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A REPORT BY HARVARD BUSINESS REVIEW ANALYTIC SERVICES

Business Agility in the Cloud

New research shows a connection between the use of cloud computing and increased business agility and competitive advantage.

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Ready for Business

It's easy to look at all the coverage of cloud computing and dismiss it as vendor marketing hype. It's true that there's a lot of noise and hyperbole. But this research shows that cloud has graduated from hype to reality and is now a mainstream IT delivery mechanism for the enterprise.

This research shows that cloud is not just taking a seat at the table; it's already delivering significant benefit and becoming the norm. Seventy-four percent of respondents said that cloud computing has provided their organization with competitive advantage. And we've seen how it's enabling clients to simplify their operations, become more agile, and improve collaboration and customer service. Many of our clients already ask at the outset of any new project whether it could be run in the cloud—the U.S. government initiated its "Cloud First" initiative three years ago.

In those early days of cloud computing, the same concerns came up time and again: security, compliance, and loss of control. But years of hard work by governments, standards bodies, vendors, and enterprises themselves have improved transparency, data portability, integration, manageability, and performance. Today, cloud technologies from vendors like Verizon are robust and ready for wide-scale enterprise use. In fact, 24 percent of respondents to this survey said that they believe that cloud computing actually improves security.

Another thing that's changed over the last few years is why companies are adopting cloud. As some respondents pointed out, cloud isn't just about cutting costs—32 percent said that business agility was their main driver for adoption, just 14 percent said the same of saving money. One of the most exciting things about cloud is how it's enabling and accelerating business transformation and revolutionizing entire industries—it's now easy to work from home, control your heating remotely, and stream the latest movies to your TV, all via the cloud.

But not all clouds are created equal, and many are not enterprise class. Just as when deploying on-premises IT, conventional hosting, or outsourcing projects, real care must be taken to address issues such as business continuity, security, and system integration.

If you want the rewards of cloud, there's no shortcut: you need the right partner and you need the right plan.

Business Agility in the Cloud

COMPANIES THAT ARE moving most aggressively to adopt cloud computing are being rewarded with competitive advantage through increased business agility, according to a recent survey of 527 *Harvard Business Review* readers in large and midsize organizations around the world.

Cloud computing has clearly become an accepted part of the enterprise computing environment, with 70 percent of respondents having adopted some form of cloud. When asked to describe their company's attitude toward cloud computing, 35 percent said that they believe strongly in the benefits and are moving aggressively wherever it makes commercial sense. We term these companies cloud enthusiasts. An almost equal percentage are cloud moderates, saying they believe in the value of cloud in some circumstances—for example, they've moved a few of their software applications completely into the cloud and are making some use of other types of cloud services. Twenty-two percent say they are cautious about adopting cloud computing but are looking into it. Only 9 percent are not currently doing anything cloud-related. [figure 1](#)

A remarkable 74 percent of respondents say that cloud computing has provided their organization with competitive advantage, with 30 percent seeing significant advantage, 33 percent seeing some advantage, and 11 percent seeing a little advantage. [figure 2](#) Cloud enthusiasts are much more likely to say they have seen significant advantage, at 56 percent, compared with only 19 percent of cloud moderates and 5 percent of the cautious.

It appears that cloud is indeed delivering on its promise. When asked *how* cloud has provided competitive advantage, enthusiasts led with business agility, saying that cloud has enabled them to be more responsive to changes in the market, helps them get to market faster with new products and services, and shortens the time for new business launches.

A number of cloud enthusiasts said that the ability to access data and cloud resources anytime/anywhere has provided their organization with competitive advantage by helping to facilitate collaboration and communication among team members around the world as well as with trading partners.

HIGHLIGHTS

70%

have adopted cloud computing.

71%

expect cloud to reduce complexity in their business.

74%

say cloud has provided competitive advantage.

Figure 1

Cloud Adoption Profiles

Which one of the following best describes your company's attitude toward adopting cloud?

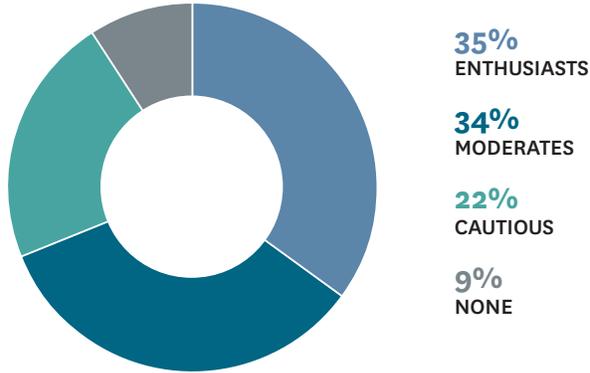
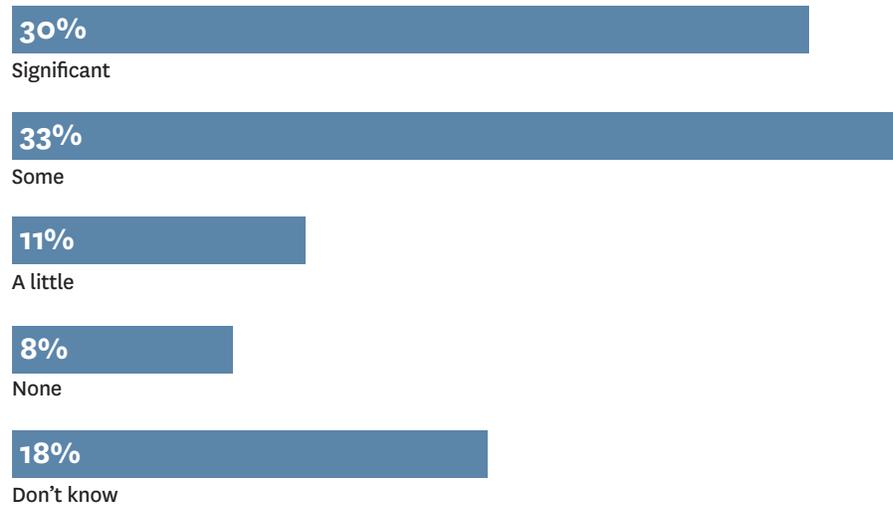


Figure 2

Competitive Advantage

Has cloud provided your organization with competitive advantage? [SELECT ONLY ONE RESPONSE]



Others cite multiple contributors to competitive advantage, with one respondent saying cloud helps them “minimize cost while ensuring better customer service in a shorter period of time.”

Business Agility from Reduced Complexity

Business agility leads the list of drivers for adopting cloud computing, with nearly a third of respondents (32 percent) saying it was their primary reason for pursuing cloud. This was followed by increased innovation (14 percent), lower costs (14 percent), and the ability to scale up and down in response to variations in business demand (13 percent).

Cloud enthusiasts are much more likely than others to name business agility as their primary driver (41 percent compared with 32 percent of moderates and 18 percent of the cautious). That agility seems to be leading to some very tangible outcomes; for example, cloud enthusiasts are more likely to have entered a new market in the past three years (49 percent compared with 35 percent of moderates and 36 percent of cautious) or to have been part of a merger or acquisition (49 percent versus 29 percent and 31 percent).

Agility is enabled by a reduction in business complexity, and respondents overwhelmingly believe that cloud will help on this front. Almost three-quarters say cloud will reduce business complexity (24 percent significantly and 47 percent somewhat). A similar percentage believe it will reduce complexity in their company’s IT operations (66 percent) and reduce costs (69 percent). More than half also believe it will increase employee productivity (61 percent) and responsiveness to customers (53 percent).

Companies are already seeing benefits around speed, simplification, and connecting people and data—all things that enable agility. Topping the list of realized benefits are the simplification of internal operations, named by 37 percent of respondents; better delivery of internal resources (33 percent); and new ways for employees to work, connect, and collaborate (31 percent). These were followed by faster rollout of new business initiatives to exploit new opportunities (i.e., agility, at 23 percent) and improved ability to acquire, share, analyze, and act on data (including “big data,” also at 23 percent). [figure 3](#)

One clear sign that cloud is becoming a trustworthy part of enterprise computing is evident in respondents’ answers around security. Close to two-thirds (65 percent) say that cloud either increases security (24 percent somewhat and 11.5 percent significantly) or that its impact on security is neutral (29.5 percent).

More Sophisticated Users Manage a Hybrid Environment

Among respondents who are using cloud, 41 percent primarily use private clouds—i.e., their cloud environment is not shared with other organizations, even if it is provided by a third party. Thirty-five percent describe their use as hybrid, saying they operate in both public and private clouds. Only 13 percent said their use of cloud was primarily public—i.e., that they access computing resources provided by a third party, shared with other organizations, provisioned dynamically, and billed based on use.

Companies taking a cautious approach are much more likely to stick to private clouds, at 49 percent, compared with 39 percent of cloud enthusiasts and 40 percent of moderates. Only 19 percent of the cautious have hybrid environments, compared with 40 percent for both cloud enthusiasts and cloud moderates. And 28 percent of the cautious simply don’t know what their company is doing when it comes to cloud.

Not surprisingly, cloud enthusiasts have a more open attitude to new technologies in general. When asked to describe their company’s attitude toward adopting new technology, 32 percent of those who answered are pioneers, saying they believe strongly in the benefits of new technology and seek to get first-mover advantage; 16 percent are fast followers—they watch the leaders and move quickly once the benefits of new technologies become evident; 36 percent are late followers, investing in new technology once

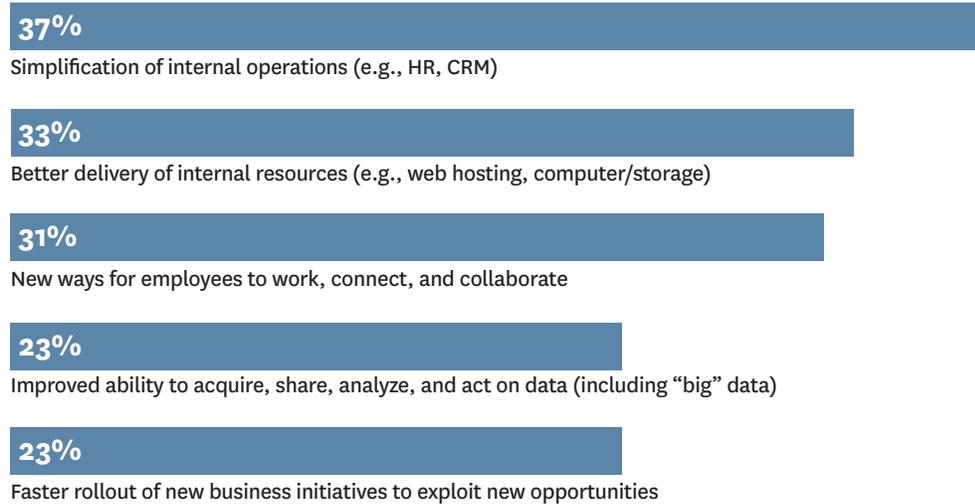
32%

said that business agility was their main driver for adopting cloud; cost came third.

Figure 3

Business Value from Cloud

Where are you seeing the greatest business value from your company's use of cloud? [SELECT UP TO THREE]



they understand the costs, risks, benefits, and expected results; and 16 percent are laggards—they are cautious about new technologies and generally wait until they have become well established before adopting them. Cloud enthusiasts are significantly more likely to be pioneers, at 63 percent.

More than half of respondents had bought and/or used cloud-based software services themselves, with 59 percent saying they had used cloud at home, and 51 percent having bought and/or used software as a service application in their current job. Fewer had experience with cloud-based infrastructure services, with just 34 percent saying they have used them at home and 32 percent saying they have used them in their current job.

41%

of respondents primarily use private clouds.

While cloud computing can help companies operate more efficiently, the real benefit comes not from lowering costs but from being able to capitalize on new opportunities more quickly than competitors. Companies that lead in the use of cloud are gaining competitive advantage by simplifying their operations, rolling out new business initiatives more quickly, and better connecting employees and information.

RESPONDENT PROFILE

Forty-four percent of respondents to the survey were from organizations with over 10,000 employees, with another 34 percent from organizations with between 1,000 and 10,000 employees. Forty percent work in global organizations, 25 percent multinational; and 18 percent national. Respondents' own operating units were primarily in North America (34 percent) and Asia/Pacific (33 percent), with 15 percent from Europe, 9 percent from MEA, and 7 percent from Latin America. They represent a wide range of industries and functional areas.

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