CLOUD = PROFIT: HOW TO GET YOUR BUSINESS THERE

If you've heard it once, you've heard it a hundred times: the cloud is the key to digital transformation and ongoing business success.

But what does this really mean? Let's be honest: moving your entire business to the cloud isn't cheap or easy. So why do people like us insist that moving to the cloud = profit? Is cloud profitability a realistic outcome? And is cloud migration really worth the effort and investment?
We answer with an emphatic, **"Yes!"**

That said: these are fair questions, and it's time for some real data-driven answers.

In this eBook you'll learn about specific benefits that businesses enjoy once they make the switch and migrate to the cloud — and how realizing these benefits for your organization can help you increase profits.

EXPERTS AGREE: THE CLOUD HOLDS MASSIVE BUSINESS VALUE

The first question we need to answer is what kind of business value the cloud holds. Expert analysts at McKinsey & Company provide an answer — and a warning: they identify over $1 trillion in business value that's hiding in the cloud, transcending mere IT cost optimization and spreading out into numerous facets of business.

Rejuvenate and refresh

$430 billion of this value is in what McKinsey calls "rejuvenating value": reducing risk by increasing resilience, optimizing costs around IT infrastructure, and digitizing core operations that were previously manual processes.

This is the most obvious category of business value that the cloud holds (and also the easiest to understand and benefit from).

Most non-expert professionals tend to limit their thinking about cloud possibilities to these elements. And while these business areas are incredibly important, they comprise just a fraction of the business value the cloud has to offer.

Innovate and ideate

Another $770 billion is tied up in "innovation value", which McKinsey breaks into three categories:

•**Innovation-driven growth** via analytics, automation, and IoT (Internet of Things) applications that simply isn't possible without the cloud
•**Accelerated product development** through increased agility, and easier access to computing power
•**Unprecedented scalability** thanks to instant access to near-limitless computing and storage resources

These capabilities drive significantly more business value, but are moderately more complex to understand, implement, and benefit from.

Early-adopt and pioneer

The third category of cloud value is early adoption of emerging cloud technologies. This category is higher risk, higher reward, involving experimentation and a willingness to commit resources early.

The amount of profit here is still undetermined and will certainly not be distributed evenly, favoring organizations and leaders that are well-versed in the cloud and in a better position to do this pioneering.

Still, leaders whose businesses aren't in a position to be pioneers must remain prepared for new technologies and shifts in cloud usage that come about as a result of those who do.

CLOUD ADOPTION ISN'T JUST ABOUT PROFIT

While migrating to the cloud does generally lead to increased profits, it isn't always a straight line from one to the other. Not to mention, the upfront costs and resources required to move to the cloud can be significant.

It's important to step back for a moment and consider that cloud adoption isn't only about profit. It's about profit that comes about by improving your business operations.

Businesses operating in the cloud enjoy all sorts of advantages, including:

• New or enhanced capabilities
• Better agility and resilience
• A less complex IT environment

And each of these benefits can itself be a profit driver.
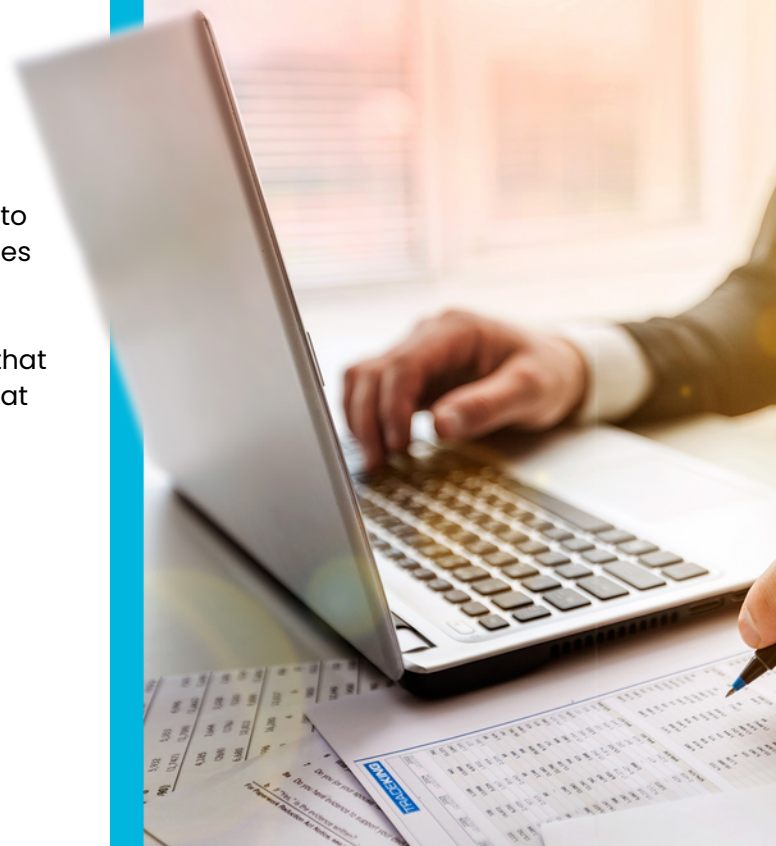
Newer, better capabilities

Moving to the cloud unlocks technological capabilities that just can't (or don't) materialize in on-premises environments. The ability to access business data from anywhere (without complex workarounds) is itself a huge driver of productivity, and that's just the tip of the iceberg cloud.

The cloud allows businesses to leverage data analytics and automation in new, more powerful ways as well, and the near-limitless access to computing power means that nothing is off limits from a processing point of view.

Better agility and resilience

Cloud migration makes organizations more agile and resilient as well. Put bluntly, when there is no server in the basement that flooded (or the server room that caught fire), there is no risk of data loss or disrupted business operations. Cloud-hosted applications are generally distributed, meaning that an outage or hardware failure in one instance does not spell doom for the application or its data.

Because organizations aren't limited to the processing or storage limits of their own equipment, they can make changes with agility and stay resilient in the face of disruption or crisis!

A less complex IT environment

By offloading operational complexity and IT maintenance to the cloud (and cloud service providers), organizations can greatly reduce the complexity of their IT environments. This is especially valuable in small to midsize businesses where the demands of IT frequently outpace an organization's ability to maintain an IT staff with sufficient breadth and depth.

6 CLOUD PROFIT CENTERS AND HOW TO ACCESS THEM

McKinsey identifies six value drivers, or areas where businesses are seeing profit, in the cloud:

1. IT optimization
2. Improved resilience
3. Digitization and automation

4. Innovation-driven growth
5. Business operations cost savings
6. Emerging technologies

1. IT optimization

Businesses spend plenty of capital on maintenance of their IT infrastructure, including keeping aging systems afloat. Most on-premises infrastructure is inefficient in some way, built over time using available hardware, or not built cohesively or optimally.

The cloud, on the other hand, is more or less the opposite.

It's a great way to optimize and normalize IT costs — but the amount of value a business realizes here depends greatly on the quality of its cloud migration. Working with a trusted managed service provider to guide that migration is the strategic move for most businesses.

2. Improved resilience

As discussed earlier, businesses operating in the cloud face much less risk of catastrophic data loss, and they can access that data from any location. Even in a disaster scenario where a business's primary location or headquarters is inaccessible or even destroyed, the business can resume operations from an alternate location because its digital assets were not tied to that physical location. What does this have to do with profit? More than it might seem.

One of the key principles of disaster recovery and business continuity planning is how long a business can survive being offline (or having a key process or system offline). This is usually defined in terms of RPO and RTO. Depending on what you do and who you serve, this timeframe could be days, hours, minutes, or even milliseconds.

Take a minute to think about the ramifications and repercussions if your business went completely dark for a day. What about a week? A month?

With a cloud migration, you'll gain massively improved resilience, helping you get your business back up and running far faster than possible with on-premises (even with high-quality backups)

3. Digitization and automation

With the cloud, numerous business processes can be automated, saving time, increasing accuracy, and growing profit. First those processes must be digitized, along with any paper forms related to those processes.

The cloud makes it easier to do this at scale. It's not unheard of for a single SaaS application to turn an hours-long manual process into something that takes just a minute or five of an employee's time. Scale those kinds of improvements across an entire organization using a full suite of cloud products, and the results can be paradigm-shattering.

4. Innovation-driven growth

Fourth, the cloud enables businesses to grow through innovation: new use cases emerge, and existing use cases become more attractive. Organizations that develop digital products can iterate faster thanks to increased testing capacity as well.

By using a new generation of tech innovations, businesses can find new and better ways to reach and serve customers. And that drives profits.

5. Business operations cost savings

The same principles that drive growth through innovation also tend to create operational cost savings. When a business spends less on operations, it has more profit on hand.

In addition to improving service delivery and speeding up product development, the cloud can also save businesses money through low-cost scalability. With on-prem, a business is limited to the storage and computing power it has on site. Adding more is costly, and it can take months to procure, configure, and deploy new server hardware.

Luckily, cloud service providers enjoy economies of scale, greatly reducing the business's cost of scaling computing and storage. (And not only does this scalability result in reduced costs, it also helps businesses grow faster via innovation.)

6. Emerging technologies

Lastly, a digitally transformed, digitally mature business puts itself in an operational position to experiment with emerging technologies. Because of the cloud's scalability, testing and experimentation is relatively affordable (and doesn't come at the expense of limited computing resources).

Once an organization is cloud-native, it can experiment with new and emerging cloud products and technologies, finding the ones that deliver unique value and set the business apart from the competition.

ENDLESS POSSIBILITY, AND A WARNING

While cloud profitability is absolutely achievable and the other benefits of cloud migration are just as compelling, businesses need to heed this warning:

Many organizations aren't getting these kinds of results from the cloud — **because they aren't doing cloud the right way.**

From that McKinsey study:

"An overly narrow view of cloud-value economics and where value exists often keeps companies from achieving the desired outcomes."

The cloud holds so much promise, but it's vital that your business gets its cloud migration right. This includes partnering with a reputable IT company and going through each of the necessary steps to maximize the potential of cloud services for your business.

When you need a Managed Service Partner that knows how to do cloud migration — the right way — we're here for you.

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(801) 562-8778   sales@itnow.net   www.itnow.net