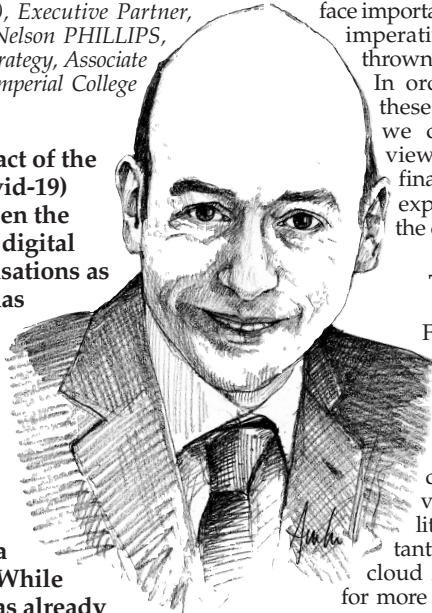


Never waste a good crisis: the strategic challenges of rapid cloud adoption in financial services

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One dramatic impact of the coronavirus (Covid-19) pandemic has been the rapid acceleration in the digital transformation of organisations as much of the workforce has been suddenly forced to “WFH”. The ability of organisations to close physical offices and continue operating rests largely on various kinds of cloud services providing distributed, on-demand availability of data storage and computing. While the move to the cloud was already well underway prior to the pandemic, what Gartner has called the growing “cloud-first” preference of organisations has become a “cloud-only” necessity. The traditional drivers of cloud adoption – reduced cost, rapid ability to scale and global reach – have become secondary to the new necessity of virtual organising.

One industry where cloud adoption was already well underway prior to the pandemic was financial services. Experience has shown firms moving to the cloud reap significant benefits, but also



face important challenges, and the new imperative to move quickly has thrown the latter into sharp relief. In order to better understand these benefits and challenges, we conducted several interviews with senior leaders in financial services about their experiences with moving to the cloud.

The future is cloud

First, the good news. There was a general consensus that the move to cloud is overwhelmingly positive. Again and again we heard that “the future is cloud” due to increased productivity, innovation and scalability – and, at least as importantly, because moving to the cloud frees up time and energy for more strategic issues. “IT is not our core competence,” as we heard from one manager at a large global consumer brand. Data storage and computing power were increasingly seen as utilities best left to firms who specialise in them.

At the same time, our interviewees highlighted a few strategic challenges.

1. Is the cloud secure?

There was a general concern about security and cloud governance. Moving things to the cloud means a range of new risks as data moves out of the firm – but there was also a belief that cloud

can be as secure, if not more secure, than traditional on-site storage if done properly. But this requires deep inhouse expertise in managing cloud governance and raises a larger issue: the ability of a firm to rapidly move to the cloud is often limited by the competencies and outlook of the IT team. In these cases, a safe and effective move to cloud requires the renewal and reorganisation of technical staff. For example, during their implementation of cloud, FINRA trained more than 600 cloud architects and technologists, a move that they identified as key to their successful cloud implementation.

2. Too few cloud service providers

There was a widespread recognition of the challenge of the concentration of cloud services. The reality is there are only a handful of firms that can provide cloud services at scale. Where critical IT knowledge used to be about running data centres and networks, with the move to the cloud the most important expertise is knowing how to effectively manage cloud providers. This also means the solution will often not be a cloud, but rather several clouds used for different purposes. For example, J.P.Morgan uses a four-cloud strategy supported by Amazon, Google and Microsoft, in addition to running a private cloud. However, building and managing this sort of solution requires deep competencies in the strategic deployment and governance of cloud systems.

3. How to move data to the cloud

While the cloud can make data “smarter”, this requires more than a simple “lift and shift” of data. Where bringing together distributed and unconnected data for analytics was previously

expensive and time consuming, data properly stored in a “data lake” can reduce cost and drive innovation. Moving data to the cloud makes data more easily available for dashboards, visualisations, big data processing, real-time analytics and machine learning. But creating a data lake requires time, effort and knowhow to properly manage and restructure the data during the move.

4. Rethinking business applications

Moving to the cloud is also an opportunity to rethink legacy applications that were developed over time and in a very different technological context. It is important to decompose applications into discrete modules to take full advantage of the cloud beyond simple server/cloud arbitrage. By decomposing, it is possible to scale up and down independent functions of the application and add new features to each component. But this requires careful attention and a willingness to forgo the temptation to simply move current applications to the cloud in the cheapest manner possible.

In summary, cloud services are here to stay in financial services and the current situation will only accelerate the move. But firms need to be strategic in their adoption and there are important questions that need to be addressed as firms move more and more activity to the cloud. While some of the problems are technical, there are significant strategic and organisational challenges that need to be dealt with in the C-suite to ensure cloud adoption is successful and that firms derive maximum value from the move.

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