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Cloud value?

Not without the business

Three patterns for cloud adoption and advantage
in the banking sector

Match expectations with reality

# A dramatically different approach to cloud adoption

Cloud strategy is complex and can fail to achieve return on investment without alignment to business outcomes. Stronger, more deliberate collaboration between technology and business stakeholders can enable value realization. We explore three patterns of cloud adoption.

Cloud is becoming more mature. As banks race to experiment with AI, it has expanded the aperture for what's possible, driving the next horizon of investments in cloud technologies. A recent Deloitte survey of over 300 US banking and capital markets leaders uncovered 75% of banks are either increasing or significantly increasing their investment spend[1]. In Canada, the financial services industry outpaces all industries in cloud consumption, with nearly 80% of respondents to a Deloitte Canada survey of over 200 cloud decision-makers[2] having shifted at least 40% of their data to the cloud. The priority and focus has shifted from enabling technology to delivering value at the heart of the business—unlocking organizational agility, accelerating time to market, and enabling innovation.

For many, the reality doesn't meet expectations: investments are split across different departments, many find it hard to handle the complexity of using multiple cloud systems, and some have not yet aligned their technology choices with business goals. While not surprising, this issue persists due to low-risk tolerance, largely shaped by regulatory constraints in the banking sector. While the demand in the financial services industry for exponential tech capabilities is among the highest compared to other industries – banks are not keeping up.

A moderate pace to cloud adoption guided by risk concerns and the need for high-fidelity and high-security tech may have been reasonable in the past, but if organizations are to advance beyond this plateau and realize value in this unique moment in the market – a dramatically different approach to cloud adoption across a hybrid AI infrastructure strategy is needed. We explore recommendations for how technology and business leaders can chart a course together in a market that is fast maturing, to avoid being left behind.

75%

of banks are increasing their investment in cloud technologies[1]
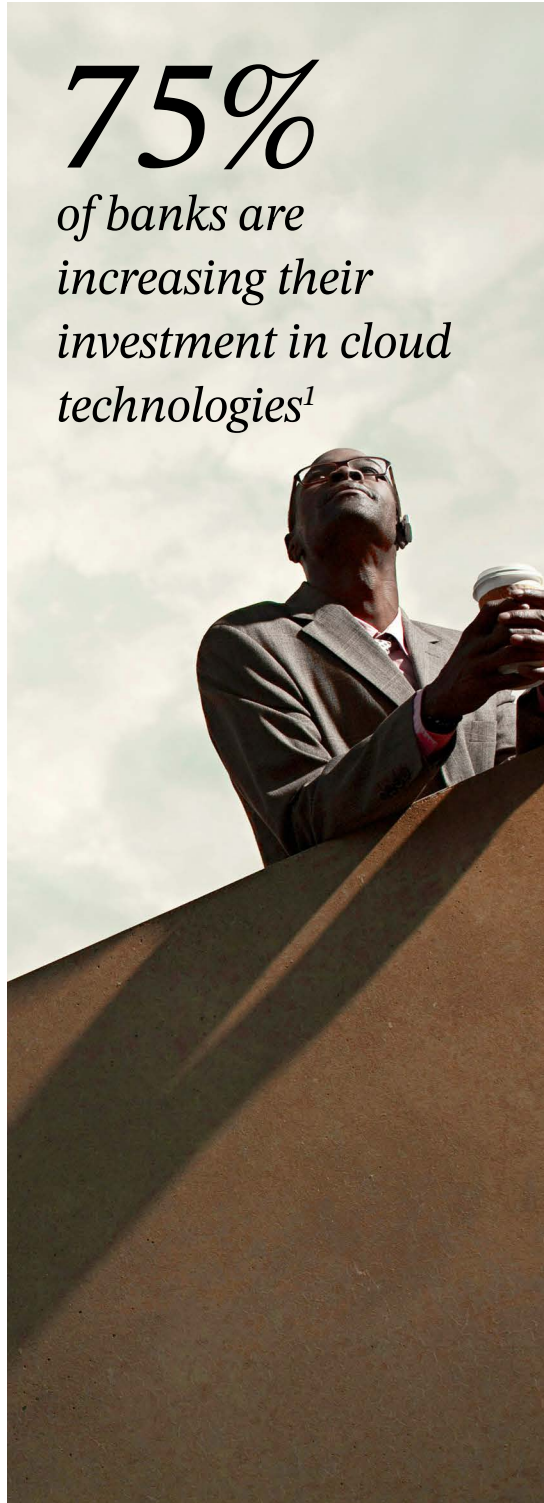
The focus has shifted from enabling technology to delivering value

1. **Deloitte,** *"2025 banking and capital markets outlook"*, October 2024

2. **Deloitte,** *"Cresting the cloud horizon"*, April 2024

From aspiration to value

Where have organizations fallen short?

Given the cloud inflection point, the Deloitte Canada survey, along with interviews conducted with 20 cloud decision-makers, aimed to understand how cloud is evolving in the Canadian market. The analysis identified three common patterns for cloud adoption, and their associated pitfalls to drive more widescale enterprise adoption. (Figure 1)

A survey and interviews aimed to understand how cloud is evolving in the Canadian market

Figure 1. Patterns of cloud adoption

PATTERNS

	1 RUSH TO THE CLOUD	**2** CLOUD BY FIEFDOM	**3** FORTIFY THE CLOUD
	Strategic imperative **Migration**	*Strategic imperative* **Digital business**	*Strategic imperative* **Enterprise protect**
DRIVERS/ADVANTAGES	✓ First-mover advantage ('Cloud First') ✓ Perceived cost savings ✓ Big commit with a hyperscaler	✓ Innovation platform ✓ Find new opportunities ✓ Best of breed approach	✓ Secure the cloud ✓ Standardize approach ✓ Centralize controls
CHALLENGES/LIMITATIONS	⊖ Incentives drive consumption ⊖ Limited focus on TCO/ROI ⊖ Tech-led scope/limited business engagement	⊖ Cloud sprawl ⊖ Technical complexity ⊖ Operating complexity limiting agility	⊖ Costly abstraction layer(s) ⊖ Limitations on velocity ⊖ Application of legacy controls

Source
Deloitte Canada

Rush to the cloud

Early cloud adopters moved quickly to achieve a competitive advantage. Many of these organizations pursued a 'cloud first' strategy with public cloud providers, but without sufficient discipline in terms of cost management, governance, and adoption of enterprise standards for architecture. This pattern was incentivized by accelerating the timeline to consumption as it favoured faster, 'lift and shift' migrations that, in cases, failed to deliver on value expectations and did not align to the organization's operations for on-premises environments.

This pattern was reinforced from insights from the Deloitte Canada survey where over 80 percent of respondents characterized their feelings about cloud as optimistic, energized, hopeful, or curious, but only 17 percent have a well-articulated cloud future-state defined. Forty-two percent feel they don't have control over their cloud consumption costs. While this pattern shows advantages for those that need to move quickly or test and learn with flexible workloads, there are long-term drawbacks on cost and governance without refactoring workloads.

Cloud by fiefdom

Many organizations have tied their cloud investment to specific, business-led initiatives. This pattern can be effective when leaders look horizontally at how different cloud technologies fit together across the enterprise. Without this discipline, business-led investments can lead to adoption by fiefdom (a siloed and duplicative architecture approach that leads to increased operational cost and complexity). This pattern was common in the aftermath of the COVID-19 pandemic, the urgency for cloud adoption rapidly accelerated to support new demands for remote work, digitize processes, and scale virtual channels for sales and service.

Deloitte Canada's survey found that over 70 percent of respondents see their public cloud provider as a 'gateway to access emerging technologies', with approximately 75 percent partnering with them to 'scale digital business innovation'. But only 25 percent have fully captured their intended business ROI from cloud transformation. While this pattern can enable strategic applications for business units, it cannot be at the expense of a thoughtful enterprise architecture that brings those applications together.
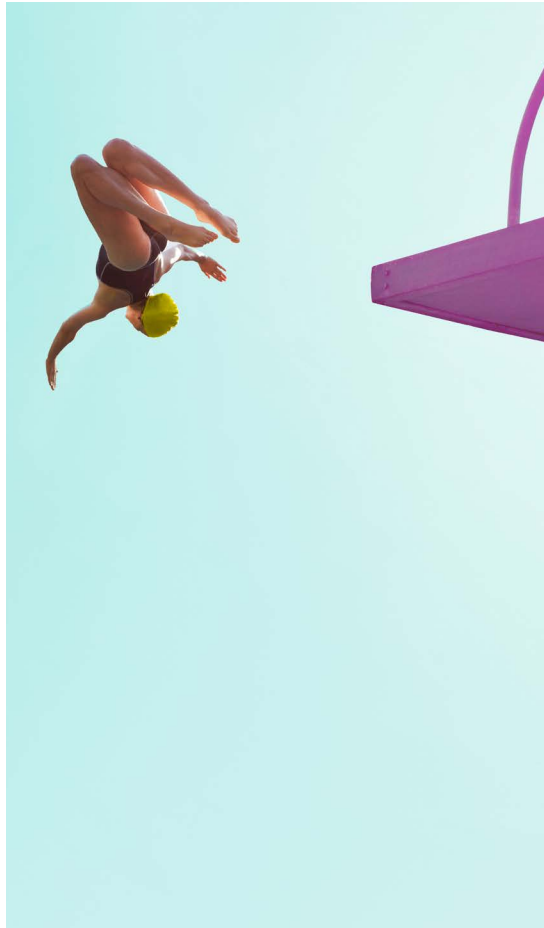
Fortify the cloud

Organizations in this pattern prioritize securing and standardizing access to cloud services. This pattern takes an intentional hybrid-by-design approach to cloud adoption that refactors workloads, thinks horizontally about architectures across the enterprise, and secures applications by design.

Forty-three percent of organizations across all industries in the Deloitte Canada survey indicate cybersecurity as their top catalyst for moving to the cloud, in which financial services was one of the top three industries. While aiming to enforce governance, security, and compliance, many companies apply legacy security constructs to the cloud, often layering costly abstraction mechanisms and introducing unnecessary complexity. These well-intentioned measures inadvertently hinder velocity and agility. As cloud security risks evolve, organizations must adopt modern, cloud-native security approaches that protect the enterprise without stifling innovation and operational efficiency.

Legacy systems hinder velocity and agility; organizations must adopt modern, cloud-native security approaches
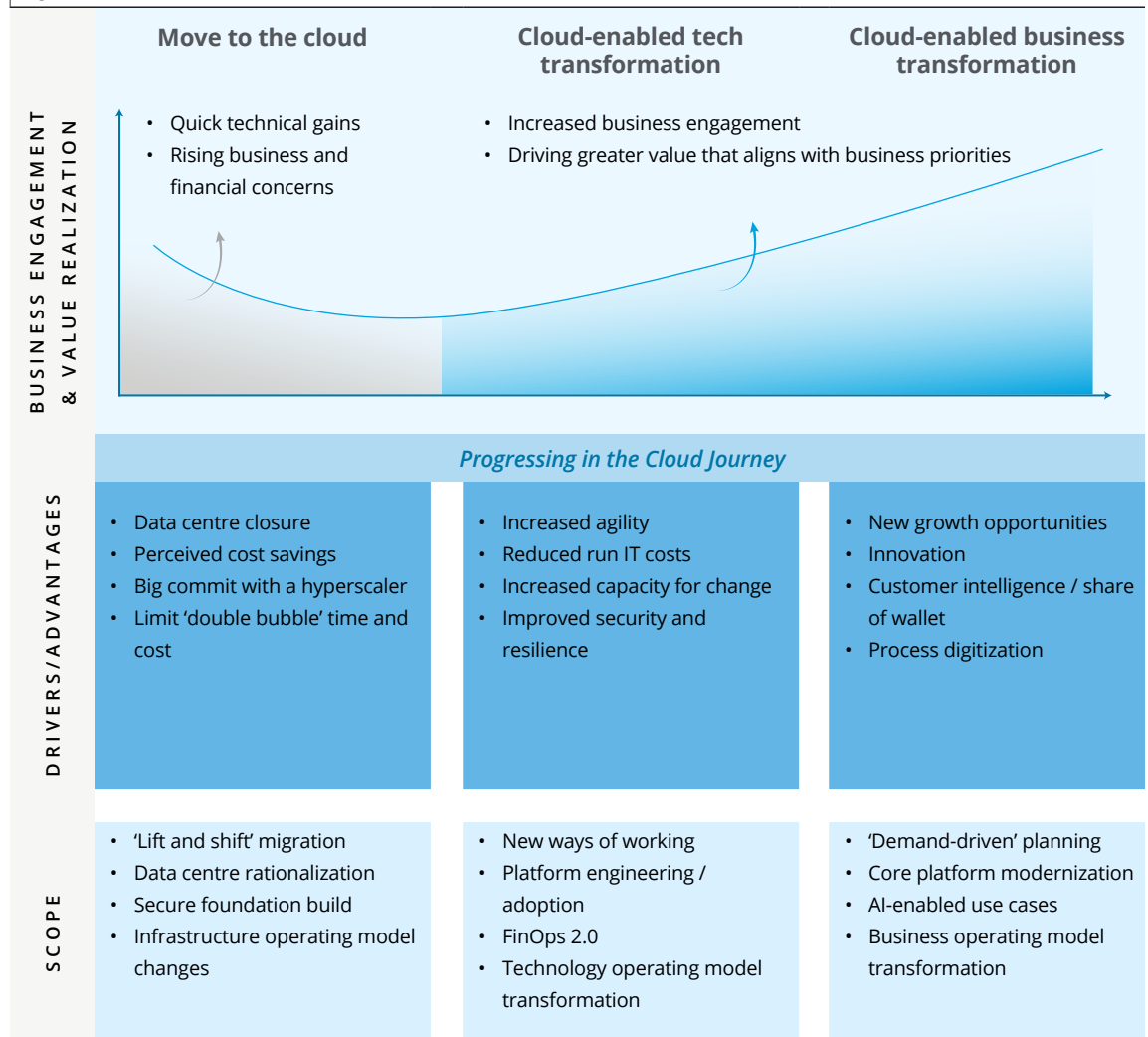
Achieving cloud value

Ambition towards enabling business transformation and outcomes

As leaders work to maximize the value of their cloud investments, it requires understanding the organization's ambition as well as intended business and technical outcomes and defining an aligned scope.

We define cloud ambition by three progressive milestone horizons (Figure 2):

1. **Move to the cloud:** Migration of systems to the cloud and building initial foundation of capabilities.

2. **Cloud-enabled tech transformation:** Delivery of technology services to the business designed to increase agility and accelerate delivery speed.

3. **Cloud-enabled business transformation:** Development of new digital products, applications, and compelling new AI use cases that support business outcomes and drive competitive edge.

Figure 2. Cloud milestones

	Move to the cloud	Cloud-enabled tech transformation	Cloud-enabled business transformation
BUSINESS ENGAGEMENT & VALUE REALIZATION	• Quick technical gains • Rising business and financial concerns	• Increased business engagement • Driving greater value that aligns with business priorities	
	Progressing in the Cloud Journey		
DRIVERS/ADVANTAGES	• Data centre closure • Perceived cost savings • Big commit with a hyperscaler • Limit 'double bubble' time and cost	• Increased agility • Reduced run IT costs • Increased capacity for change • Improved security and resilience	• New growth opportunities • Innovation • Customer intelligence / share of wallet • Process digitization
SCOPE	• 'Lift and shift' migration • Data centre rationalization • Secure foundation build • Infrastructure operating model changes	• New ways of working • Platform engineering / adoption • FinOps 2.0 • Technology operating model transformation	• 'Demand-driven' planning • Core platform modernization • AI-enabled use cases • Business operating model transformation

Source
Deloitte Canada

Successful cloud programs balance investments in migration and infrastructure capabilities, with early transformation wins for the business

As organizations shift further right along this continuum, the potential for return expands. With hindsight, many organizations see their initial move to the cloud as a necessary investment without a strong case of value. It's not the physical move of systems and data to the cloud that delivers value, but what you do once you get there to transform service IT delivery and accelerate business priorities.

Delivering on the ambition of cloud-enabled business transformation requires leading conversations around how the cloud supports the business strategy, and collaboration between both business and technology groups to align on ambition, the scope of program delivery, and shared outcomes (both business and technical).

Figure 2 suggests these horizons are sequential, but this doesn't always need to be the case. Successful cloud programs balance investments in migration and infrastructure capabilities, with early transformation wins for the business. Cloud programs start to languish and lose momentum when they spend too much time and investment on the 'Move to the cloud' without enough value delivered to the business.

Regardless of which path you took to get to cloud (e.g., Rush to cloud, Cloud by fiefdom, or Fortify the cloud) the next step to begin generating return on investment by delivering on business outcomes should follow the same principles for success.

Three universal principles for cloud success

Build the case for cloud

Adopting cloud technology across the enterprise is complex, especially for large organizations. Regardless of where in the continuum your organization currently is, we offer three principles to take that can help advance building the case for cloud.

Lead with strategy and partner with the business

For business transformation to happen, the business needs to be at the table. For example, a technology-led program will typically focus on building repeatable deployment patterns, securing the foundation, rationalizing, and optimizing its infrastructure footprint, and perhaps addressing currency risk or cost reduction of its IT operations. The business may prioritize accelerating time to market, addressing new functional requirements, or building a pipeline of AI use cases and innovation.

We believe a successful modernization program will leverage business capability needs, growth priorities, and focus on the organization's strategic goals, like improving customer experience, to inform and steer the priority and sequence of technology investments. The balance of business and technology is critical in defining the program mandate, executive sponsorship, program governance, and how performance indicators and outcomes for success are defined and measured.

Relentless focus on value

What gets measured gets done. Most organizations are adopting a FinOps approach to managing costs while maximizing return on cloud investments. This is a critical starting point. But organizations measuring return strictly in terms of cost reduction are likely to be disappointed. Similarly, tracking the percentage of workloads moved to cloud is an

appropriate success measure for a 'lift and shift' migration, but fails to illustrate the organization's progress towards advancing modern engineering capabilities or improved business outcomes enabled by AI.

As the ambition for the organization's cloud program broadens, its definition of value must also expand. This requires identifying measurable key performance indicators and outcomes (KPIs/KPOs) based on the business outcomes the program aspires to deliver, aligning them to the overall governance model and ensuring clear executive accountability.

Delivery excellence and capability build

Having the right cloud strategy is important, but execution is king. Achieving cloud maturity is a multi-year journey, and losing momentum or not delivering on early commitments, can chip away at organizational support and investment. This may be the most significant threat to the long-term health of a cloud investment program, especially for large, complex organizations.

Organizations who have signed a consumption commitment with a cloud provider will be incented to move quickly to hit early targets. But many underestimate the level of investment and change management required to build modern capability, upskill talent, and help reshape the operating model. Now more than ever, there is a race to capitalize on generative AI tools to accelerate and lower the cost of delivery. This approach requires upfront investment in training, embracing new ways of working, and strengthening governance and delivery models. It may mean going slow now to go fast later.

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CONCLUSION

Taking a collaborative path forward

Aligning technology and business

As cloud adoption continues to mature, organizations must align technology and business stakeholders to ensure they maximize their return on investment. By bridging existing gaps, organizations can overcome internal barriers, accelerate their journey through quicker wins aligned to business goals, and unlock and realize the return on their investment.

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