WHY CLOUD STRATEGY MATTERS

The Cloud Strategy Imperative and What You Should Do About It

August 2017
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INTRODUCTION

The increased interest in Cloud strategy is being driven from multiple perspectives. The following descriptions of various Cloud strategy approaches may apply to your organization:

1. An organization believes that good Cloud computing planning will help ensure a better Cloud computing implementation (and results)

2. An organization has already begun Cloud adoption, but feels that greater success will be realized if it goes back and completes the appropriate Cloud planning steps

3. An organization has struggled with its initial Cloud adoption, and is developing a new Cloud strategy to reset the initiative with plans to overcome the prior setbacks

4. An organization has achieved Cloud success via a Cloud strategy, and must refresh or renew the Cloud strategy to continue to expand and build on its initial success

5. An organization is facing an urgent requirement where the consequences of getting Cloud computing wrong are too great. The Cloud strategy is critical

There is high demand for Cloud strategy expertise, and it is not surprising given the market adoption of Cloud computing. Cloud computing is entering the early mainstream phase of adoption, which means that it is gaining market share and is widely accepted as a legitimate technology model to pursue by most organizations. However, the dynamics of the Cloud computing marketplace reflect multiple patterns of Cloud adoption.

These Cloud strategy archetypes reflect how an organization adopts technology in general, how aggressive or conservative it is with the adoption of new technologies, and how mature its strategic planning and execution capabilities are. The archetypes will be explored in detail, with a goal to explain why a Cloud strategy is essential for ensuring Cloud computing success. But first, we must explore the importance of
strategy in general, and then the importance of Cloud strategy.

Why Strategy Matters

A business strategy is a formally documented plan (we can debate what is formal or not later) that describes how a given organization will achieve its goals via the allocation of resources aligned with goals, objectives, strategies and tactics. A strategy defines what the organization will do, as well as what it will not do, in achieving its goals.

A business strategy establishes a vision and operational compass for the enterprise. It guides decision making, investment decisions, capability development, organizational design, and fostering or development of corporate culture. It is quite interesting, however, how immature the strategy development processes are in many Fortune 1000 enterprises and public sector organizations. There are many common reasons why strategic planning is performed so poorly, despite its acknowledged value to organizational performance and sustainment.

Rich Horwath, the author of multiple business strategy books, performed an analysis of 25 organizations and over 500 managers. Horwath identifies the following top three obstacles to strategic planning from this analysis:

**Time:** In Horwath’s analysis, 96% of organizations cite the lack of time for strategic thinking and planning, owing to the lack of resources and more responsibility loaded onto individuals and leaders. Strategy is not viewed as necessary as checking the boxes on the daily to-do list.

**Commitment:** A strategy requires support and buy-in from the entire organization, and even more from the majority of the team that did not participate in the development of the strategy, but who are involved in its eventual success (or failure). A Harvard Business School study found that 95% of employees in large organizations don’t understand, or are unaware, of their organization’s strategy. Another analysis found that only 20% of team members understand how their job function relates to the business strategy. This is a sad state of affairs, and reflects the mythical exclusivity of strategy development to the corporate strategy elites.

**Priorities:** A strategy helps an organization prioritize what will and will not be done. A strategy must define with equal rigor the choices, trade-offs, and rationale for pursuing a given course of action over another. According to Horwath, 60% of organizations pointed to a lack of priorities at the executive level of their enterprise. As Horwath says, “A lack of priorities is a red flag that the difficult work of making trade-offs was not accomplished in setting the strategy. Good strategy requires trade-offs, which in turn helps establish priorities by filtering out activities that don’t contribute to the achievement of goals.”

A recent McKinsey Quarterly survey found that of nearly 800 executives, only 45 percent were satisfied with their organization’s strategic-planning process, and only 23 percent indicated that major strategic decisions were made because of their internal strategic planning process.¹ This is not a terrific endorsement of strategic planning. However, we firmly believe that a business strategy is a critical tool to enable the desired business performance as defined in the strategic plan. We must now define more clearly what a business strategy is, how is generated.

Business Strategy Defined

Business strategy is the “intelligent allocation of limited resources through a unique system of activities to outperform the competition in serving customers.” Business strategy requires a combination of strategic thinking combined with the discipline of strategic planning. Strategic thinking is an under-appreciated discipline, and most leaders are not encouraged to be strategic thinkers. Strategic thinking is not tangible. However, it is the basis for strategic planning.

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Strategic thinking is the generation and application of business insights on a continual basis to achieve competitive advantage. Insight generation is the creative side of strategy development, where brainstorming and ideation converge to lead to new “ah-hahs” and strategic concepts. Strategic thinking is, or should be, part of every leader’s daily agenda or weekly cycle of activities. However, as we know, the work weeks of today leave little time for strategic thinking. How many executives have an Outlook entry for “strategic thinking?”

Strategic thinking is part of the process of strategic planning, which is the structured annual process of defining, refining, updating and improving a given business strategy. Strategic planning is the process of harnessing and converting business insights into an action plan to achieve goals and objectives. For most organizations, the strategic planning process begins in Summer, and is completed in the Fall of a given calendar or fiscal year. The strategic planning process must begin with a decision to devise a new business strategy or update an existing business strategy that is being pursued. A business strategy will have a corresponding IT strategy, and the IT strategy may require a sub-strategy focused on a particular dimension, goal or objective identified in the IT strategy. Cloud computing is assumed to be one of these requirements.

**Why Cloud Strategy Matters**

Cloud strategy is a subset of the Information Technology (IT) strategy, which is part of and supports the business strategy. Cloud strategy is a formal definition of how resources will be allocated to a Cloud computing initiative, such that Cloud computing can be deployed to deliver differentiated value to an organization’s customers, in this case mostly internal business customers.

Cloud Strategy matters because of the dynamic nature of the Cloud computing industry. Overall, Cloud computing is in the early mainstream phase of adoption. This means there are many new entrants into Cloud computing, and many of these new adopters seek a formal definition of Cloud strategy before committing its resources to it. However, the early mainstream phase of Cloud adoption also means that there are many early adopter organizations that are now rethinking their approach, or were early adopters and failed in their initial approach. The illustration below shows where Cloud computing falls on Geoffrey Moore’s version the Technology Adoption Lifecycle (TALC) model.²

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² Geoffrey Moore, *Crossing the Chasm*, 1991
As an organization considers adoption of Cloud computing, there are a set of adoption phases that are typical. We use the following model to characterize the major stages of Cloud computing adoption.³

Cloud Pilot or Proof of Concept (POC)

The beginning investigation into Cloud computing often begins with a pilot project or proof of concept (POC) to prove the technology on a narrow-scoped use case.

Cloud Strategy and Roadmap

Once a POC or pilot is completed, these learnings are incorporated into a formal Cloud computing strategy development process.

Cloud Modeling and Architecture

Often done in parallel with or in support of the Cloud strategy, Cloud modeling and architecture is the process of developing a Cloud reference model and reference architecture, and then modeling the in-scope use cases against the Cloud reference model and reference architecture to inform vendor and technology selection.

Cloud Implementation Planning

Typically defined in the Cloud strategy, but performed afterward, the Cloud implementation planning comprises both the implementation and/or deployment planning for Cloud, as well as the workforce development and training required to be successful with Cloud computing.

Cloud Implementation/Deployment

In this phase, the organization goes “live” with its Cloud computing deployment as defined in the Cloud strategy. This could mean implementing private Cloud technology platforms, moving workloads to a public Cloud provider, or implementing a hybrid Cloud or multi-Cloud environment. It also means implementing Cloud management, monitoring and governance capabilities.

Cloud Expansion

In this stage, Cloud consumption is expanded, and more Cloud services are offered/consumed within the enterprise. More business units are leveraging Cloud computing, and more applications are built natively to exploit Cloud computing.

Cloud Integration and Interoperability

Cloud integration and interoperability should be considered early, but often are dealt with later when there are multiple Clouds in an organization, and the integration and interoperability must be addressed. In an ideal world, these possibilities are avoided, but in large organizations, often there are Cloud integration challenges to be addressed.

Cloud Collaboration

Once Cloud is optimized and working smoothly, business units and delivery organizations can effectively collaborate on business and IT solutions via the Cloud. This is a future state that is only working in a few organizations today.

Cloud Maturity

Cloud maturity means the Cloud strategy is realized, and that Cloud computing is now just part of the technical and operational culture of the organization. It is a standard way of working in this enterprise.

This again is an idealized sequence of steps that many organizations typically follow in their adoption of Cloud computing. Not all the exact steps are followed, in the same sequence. This Cloud Adoption Lifecycle is a means by which to suggest a reasonable and logical approach for a successful implementation of Cloud computing. However, as we know, many organizations have not followed an ideal path to Cloud computing at all, and thus they fall into one of the five Cloud Strategy Archetypes discussed below.
For the purposes of this paper, we have identified four Cloud strategy “archetypes,” or patterns that are driving the demand for a formal Cloud computing Strategy. The following are the Cloud Strategy Archetypes:

• Strategy First
• Strategy Backfill
• Strategy Reset
• Cloud Strategy Refresh/Renewal
• Strategic Urgency (business driven)

Each of these represents a given Cloud adoption pattern that is driving the recognition that investing in a formal Cloud computing strategy is not only important, but necessary. The Cloud computing strategy will help ensure the identification of formally defined goals and objectives, and also ensure executive stakeholder buy-in and appropriate resource allocation and funding for the Cloud computing strategy.

ARCHETYPE 1: STRATEGY FIRST

The first Cloud strategy archetype is called the Strategy First pattern. In this scenario, an organization is interested in Cloud computing, and believes that in order to do it properly, a formally-defined Cloud strategy is necessary. These organizations prefer to develop a Cloud strategy to guide all of their subsequent decisions and efforts, with a view that a Cloud strategy will help them “do Cloud the right way.”

Key Attributes

• Conservative technology adopter
• Believe in coordinated planning for enterprise initiatives
• Preference for “proven” methodologies and frameworks
• Believe in a formal planning process
• Demonstrate a culture of strategic planning and execution on both Business and IT

Possible Weaknesses

• Potential for delaying action while strategy is developed, reviewed and finalized
• May delay tactical advantage while pursuing strategic elegance or perfection
• Achieving broad consensus and stakeholder agreement across the enterprise may delay competitive advantage at a business unit or product level

Guidance

1. Do not get bogged down on a “perfect” Cloud computing strategy. Make sure it is complete and robust, but do not allow the Cloud strategy process to impact the timing for key business decisions or business goals.

2. Capture Lessons Learned from Cloud Pilots or POCs. While “Strategy First” implies a solid planning foundation, we nonetheless urge the pursuit of pilot projects and proof of concepts (POC) to inform the Cloud computing strategy. These help
bring real world experiences into the strategy development process.

Perform a Cloud business discovery assessment and/or a Cloud readiness assessment as a key input into the Cloud strategy. A Cloud assessment will provide the foundation for the Cloud strategy development process.

ARCHETYPE 2: CLOUD STRATEGY BACKFILL

The second Cloud strategy archetype focuses on the enterprise that is already using Cloud computing with some measure of success, but seeks to broaden its adoption to an enterprise level. In this case, the organization has already performed Cloud pilots or proof of concepts (POC), and has deployed production Cloud computing capabilities using public Cloud providers, such as Amazon EC2, Microsoft Azure or others. The Cloud strategy in this case will help build on their initial successes (or failures), and deploy an Enterprise Cloud computing framework.

In the Cloud strategy backfill pattern, the organization is going back to “fill in” the missing planning and governance requirements. In many cases, these organizations are also backfilling their Cloud computing reference models and reference architecture artifacts as well, which are critical assets for guiding technology and vendor trade-offs.

Key Attributes

- Aggressive technology adopter
- Believe in action and technology learning, as opposed to coordinated planning for enterprise initiatives
- Preference for action and results over politics and stakeholder buy-in
- Believe in technology experimentation, pilots and proof of concepts (POC) over formal planning and strategy development
- Demonstrates a culture of technology leadership

Possible Weaknesses

- The tactical pursuit of technical knowledge and technology outcomes may inhibit, delay or imperil strategic business objectives
- Technology deployments may have to be replaced with the strategic platforms or solutions defined via the formal strategy, causing rework and extra cost
- Implementing technology without a formally defined Cloud strategy may result in making incorrect strategic choices, that may have to be reversed

Guidance

1. Close Cloud strategy gaps with a Strategy-Lite approach. In this model, given that the goal is formally documenting the Cloud strategy, the emphasis needs to be on a “good enough” Cloud strategy, complete and robust, but also improved iteratively.
2. Incorporate POC and Implementation knowledge into the Cloud strategy. Make sure that the benefits of current implementations are captured in the Cloud strategy, and help bring it to life.
3. Emphasize Strategy Formalization, Not Clean Sheet Strategy Development. Make sure it is complete and robust, but do not allow the Cloud strategy process to impact the timing for key business decisions or business goals.

ARCHETYPE 3: CLOUD STRATEGY RESET

The third Cloud strategy archetype is where an organization has begun Cloud computing adoption, but has either fallen short of objectives, or has experienced a failure of some form. In these cases, a formal Cloud strategy becomes important to reset the Cloud computing initiative and ensure that appropriate goals and objectives shared, vetted and agreed to by key stakeholders prior to re-starting the Cloud effort.

The Cloud strategy reset pattern seeks to renew the Cloud computing efforts under the aegis of a formally-defined Cloud strategy that will enable a restart and a renewal of the Cloud initiative, while ensuring the identification of formally defined goals and objectives, and ensuring executive stakeholder buy-in and appropriate programmatic funding for the Cloud computing strategy.
A Cloud strategy reset must have executive buy-in because of the recognition that the initial investment did not produce the desired business, financial or operational outcomes.

**Key Attributes**

- Aggressive technology adopter, but have produced mixed results
- Believe in action over planning, and are often rewarded for short-term wins that may not offer sustained value
- Preference for action and results over politics and stakeholder buy-in
- Believe in technology experimentation, pilots and proof of concepts (POC) over formal planning and strategy development
- Are willing to re-invest if leadership believes that the investments will ultimately produce value
- Encourage innovation and productive mistakes, with the belief that they will ultimately result in better outcomes

**Possible Weaknesses**

- Initial mistakes may cause credibility damage that the Cloud strategy reset cannot overcome
- Initial Cloud deployments may require too much rework or effort to undo
- Initial deployments may get business buy-in that “trumps” the new Cloud strategy recommendations, thus resulting in redundant capabilities
- Cloud reset pattern is the only “next chance” the organization will get; it must be right

**Guidance**

1. **Cloud Strategy Resets require more Stakeholder Buy-In, Not Less.** Given that you are pursuing a Cloud strategy reset approach, you may require more executive buy-in than normal simply because there were mistakes made in the initial approach.

2. **Incorporate Lessons Learned into the Cloud strategy.** Make sure that the benefits of current implementations are captured in the Cloud strategy, and help bring it to life. More importantly, during a Cloud strategy reset, you should also capture and build on the mistakes and lessons learned.

3. **Do not get bogged down on a “perfect” Cloud computing strategy.** Make sure it is complete and robust, but do not allow the Cloud strategy process to impact the timing for key business decisions or business goals.

**ARCHETYPE 4: CLOUD STRATEGY REFRESH OR RENEWAL**

The fourth Cloud strategy archetype is where an organization has begun Cloud computing adoption, and has achieved initial success, but feels the Cloud strategy must be refreshed or renewed. In these cases, the Cloud strategy is updated and refreshed to establish new goals and objectives based on the initial successes.

In the Cloud Strategy Refresh archetype, there is recognition of the value of Cloud computing to the organization, as well as recognition that the Cloud team has executed according to the first iteration of the Cloud strategy. This “success equity” will help with the Cloud Strategy refresh because the leadership already has seen value and results. Therefore, updating, extending or refreshing the current Cloud strategy is somewhat easier than an initial Cloud strategy development effort.

The Cloud strategy renewal/refresh still requires executive buy-in to ensure support for resources and funding of the new Cloud strategy. However, because the Cloud strategy refresh is building on success, senior leadership approval is anticipated, assuming the Cloud Strategy refresh can delivery additional incremental value to the organization.

**Key Attributes**

- Believe that strategic planning and strategy development lead to better results
- Building on the success of the initial Cloud strategy, so the strategy refresh will be easier to sell to leadership
- Are successful technology adopters in general owing to solid planning and execution; Cloud computing is just the latest example for this organization

**Possible Weaknesses**

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• Care must be taken to ensure hubris does not lead to a substandard Cloud strategy refresh
• Must ensure that “Cloud fatigue” does not hinder the Cloud strategy refresh or its execution

Guidance

1. **Cloud Strategy Refresh still requires Stakeholder Buy-In, But It Is Easier to Achieve.** Since you are building on success, executive stakeholder buy-in is necessary, yet will be easier to obtain.

2. **Incorporate Results and Lessons Learned into the Cloud strategy.** Make sure that the benefits of current implementations are captured in the Cloud strategy, and help bring it to life. More importantly, during a Cloud strategy reset, you should also capture and build on the mistakes and lessons learned.

3. **Consider the Cloud Strategy Refresh as a Strategy-Lite Iteration.** Make sure the Cloud Strategy refresh is complete and robust, yet make it as lightweight as possible through a strategy iteration approach.

**ARCHETYPE 5: STRATEGIC URGENCY**

The last Cloud strategy archetype is what we are calling a Strategic Urgency, where no matter what, the Cloud strategy must be right or there will be dire business consequences with negative business impacts associated with them. For such business compelling events, the urgency for a Cloud strategy is such that there is executive sponsorship, allocated resources, and stakeholder oversight to ensure the resulting Cloud strategy will lead to the desired outcomes.

The Strategic Urgency archetype forces resource commitment to Cloud computing, and drives alignment to a shared goal of a successful Cloud computing strategy and its identified objectives, goals, strategies and tactics.

**Key Attributes**

• Galvanized executive support helps ensure successful strategy development and ultimate implementation
• Strategic urgency ensures rapid process for Cloud strategy and aligned support for it
• While risks are high if the Cloud strategy is not performed, or developed properly, the level of commitment will help ensure a positive outcome
• Resources (funding, personnel, external support) will not be skimped; this is a compelling strategic imperative that must be done

**Possible Weaknesses**

• Given the strategic importance of the Cloud strategy, there may be interest in getting second and third opinions; be careful that these inputs, if desired, are early enough to fit into, not derail the Cloud strategy effort
• Being credible with this effort is key; credibility with the Business stakeholders is precious, and must be squandered on a poor effort

**Guidance**

1. **Make sure the Cloud strategy is explicitly aligned to the critical Business issues.** Make sure it is complete and robust, but do not allow the Cloud strategy process to impact the timing for key business decisions or business goals.

2. **Ensure the Cloud strategy is vetted, reviewed and resource-enabled.** Given the strategic imperative behind this Cloud strategy archetype, it must be successful. Therefore, ensure the Cloud strategy will be supported with funding and personnel to achieve its goals.

What these scenarios share is a realization that proper planning for Cloud adoption will ultimately lead to a better outcome and realization of target goals and objectives.
DISCUSSION

These Cloud Strategy Archetypes provide a useful lens through which you can evaluate where your organization is with Cloud computing adoption, and determine what Cloud strategy pattern fits your enterprise. While the Cloud Adoption Lifecycle is a useful model for understanding the idealized steps of Cloud computing adoption, it is nonetheless an abstraction. However, Cloud strategy development is not an abstraction—it is a necessity.

A formally defined Cloud computing strategy, based on the combination of strategic thinking and strategic planning best practices, will help ensure the successful adoption of Cloud computing for your organization. The execution of the Cloud strategy will be more likely to lead to the desired results. The Cloud strategy archetypes will provide insights into what may be driving the Cloud strategy needs, and how to make the Cloud strategy development process more likely to succeed.

CLOUD STRATEGY NEXT STEPS

The Cloud Strategy Archetypes are useful abstractions to help an organization determine where it is in the Cloud Adoption Lifecycle, and how best to develop its Cloud computing strategy.

Determine your Cloud computing current situation. Are you starting a new Cloud computing initiative? Are you enhancing or refining your current approach? Where are you on the Cloud Adoption Lifecycle model?

Understand what kind of Cloud Strategy Archetype applies to your organization? Based on the Cloud strategy archetype profiles, review the criteria and guidance that applies for each, and ensure you pursue an appropriate approach to Cloud computing strategy.

What can you do to ensure a successful Cloud strategy process? The Cloud Strategy Archetypes provide key attributes, possible weaknesses, and guidance that will help with developing an appropriate Cloud strategy.

Review the Cloud strategy Archetype weaknesses, and avoid them. The Cloud Strategy Archetypes each have key attributes and potential weaknesses associated with them. You should evaluate to what extent the archetype weaknesses apply, and ensure you do not fall victim to them.

How will you measure the effectiveness of the Cloud strategy as demonstrated by proven results? Be sure that concrete deliverables and measurable outcomes are defined in the Cloud computing strategy such that its success can be determined.

Cloud strategy matters. Developing a Cloud computing strategy is an essential ingredient for ensuring a successful Cloud computing deployment, regardless of what type of Cloud services and deployment model your organization is pursuing. A Cloud computing strategy, supported by a Cloud computing Reference Model and Reference Architecture, are invaluable resources for guiding you along your Cloud adoption journey.
ABOUT CLOUD SPECTATOR

Cloud Spectator is a cloud benchmarking and consulting agency focused on cloud Infrastructure-as-a-Service (IaaS). The company actively monitors several of the largest IaaS providers in the world, comparing VM performance (i.e., CPU, RAM, disk, internal network, and workloads) and pricing to achieve transparency in the cloud market.

The company helps cloud providers understand their market position and helps business’s make intelligent decisions related to cloud strategy, cloud readiness, cost reduction and vendor analysis. The firm was founded in early 2011 and is in Boston, MA. For questions about this white paper, to request a custom project, or if you have general inquiries about our products and services, please contact Cloud Spectator:

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