're learning is around I would say the pivot from traditional business continuity to tech resilience and how cloud can help you there. And I'll tell you in my mind what the difference is. You know, I remember the days where we would build business continuity plans really built around the core concept that a physical failure of location due to natural disaster or technical failure would make a site unavailable and how we would relocate our

businesses over to a secondary site. Now what we've learned and what makes sense right now is around tech resilience. Rarely do we see if ever a catastrophic failure making a location unavailable.

What we realize daily is technical failure either due to software, configuration, or behavior that makes a component of technology unavailable. And what we're realizing is architecting and facilitating for tech resilience is far more effective and efficient, right, in a cloud world, because the ability to distribute your application in multiple locations, to build your application on microservices. In the past we had always architected for geographic failure. In cloud, what we architect now for is tech resilience, the ability to route around a software failure, a component failure, and using multiple geographies in the event of a catastrophic geographic issue.

I would say the last thing I will speak to on business continuity is cost efficiency. In a traditional business continuity world, we would buy two of everything, a failover system for every application. Therefore, it would result in a tremendous amount of capacity being available on demand but being quite costly while it is not used. In cloud now what we've moved to is a just-in-time business continuity model where we're able to failover and stand up infrastructure on demand and only pay for one when we're actually using it.

So, I would say for us, the real pivot has been in three areas. One is capacity on demand, being able to scale out critical services geographically and by scale for volume. The second one has been around architecting for tech resilience, which is the ability to overcome a component-level or software-level failure. And the third one is around cost efficiency. Rather than buying two of everything and waiting for failure, we actually operate a production system and use capacity on demand and pay for on demand when needed and only when needed. So, that's the three areas that we've really learned a lot about and are already benefiting from in the world of cloud.

David Linthicum:

So, Chad, back to you, and one of the things that rang true to me when you answered the question a few minutes ago was the fact that we're trying to strive for a solution that provides enterprise-wide operational optimization. And I thought that was such a smart thing ultimately moving forward because if I look at some of the clients that I deal with, things like that, in many instances the solutions that they're looking at aren't necessarily optimized. They may work, but there may be a way to in essence find a better path that could save us lots of money, provide us more agility, provide us more speed to market, advantages that really go to the bottom line of the business. So, how do you manage to enterprise-wide operational optimization?

Chad Montgomery:

It's a great question. The best part of moving to the cloud – you know, I had mentioned the total cost of ownership and the ability to really drive to the right kind of scale. Ultimately what it comes down to, and especially if you can achieve it on a global scale which is what we are in the process of doing, is arriving at – and it's probably – if it's not already, it's soon to probably be a well-used, overused term, application rationalization. This comes to if you think about the state of business, really in the end – and this is really the intersection between IT and business – in the end when you talk about business operations, you're really just talking about this amalgamation of business processes. And the business processes you can evaluate from every corner of the business, whether it's in sales or it's in production or it's in providing services or in closing the books and financials or in supply chain or whatever, everything comes down to a combination of business processes.

And historically – and we all know this – you look at different applications that support those business processes, and I think that it's fair to say that over the past 20 or 30 years you've seen this consolidation of applications that execute those business processes in the form of enterprise software. But still organizations, many – almost every, actually, organization I've ever had the opportunity to consult, provide services to, and in fact at Deloitte, as we have a multitude of applications that essentially serve all of those business processes. And when you look at the organization, you look across – whether it's the organizational divide between the types of businesses, you look across geographies, you look at the business processes themselves, you can see that there's a multitude of applications that overlap one another. And moving to the cloud allows you – and this is one of the most interesting things about it and it'd be fascinating to see where the market goes with this and organizational and operational efficiency.

But when you look at the organizations that moved to the cloud, it allows for the sort of organization of those applications, so not only can you sort of evaluate the overall size and the amount of data that you're storing on a given application, you can essentially pair off applications that essentially serve the same business process purposes and evaluate opportunities to consolidate those applications to serve a more meaningful purpose across the enterprise. When you have applications stored across just a multitude and variety of servers in disparate locations you don't really have that same opportunity, and so you go through this very costly adventure of trying to move applications that you had previously to sort of monolithic ERP enterprise software. And I think that that's largely taken place, and yes, there are still organizations that are in the process state push but even ERP applications themselves, as we've seen, are moving to the cloud. So, this combination of everything where you can ultimately discern between the sort of best-of-breed of the applications, whether it's single, individual applications that support a business process or within the ERP, you can scale down considerably.

So, this whole notion of cost savings and operational efficiency is really in play, and so this whole idea of moving to the cloud becomes essentially less of a technology play and much more of a business play. And that's really going to be an important facet of this transformation, this handshake, this partnership that needs to exist between IT and the business that's going to be more prevalent than ever.

David Linthicum:

So, Basit, what Chad just provided was a very succinct vision in terms of how we're going to optimize infrastructure, how we're going to optimize systems, how we're going to optimize business processes, et cetera, ultimately to get to something that's going to be close to 100 percent efficient but never going to be 100 percent efficient. So, you're trying to basically do the same thing with technology. And one of the things that we had a conversation a few podcasts back with Vasa who's also an architect and I'm an architect by trade, it's a difficult thing to configure technology in such a way where you're able to support something that's 100 percent utilization. How do you go about that?

Basit Saeed:

Yeah, I mean, 100 percent utilization – I mean, it's always the target and it's hard to achieve, but I think cloud makes it far more realistic and possible than our traditional legacy models. And I would say in a few ways, right? When I think about – and I'll go back to kind of very traditional thinking – is in the past, if you think about the architects, they would plan a solution, recommend a solution, and they would forecast what the anticipated usage and capacity requirements would be over a three- to five-year period. And the reason they would do it over a three-year, five-year period is because we would procure

equipment with a three- or five-year lifecycle, and we would anticipate building something today that would fit the needs from a capacity and performance perspective on the anticipated use three to five years from now.

And what I've seen time and time again is the applications or the new solutions would come with a lot of optimism. "We're going to need this amount of capacity, we're going to have this type of users, and therefore we must make this investment today." And what I have realized over the years is rarely ever do applications actually realize the capacity requirements that were architected for three, five years ago. And therefore, when we would look across our datacenter footprint at any given time, we were in this constant effort to optimize usage. So, you're looking for pockets of CPU, memory, and storage, and then finding ways, usually through virtualization, to further consume and distribute that available capacity. And it was more of an art than it was a science, and every year we could look at the amount of overhead that was sitting on our books not being used.

Now what I love with cloud is the on-demand model, which if done correctly, instrumented for correctly, and monitored correctly, you can only procure and consume what you need at any given point in time, and you can expand that capacity on demand in real time up and down. And I think this takes a lot of evolution and thought on how do you build applications and operating models to work that way. But once you can figure that out you have the ability to, one, scale up, scale down based on business cycle or need. Two, what I really like is the ability to fail fast, because if I think about some of the applications that were really exciting and architected for, they never realized even the life expectancy that they had. You know, so you purchased a bunch of equipment, you thought you were building the world's biggest solution, and six months later it just isn't working. But you've got this cost sitting on your books, and you can either redeploy it or write it off. With cloud you have the ability to experiment. You can experiment and you can fail fast. You can experiment and expand fast. And I think that is really a compelling way of looking at architecting for the future.

Now the risk is, as well as that it becomes a little bit too easy to consume, because if I think about the role in the past, is the decision process from idea to investment had very structured governance. So, although you had a great idea, we wouldn't commit cost until everybody agreed that that idea justified the level of investment. Cloud, you have to be careful because you can start spending before you've even fully baked the idea. So, I think the governance models also have to shift, right, if you want to achieve 100 percent optimization. It's to ensure that in that 100 percent optimization you're not chasing bad investments. So, the governance could be lighter and quicker, but you still have to ensure that you are appropriately toll-gating investments, and then also building a criteria of when do you cut bait, you know? At what point in time do you say that this investment is not realizing the benefit we expected and we're going to stop our investments?

Now the beauty of it is with cloud, once you make that decision it is really simple and quick to decommission and unwind from that investment, which it wasn't on premise. But what I fear is the ability to access technology so quickly may result, if you're not careful, in a lot of small investments that probably should never have occurred to begin with.

David Linthicum:

So, Chad, going back to you, and Basit, I'll give you the last word, so this is incredibly important that we get this right as a firm, because ultimately people look internally to us for their advisory in terms of how they're moving into the cloud and the ability to provide that advice in such a way where we're looking out for the best needs of the business and the ability to provide a path forward in step-by-step ways to get into the cloud. You guys need to prove this out internally, so in essence the pressure's on. And you guys being successful with cloud computing and the ability to kind of set an example for the way our clients should approach cloud. Do you feel that pressure, Chad?

Chad Montgomery:

Yeah. I mean, I look at it less about pressure, but the opportunity is immense. This is one of the most exciting points in time in my opinion to be both with IT and to be in a position to drive the direction that we're going. Look, in the end this is really about the power of decision making. This is really about business process ownership and moving business in the direction that it wants to go, leveraging the power of IT to do so. Everything that we've talked about so far today is about this handshake, like I said, this symbiotic relationship between business and IT that makes this extremely powerful. In the end we talked about total cost of ownership, we talked about scale, we talked about the ability to have extreme agility.

What I'm most excited about as we move to the cloud – it really comes down to harnessing this technology to recognize the most optimal way of doing things, and to provide the right level of support, leadership, partnership with our business partners so that we can achieve all of our strategic and innovative ideas. I don't think that before there was ever this belief that there was such a tight partnership between business and IT, and I think that the move to the cloud will be this incredible demonstration that, one, absolutely cannot exist without the other. So, pressure? Sure. Opportunity? Definitely.

David Linthicum:

I think that's a healthy way to look at it. And so, Basit, last question for you. Ultimately if we're looking to increase revenue in a traditional non-tech enterprise and leveraging technology is the mechanism to do that, how do we go about doing that? How does it help or hinder the migration to that technology stack?

Basit Saeed:

Absolutely. So, I think the pressure I feel more so is from that. It's the digitization of a non-traditional organization or a traditionally non-tech organization, and I think cloud is something that will enable us, especially in our business. And the few things that stand out is, one, as we digitize our business and generate revenue through new models what I worry about is cyber and protecting those assets and that revenue. And I'm a firm believer that when done correctly it is easier and more confidence in securing the cloud because of how it's built on software and the visibility you get into every interaction. So, one is I think security-wise as we digitize our business I feel we will be in a better position using cloud.

And I think tied to that is one of the strategies we have, is not about distributing our workload across the world through different organizations and really doing it from the center. And what that means in the world of Deloitte is rather than allowing every local business or every local organization to build, host independently on the cloud, we're going to drive that from the center. And the reason we're going to drive that from the center is when we look at it from a pure tech lens, it's to protect it and to manage costs and technology efficiency. But then when we look at it from a business perspective, what that's going to allow us to do is to be able to import and export capabilities around our global businesses.

So, this is something we've been challenged with in the past, is if we create an innovation that is really built in say the US to serve a US market, but you see opportunity to say apply that technology and solution in Australia, it's been very difficult in our world, just due to how we are structured, due to the differences in our tech stack, our ability to protect it. But by building a global cloud capability, enabling our assets to be built, imported, and exported, what we are realizing is that the cloud is going to allow us to actually pivot into this digital world much more efficiently and quickly, because what we can do now which we struggled in the past is build something in one location and apply it in many, and then also adjust it as we need for that local market. So, for me, I think the cloud coming at this point in time is exactly what we need as a technology organization to meet the expectation and the demand of our business as they digitize, as they realize new ways to serve their markets and new ways to augment or create new forms or revenue. It's absolutely the right pivot, technology kind of pivot at the right time for us.

David Linthicum:

So, gentlemen, we're going to leave it – Chad, did you want to respond?

Chad Montgomery:

I was just going to say, and essential. We're at that point where organizations become more digital than ever, and I think that organizations have never before relied on technology to the point they do today. And cloud is just another great example of the way that you see this evolution taking place where technology becomes a center point to overall business innovation and capability. So, we're very excited to be part of this journey and we trust that all of our clients that we have the opportunity to support are going to appreciate that same journey.

David Linthicum:

Yes, and we do. I'm glad you guys are at the helm of this because it has been a very smooth journey even through the COVID stuff. So, let's go and leave it there, and thank you very much for attending the podcast. So, if you enjoyed this podcast make sure to like and subscribe on iTunes or wherever you get your podcasts, and don't forget to rate us. Also check out our past episodes including the On Cloud Podcast hosted by good friend Mike Kavis and his show Architecting the Cloud, and his book by the same name, by the way. And if you'd like to learn more about Deloitte's cloud capabilities, check out DeloitteCloudPodcast.com, all one word. And if you'd like to contact me directly you can reach me at DLinthicum@Deloitte.com, D-L-I-N-T-H-I-C-U-M. So, until next time, best of luck in building your cloud projects. We'll talk to you next week. Take good care.

Operator:

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