

A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT



**Harvard  
Business  
Review**

# **THE IMPACT OF CLOUD ON THE IT/BUSINESS PARTNERSHIP**

## **SPONSOR STATEMENT**

### IT Leadership in the Digital Economy: Closing the Gap?

Previous studies have shown notable gaps between IT and business leadership in coming to terms with finding success in the digital economy. By comparison, the results of this study show clear progress toward a collaborative model instead of a confrontational one. Business leaders are now more technology-savvy, and IT leaders are more in tune with business strategy. Both functions are working together to create the agility and flexibility demanded in the digital world. Very positive news indeed.

One of the key findings is that the discussion has moved beyond debating the merits of public versus private clouds—the answer is now ostensibly both, working closely together to create more capabilities and options than either could do alone.

But this new combined model is not without its challenges. Today, most public and private clouds are fundamentally incompatible: they are based on different architectures and intended for different purposes. They behave differently, they are managed differently, and they are supported differently.

Building a limited number of bridges and adaptors between the two worlds may be feasible in the short term, when interactions between public and private are targeted and few. But as usage of cloud expands, what was once a minor inconvenience will quickly evolve into a major roadblock that dramatically inhibits the full usefulness of both.

In an ideal world, private and public clouds would be consistent in most every aspect: architecture, behavior, operations, support, and pricing. Working together, IT and the business would decide the right mix of resources at the right time, and would not be required to adapt and convert between the two if the decision needed to be revisited.

Oracle's strategy to bring about this next phase of cloud evolution is clearly in place—a rich, functional public cloud oriented toward enterprise IT, combined with functional equivalents deployable within the data center. Just as IT and business leaders have learned to collaborate, public and private clouds must learn to do the same.

Chuck Hollis  
Senior Vice President, Converged Infrastructure  
Oracle

# THE IMPACT OF CLOUD ON THE IT/BUSINESS PARTNERSHIP

Once considered a divider, the cloud is emerging as a unifying force that's forging tighter collaboration between business and IT managers.

The IT/business relationship is largely misrepresented as tenuous. Self-service cloud apps—user-implemented cloud programs that make it possible to bypass internal IT departments—have helped perpetuate the myth that IT is a gatekeeper between innovation and productivity. While such “shadow IT” activities exist and make it appear as if IT is being pushed aside, a September 2015 study from Harvard Business Review Analytic Services discovered an opposite trend: Increasing cloud-based implementations are strengthening the relationship between IT and business leaders. In addition, they are opening up opportunities for both parties.

The global survey of 378 business and IT professionals from midsize to large enterprises sought to define the current relationship between IT and line-of-business (LoB) leaders as it relates to the cloud. Contrary to popular belief, the survey found public cloud apps are not making IT departments obsolete. Rather, they are giving way to a new type of IT/business partnership where business leaders become much more involved in the selection, development, and deployment of public cloud applications. Conversely, IT leaders are gaining executive oversight into long-term business strategy and beginning to manage investments that promote growth in both technical and human capital.

The survey reveals that the cloud has redefined the relationship between business and IT and is driving more effective collaboration between business and IT managers. These findings largely support a February 2015 report from Harvard Business Review Analytic Services<sup>1</sup> that revealed that—despite limited resources and dwindling budgets—the majority of business managers strongly prefer working with their internal IT department over outsourced teams or “do it yourself” cloud app implementations.

Taken together, the two reports debunk several myths that have arisen about IT, business management, and the cloud.

Close to 40 percent of respondents say that planned cloud implementations are evaluated by a formal IT/LoB joint decision-making process that ensures proposed projects work within the organization's strategic priorities.

## **MYTH #1** **THE CLOUD IS A DIVISIVE FORCE**

While the cloud is clearly a disruptive force, the evidence indicates it is no longer a divisive one. Over half of those surveyed said that the cloud has increased the amount of IT/business collaboration, while all organizations reported having structures already in place that ensured collaboration between the two groups. The truth is business applications are extremely difficult to implement correctly without the help of IT. [figure 1](#)

New business-to-business cloud apps are typically marketed as being easy to use and easy to implement. But “shadow IT” projects where business leaders bypass IT to implement cloud-based apps independently often cause data fragmentation problems. This is especially apparent when these public cloud apps attempt to integrate data residing within the corporate infrastructure. In fact, nearly a quarter of survey respondents report that they've abandoned a public cloud service deployment due to issues involving data integration.

Fortunately, today's business leaders are far more likely to have the technical acumen and skills necessary to jump on board. “Today, the CMO or LoB leader will see the problem,” says Erich Joachimsthaler of Vivaldi Partners Group. “Digital requires much more LoB involvement to understand changing customer behavior, for example.”

That involvement extends to upper-level involvement as well. More than a quarter of survey respondents note that top-level leadership is paying close attention to how cloud applications are being implemented and by whom. Indeed, close to 40 percent of respondents say that planned cloud implementations are evaluated by a formal IT/LoB joint decision-making process that ensures proposed projects work within the organization's strategic priorities.

Many groups are also implementing structural changes designed to encourage and support more collaboration, including governance policies for cloud applications and joint IT/LoB committees that work on integration and standards issues. [figure 2](#) “I'm seeing coordination committees determine need, look at alternatives and select tech, and coordinate actual deployment,” says Jeffrey Kaplan, managing director of cloud consultancy THINKstrategies, Inc.

These days, the stereotype of the foot-dragging IT autocrat is more the exception than the rule. “I find that IT is serving as internal advisors and facilitators in many cases,” Kaplan continues. “The smart IT organizations are stepping up to make sure that the business unit gets the service they expected, and measuring to make sure that the business units are fully using the services they contract for.”

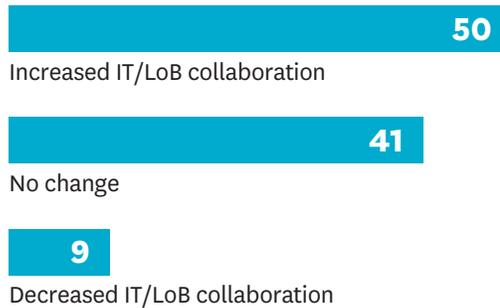
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**FIGURE 1**

**CLOUD STRENGTHENS TIES BETWEEN IT AND BUSINESS MANAGEMENT**

Impact on relationship in respondents' organization between line-of-business (LoB) and IT managers of the adoption of public cloud services

PERCENTAGE INDICATING HOW IT/LOB COLLABORATION HAS CHANGED



**SOURCE** HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2015

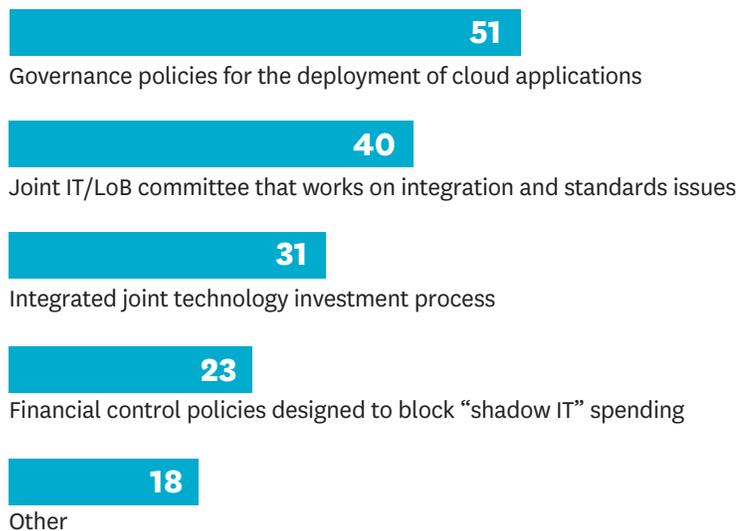
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**FIGURE 2**

**STRUCTURES FOR SHARING**

Process or structures in place to ensure IT/LoB collaboration on the deployment of public cloud services

PERCENTAGE INDICATING PROCESS/STRUCTURE IS IN PLACE; MULTIPLE RESPONSES PERMITTED



**SOURCE** HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2015

## MYTH #2

### CORPORATE SYSTEMS DON'T NEED PUBLIC CLOUD APP DATA

As larger organizations begin to combine investments in cloud applications with existing on-premise systems, the survey reveals that cooperation between IT and LoB leaders is key to a successful implementation. Organizations know that providing a consistent user experience and two-way flow of data across cloud and on-premise systems maintains productivity, a driving force in any business application deployment.

“The ability to balance the digital world with the physical world is critically dependent on seamless information sharing and a standard language of doing business,” says Donald Marchand, professor of strategy execution and information management at the International Institute for Management Development (IMD). As such, IT and LoB leaders have come to a compromise with a cloud computing environment that combines on-premise private cloud with third-party public cloud services. This hybrid cloud environment allows workloads to move seamlessly between public and private cloud applications and gives organizations greater flexibility and data deployment offerings.

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**FIGURE 3**

#### DATA ACCESS CRITICAL FOR DIGITAL SUCCESS

Respondents that say it's important for cloud applications to access information stored in data centers today

PERCENTAGE INDICATING HOW IMPORTANT IT IS FOR CLOUD APPLICATIONS TO ACCESS INFORMATION STORED; RESPONDENTS COULD RATE IMPORTANCE ON A 10-POINT SCALE, WITH 10 = "EXTREMELY IMPORTANT."



Important (8, 9, or 10)



Not important (1, 2, or 3)

Respondents that say they already have applications running on premises that access info in public clouds

PERCENTAGE WITH APPLICATIONS RUNNING ON PREMISES THAT ACCESS INFO IN PUBLIC CLOUDS



Yes, already have applications or are still implementing



No

SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2015

Nearly three-quarters of respondents say that it is important for both on-premise and public cloud applications to share the same user experience.

The success of any hybrid cloud strategy depends on whether an organization can build a seamless, two-way information flow between on-premise and cloud. Sixty-one percent of survey respondents say it is important for their public cloud applications to access information from on-premise applications. [figure 3](#) Another 70 percent say that they either currently use or are implementing on-premise applications that must use information from applications running in the public cloud.

“A seamless, two-way information flow between on-premise and cloud applications is critical for enterprises to glean the most success from their new hybrid IT environments,” says Jillian Freeman, a senior analyst at TBR Research. “Seamlessly connecting applications becomes even more important when utilizing analytics tools sitting on top of these applications.” The vast majority of organizations will continue to maintain an on-premise footprint—and those in-house systems will increasingly interact with cloud applications going forward.

Information is not the only thing that must flow consistently across both environments, however. Regardless of platform, knowledge workers also expect applications to look and feel the same. Nearly three-quarters of respondents (73 percent) say that it is important for both on-premise and public cloud applications to share the same user experience. [figure 4](#)

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**FIGURE 4**

**CONSISTENT CROSS-CHANNEL USER EXPERIENCE**

Percentage rating importance of having same user experience and service levels on public cloud applications as on in-house applications

RESPONDENTS COULD RATE IMPORTANCE ON A 10-POINT SCALE, WITH 10 = “EXTREMELY IMPORTANT.”



**SOURCE** HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2015

### MYTH #3

#### IT AND BUSINESS LEADERS HAVE VERY DIFFERENT PRIORITIES

IT management responsibilities are not strictly internal, of course. Keeping abreast of the latest industry trends is critical for making the right business, technical, and personnel decisions, today. All of this interaction supports “a much closer relationship between the business side and IT,” Marchand says. “IT doesn’t go away to support infrastructure and back office. There’s now a necessary collaboration about information standardization all through the value chain.”

Indeed, respondents report significant changes in internal collaborative structures, the strategic involvement of upper-level executives, and the CIO’s role. At the organizational and functional level, nearly a third of organizations say that the CIO functions increasingly as a business strategist. “The change is a good one, although it is not likely to happen at companies where the CIO is a small ‘i’ and big ‘T’ person,” Marchand says, referring to CIOs who focus on technology rather than on the business value of information. “IT needs to work with the business side to unite what would previously be fragmented data.”

The hybrid cloud approach aims to avoid perpetuating data silos in the cloud by building stronger collaborative relationships. It enables IT to support business needs within the framework of overarching IT responsibilities around security, privacy, and compliance. In fact, half of respondents say that the adoption of public cloud services has increased IT/business collaboration. [figure 5](#) The survey findings support the view that the majority of organizations interviewed strongly value IT’s

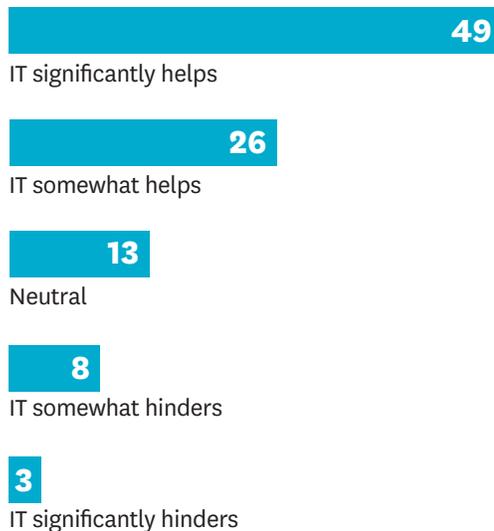
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FIGURE 5

#### IT LEADERSHIP FUELS CLOUD SUCCESS

Percentage indicating their IT department supports the implementation or planning for public cloud applications

MULTIPLE RESPONSES PERMITTED



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2015

As cloud strategies continue to evolve, organizations are developing best practices to ensure seamless information flow and a consistent user experience across both cloud and on-premise systems.

leadership role. For example, only 14 percent of respondents choose to deploy public cloud projects without first soliciting IT input, while 75 percent of respondents agree that IT's involvement and leadership are crucial for project success. Moreover, even cloud deployments led by a LoB still take into account IT concerns. According to respondents, they give the IT department either veto power or the ability to select a preferred vendor nearly 80 percent of the time. Clearly, the conversations go well beyond vendor selection, as increasingly tech-savvy business workers contribute to high-level conversations about issues such as governance and standard data definitions.

Analyst Freeman says a new paradigm is emerging from the hybrid cloud model where IT moves back into a more strategic role, but not without first providing LoB managers with better connection options and choices. "Enterprises are trying to have a more formal approach," she says. "While LoBs can pick applications, IT will control the overall IT environment and will connect these apps to other relevant applications, ensure security, fix issues, and help configure these apps as needed."

## **SUMMARY AND CONCLUSION**

As cloud strategies continue to evolve, organizations are developing best practices to ensure seamless information flow and a consistent user experience across both cloud and on-premise systems.

Contrary to the belief that cloud implementations are driving a wedge between IT and different LoBs, a majority of the organizations surveyed found that the move to hybrid cloud has actually strengthened IT and business management collaboration. As hybrid cloud continues its march into the digital economy, more and more CIOs will shed their role as data custodians and seize the opportunity to work as business strategists and digital leaders.

### **ENDNOTE**

<sup>1</sup> "Rethinking the IT/Business Partnership to Drive Digital Innovation," Harvard Business Review Analytic Services Report, February 2015

## **METHODOLOGY AND PARTICIPANT PROFILE**

Harvard Business Review Analytic Services conducted an online Pulse survey in September 2015 about the changing relationship between line-of-business and IT management due to the movement toward the cloud. Based on *Harvard Business Review's* online subscriber lists, a total of 378 respondents at midsize to large organizations worldwide participated across a wide range of industries. Altogether, 25 percent of respondents identified themselves as C-suite/executive management, 31 percent as director/senior managers, 31 percent as managers, and 14 percent as other grades. In addition, 48 percent represent enterprises with 5,000 or more employees; 19 percent, enterprises with 1,500–4,999 employees; and 34 percent, enterprises with 250–01,499 employees.



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