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Cloud maturity brings organizational IT change – Highlights from VotE: Cloud, Hosting & Managed Services

Analysts - Melanie Posey, Michael Nocerino

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Introduction

Cloud maturity brings with it more centralized cloud operations, increasing IT, application development and line-of-business (LOB) alignment; more strategic cloud-related roles and personas within organizations; and expanding use of external service-provider engagements and tighter partnerships with independent software vendors and global systems integrators. Highlights from 451 Research's Voice of the Enterprise: Cloud, Hosting & Managed Services, Organizational Dynamics 2023 survey show that cloud integration and the perennial acquisition of cloud platform expertise are important capabilities for maintaining efficient and effective public cloud utilization.

The Take

Public cloud continues to play a key role IT modernization and digital industry transformation. However, the availability of agility/scalability in public cloud resources is just one aspect. To execute effectively, organizations must also align in ways that enable business strategies and technology investments to combine to create transformational business outcomes. IT skills and expertise (for cloud platforms and everything else that gets built on top), structured cross-organization collaboration and coordination, and leverage of external service providers and ISV partners are also vital to achieving successful cloud/digital outcomes (accelerating return on investment).

Summary of findings

Organizations are trending toward centralized IT responsibility for public cloud resources. Almost three-quarters (72%) of organizations report that a centralized IT team implements and maintains public cloud infrastructure/resources across all of the company's business units, business functions or geographies. There are some variations at the industry level, with finance (56%) being much more decentralized and manufacturing being one of the more centralized (79%).

Centralization of public cloud operations appears tied to organizational and cloud maturity. Cloud-mature organizations with broad implementation of public cloud resources have centralized IT responsibility for public cloud resources (81%) more so than those in the pre-implementation phase of cloud deployment (63%). Organizational maturity also plays a role: Younger companies (10 or fewer years in existence) are more likely to take a decentralized approach to public cloud implementation and maintenance (41%), while organizations that have been around for 25 years or more skew significantly more centralized (79%).

Alignment across IT operations, LOB and application development functions is becoming more of a reality. The level of coordination between ITOps and LOB (82% mostly/completely coordinated) is broadly in-line with alignment between ITOps and app developers (85%). These results indicate a continuing trend toward organizations' IT, applications and business roles coming together. However, it is important to note that this is only one aspect of what is needed to execute on intended digital business outcomes. As noted in last year's Voice of the Enterprise: Cloud, Hosting & Managed Services, Cloud Skills survey, persistent gaps in skills and expertise limit organizations' ability to derive value from the cloud technology engine and impede the progress of digital transformation initiatives.

Cloud integration and platform expertise are key capabilities for using public cloud effectively. Just because organizations have public cloud in their IT tool kits, it doesn't mean they are able to use it as advertised. Half of respondent organizations cite integration of cloud with existing IT systems (51%) and cloud platform expertise (50%) as the most important IT staff capabilities for using public cloud efficiently. Interestingly, when it comes to what one skill is the most important above all else, respondents still say integration with existing systems, but platform expertise dropped significantly in rank order. In both instances, organizations at the broad implementation stage place greater importance on the management of deployed applications and cost optimizations than those in initial or pre-implementation stages.

A broad set of skills and capabilities contribute to effective public cloud usage, but some are more important than others. A slim majority of organizations (51%) place cloud infrastructure integration with other IT systems atop the list of skills important to effective execution of cloud operating models, followed by expertise with the various hyperscale cloud platforms (49%) and management of cloud-deployed applications (47%). In a reflection of ongoing IT transformation and growing cloud maturity, organizations call out integration and application management as the *most* important capabilities for effective cloud usage (16% each). Cloud migration (12%), cloud cost optimization (11%) and DevOps (10%) round out the list of top five most important capabilities for public cloud efficiency and effectiveness. The significant demotion of cloud platform expertise in the rank order of most important capabilities likely reflects organizations' perception of this factor as table stakes or growing interest in managed cloud and use of third-party service providers.

Public cloud roles and personas evolve as the cloud operating model takes hold. The growth of certain cloud-related functions signals ongoing IT transformation. Adoption of each cloud persona featured in our survey has increased since we last asked this question in 2021, led by cloud security architect (60% in 2023 versus 42% in 2021), followed by cloud center of excellence (40%; up 15 percentage points from 2021) and site reliability engineer (36%; up 13 percentage points). The prevalence of these specialized roles is particularly noteworthy among organizations at the pre-implementation phase of cloud maturity. For example, 44% of organizations in this category state that they currently have cloud centers of excellence in place, compared with the fewer than 20% of their 2021 counterparts. This result indicates that late cloud adopters are taking heed of earlier adopters' challenges and seek to head them off before they arise.

Organizations tap into third-party advisory, consulting and managed services at all phases of the cloud transformation life cycle. Sixty percent of organizations currently use Day 1 implementation (migration and deployment) services (up from 43% in last year's Voice of the Enterprise: Cloud, Hosting & Managed Services, Managed Services 2022 survey. Adoption of Day 0 services (strategic advisory, design, assessment, architecture planning) is also expanding — 54% in 2023 compared with 28% in 2022. Organizations at early stages of the cloud journey play a key role here: 60% of the less mature cloud adopters report use of strategic Day 0 services, indicating a shift toward embarking on cloud transformation in a more mindful manner. Take-up of Day 2 services (management, monitoring and operations) remains steady at 57% year-over-year.

The business case for third-party cloud-related services revolves around acceleration and improvement more so than IT task offloading. Accelerated execution of ongoing projects (54%) and applications/systems performance improvement (52%) emerge as the top business objectives enlisted to make the case for using third-party services in connection with cloud deployments. Other related objectives include gaining access to otherwise unavailable resources and expertise and operational cost reduction.

Organizations signal intent to rely on providers advisory, consulting or managed services in the coming year. The skills and capabilities deemed important to the efficient and effective use of public cloud align with organizations' interest in engaging with third-party service providers to augment or replace internal cloud capabilities. Less than 10% of organizations rule out the possibility of such engagements, which highlights the increasing complexity of cloud building, operations and transformation. Key areas of interest include cloud platform expertise (40%), cloud migration (38%) and cloud integration (36%). Furthermore, nearly two-thirds of organizations remain likely to engage with external IT service providers despite (or perhaps because of) ongoing macroeconomic uncertainty.