



A comparative look at enterprise cloud strategy

IBM Transformation Index: State of Cloud

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Executive summary

Combining hybrid cloud with other levers of business transformation can generate up to 13 times greater benefits than cloud alone.

- 86% of organizations say they have proven at least the initial benefits of cloud.

One company's satisfactory cloud value may not be another's. Proving the benefits is a spectrum of value.

- For many companies, the journey to cloud summits lacks transparency.

A snapshot of progress in various areas of cloud, as well as in cloud transformation overall, could help C-suite leaders map their cloud journey more effectively.

- Taking a deliberate view of cloud progress makes sense now.

We often see a wide gap between where leaders think their organization sits on its cloud journey, and where it actually sits. The IBM Transformation Index enables a deliberate view, so they can focus on the areas of greatest business impact moving forward.

Not all transformation efforts are created equal.

Cloud is considered “table stakes” by many organizations, but the reality is that C-suite leaders who optimize cloud for business transformation can still create competitive advantage.

Investment in hybrid cloud, when executed end-to-end in combination with other levers of business transformation, can generate up to 13 times greater benefits than cloud alone.¹ And the more that hybrid cloud is tightly coupled with enterprise transformation, the greater the revenue impact of all technology investments to the business.²

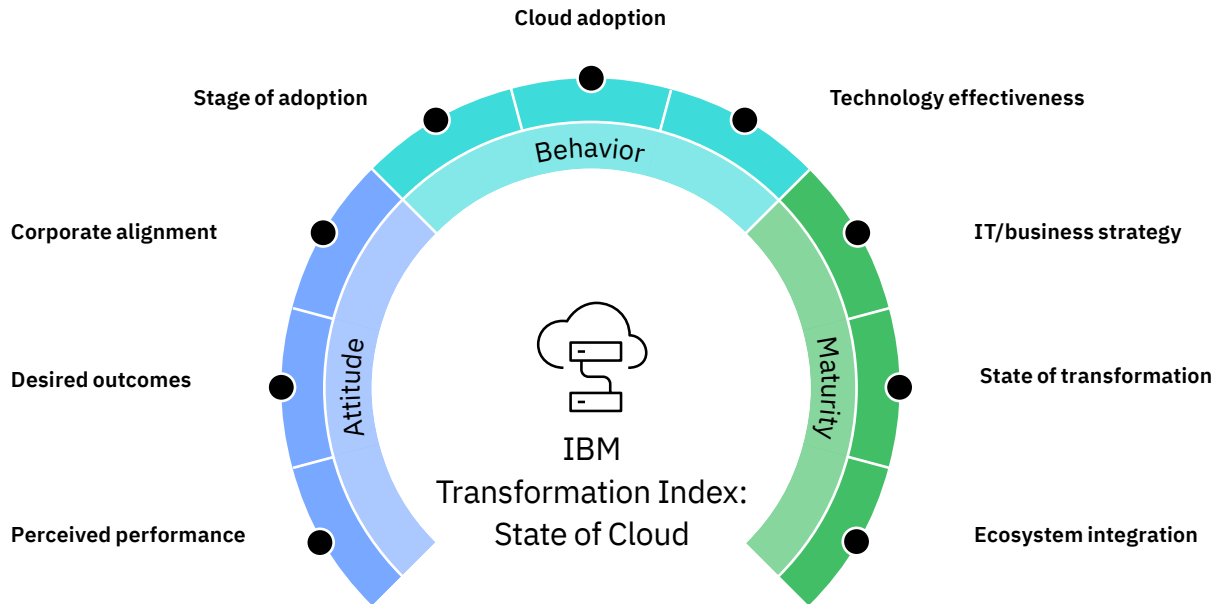
While our research shows that 86% of organizations say they have proven at least the initial benefits of cloud, delving a bit deeper shows that “proving the benefits” is a spectrum of value.³ Some companies are at the high end, while others are at the low. Perhaps it depends on the bar they have set or how familiar they are with their peer set’s cloud results. One organization’s assessment of satisfactory cloud value may not equal another’s.

For many leaders, the journey to cloud summits lacks transparency. But what if they had a topographical map indicating how far their organization is from peak cloud-fueled business transformation? This snapshot of progress in various areas of cloud—as well as in cloud transformation overall—could help them map their journey more effectively.

The IBM Transformation Index: State of Cloud is designed to do just that. (See Figure 1 on page 3.)

FIGURE 1

What is the IBM Transformation Index: State of Cloud



Attitude

What significance does cloud have within the organization? How do people within the organization view cloud, its business potential, and its place within corporate culture?

Corporate alignment

How deeply is cloud embedded in the enterprise? How is the business making structural changes to support cloud transformation?

Desired outcomes

How likely is the company to see itself having the resources to fulfill a cloud strategy that will deliver business value?

Perceived performance

How does an organization perceive its performance and IT effectiveness? Can cloud help streamline staffing needs?

Behavior

How are teams using cloud and to what extent? Is it baked into the business or treated as a bolt-on?

Stage of adoption

How deeply are people embracing cloud for workloads? Are leaders on board and strategically involved?

Cloud adoption

What is the scale of cloud utilization? How many types of services are impacted? Does technology enable business activities and transformation?

Technology effectiveness

How effective is IT? Does it use related modern technology in addition to cloud?

Maturity

How far along the path of digital transformation has cloud adoption brought the organization?

IT/Business strategy

Are leaders supportive? Do organizational changes reflect that support?

State of transformation

How does business performance compare to the competition? How deeply is digital transformation impacting business transformation?

Ecosystem integration

Is cloud providing positive business outcomes? Is it used to lower friction and enable ecosystem integration into the overall cloud strategy?

How to use the IBM Transformation Index to assess the state of cloud in your organization

The index allows organizations to gauge how they fare against industry and local cloud norms over time, by providing them the opportunity to answer questions online in a variety of cloud areas. Based on their answers, they will receive a score from 0 through 100, with 100 being the best score, showing leaders where their organization sits on the cloud transformation path. Scores are based on our research with 3,000 executives in 12 countries and 23 industries (see page 11 for detail on our methodology). Several elements comprise the index, each with its own impact/weight within the overall tool. The elements are linked to organizational

attitudes, behavior, and IT maturity, revealing the areas where teams face the biggest challenges and opportunities.

Collectively, these elements paint a portrait of an organization's progress on the cloud transformation journey. The index is timely because the cloud decisions large companies make now will determine more than just how they fare with cloud as a technology. We believe they will likely impact business competitiveness for years to come. Approaching those decisions with anything less than a complete roadmap inhibits the potential business value.



Perspective

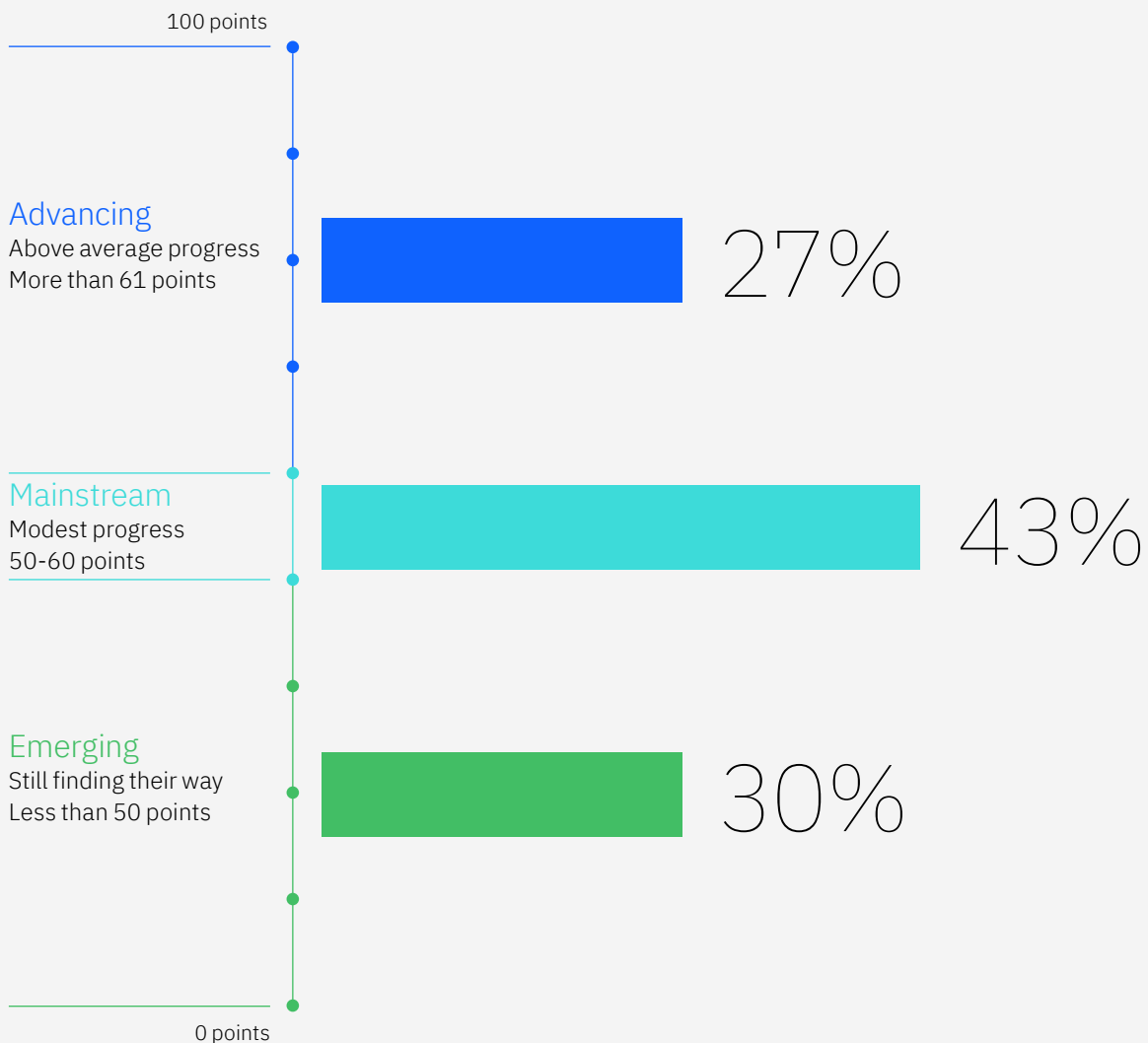
Where do most companies score?

On the 100-point IBM Transformation Index: State of Cloud, the largest number of companies fall into the Mainstream category, indicating 43% have made moderate progress on their cloud journey.

To date, only 27% of organizations globally have made above average progress putting them in the index's Advancing category.

About a third (30%) are still finding their way; these organizations are in the index's Emerging category.

The average score in the first IBM Transformation Index: State of Cloud survey was 55, indicating that many organizations are making only modest progress toward a complete cloud-enabled transformation.



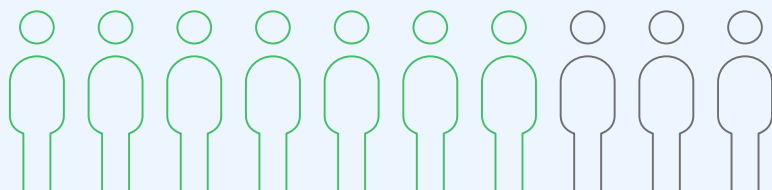
State of Cloud

Below is a snapshot of trends identified by the IBM Transformation Index: State of Cloud research, conducted with more than 3,000 IT and business decision makers in 12 countries and 23 industries. All research participants work for companies with annual revenue over \$500 million and have deep knowledge of their organization's cloud strategy.

Moving forward, there's no more easy button.

Cloud complexity continues to grow. Many IT teams lack the necessary cloud skills to manage this complexity successfully and will need to reskill, hire for new skills, or "borrow" skills via free agents in a gig model.

Almost **7** out of **10** respondents say their organization's IT team lacks the skills to architect or manage cloud applications.



Leaders report multiple challenges.

Organizations face various challenges in fully integrating their workloads across cloud environments.



Security



Management



Regulatory compliance



Issue resolution



Cost considerations



Customer preferences

Hybrid cloud is the model of choice.

A slight majority of companies have now embraced hybrid cloud. We expect this trend to continue as 80% are moving workloads from public clouds back to some form of private infrastructure. Top reasons are to improve performance and latency, security, and compliance.

56%

of respondents have already adopted hybrid cloud while 32% have selected a multicloud approach.

80%

are moving workloads from public cloud back to some form of private infrastructure.

56%

Hybrid cloud

32%

Multicloud

8%

Public cloud

4%

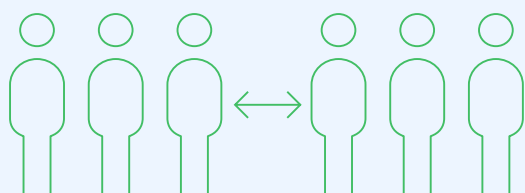
Private cloud



Ecosystems demand a ticket for admission. It's cloud.

52%

of respondents consider integration of business ecosystem partners into cloud as highly important for business success.



Cloud will continue to march forward, despite challenges with holistic integration and skills. Leading ecosystems enable information to flow between innovation partners within different enterprises, enabled by cloud.



Take a deliberate view of your cloud-enabled transformation

To help your enterprise advance its cloud-enabled transformation journey, the first step is to assess where you are. The IBM Transformation Index: State of Cloud is intended to provide your leadership team with a clear view of where your organization actually sits, versus where they may think it sits—we often see a wide gap between the two.

When you have a clear picture of the current state of cloud in your company, that's when you can begin to focus on the areas that show the greatest opportunity for a positive shift.

Action items will differ from company to company, but a few common actions generally apply:

01

Consider deep cloud

Many companies are experiencing diminishing returns from current and conventional technology adoption programs.⁴ Look for classic signs that efforts to convert digital technology into business value are failing: Are you doubling down with more programs? Are teams working nights and weekends? Conventional, cost-optimizing cloud, data, software, and AI adoption delivers incremental improvements because it's designed to do so. Material improvements require a redesigned system. Deep cloud proposes that if you want to make material improvements in how your core business performs, you begin by applying cloud to the most business-critical value streams in your enterprise.

02

Avoid bolt-ons

When developing any new business strategy, bake hybrid cloud in—don't treat it as an afterthought. From a cloud perspective, treat the business ecosystem holistically. Design ventures that integrate partners into the cloud environment.

03

Create more seats at the table

Ensure cross-functional inputs when designing a cloud transformation strategy. Give both business and IT equal seats at the table in technology decision-making. Create a roadmap that reflects learnings from across the organization.

04

Insist on zero trust security

Creating security for a world in which breaches are a given means approaching security from multiple fronts simultaneously. Adopt leading security practices across the organization, not in silos. Apply zero trust security concepts to defend connections among ecosystem partners, allowing them to better capitalize on cloud investments.

When you have a clear, unbiased view into the state of your cloud-enabled transformation, that's when real progress can begin—component by component, with great precision, to avoid wasted effort. The IBM Transformation Index: State of Cloud can show your teams where focused energy is necessary to drive greater business value.

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ibm.com/thought-leadership/institute-business-value/en-us/report/mastering-hybrid-cloud

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Cloud's next leap: How to create transformational business value

IBM Institute for Business Value. February 2022.
ibm.com/thought-leadership/institute-business-value/en-us/report/cloud-transformation

Research and analysis methodology

This anonymous survey was conducted online in 12 countries and across 15 industries by The Harris Poll on behalf of IBM and the IBM Institute for Business Value (IBV) from June 8, 2022 to July 17, 2022. The survey was conducted among 3,014 IT and business decision makers in companies with annual revenue over \$500 million who have deep knowledge of their organization's cloud strategy. The IBM Transformation Index: State of Cloud was developed by combining the data from 25+ question batteries of various formats across nine cloud-related dimensions that were informed by input from industry experts.

Endnotes

- 1 Payraudeau, Jean-Stéphane, Anthony Marshall, and Jacob Dencik, Ph.D. “Unlock the business value of hybrid cloud: How the Virtual Enterprise drives revenue growth and innovation.” IBM Institute for Business Value. July 2021. <https://ibm.co/hybrid-cloud-business-value>
- 2 Ibid
- 3 In cooperation with Harris Insights and Analytics, the IBM Institute for Business Value (IBV) surveyed 3,014 executives in 12 countries and 23 industries from June 8, 2022 to July 17, 2022. All data in this document is from that research unless otherwise indicated.
- 4 Benore, Michael, Philip Dalzell-Payne, Bala Rajaraman, Richard Warrick, and Chris Brown. “The deep cloud alternative: Getting to the heart of business performance.” IBM Institute for Business Value. August 2022. <https://ibm.co/deep-cloud>

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