Cloud -- The New Engine of Business Innovation

*Transcript of a BriefingsDirect podcast on how cloud is sparking new business models and new forms of engagement with employees, customers, and suppliers.*

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**Dana Gardner:** Hi, this is Dana Gardner, Principal Analyst at Interarbor Solutions, and you're listening to BriefingsDirect. Our podcast today explores the expanding impact that cloud computing is having as a strategic business revolution and not just an IT efficiency shift.

Over the past five years, the impetus for cloud adoption has been primarily about advancing IT infrastructure-as-a-service (IaaS) fabric or utility model and increasingly seeking both applications and discrete IT workload support services from Internet-based providers.

But as adoption of these models has unfolded, it's become clear that the impacts and implications of cloud commerce are much broader and much more of a benefit to the business as a whole, as an innovation engine, even across whole industries.

Recent research shows us that the business leaders are now eager to move beyond cost and efficiency gains from cloud to reap far greater rewards, to in essence, rewrite the rules of commerce.

We're here today with a panel of experts and practitioners of cloud to unpack how modern enterprises have a unique opportunity to gain powerful new means to greater business outcomes. So with that, please join me in welcoming our guests. We're here today with Ed Cone, the Managing Editor of Thought Leadership at Oxford Economics. Welcome, Ed.

**Ed Cone:** Good morning, Dana.

**Gardner:** We're here as well with Ralf Steinbach. He is the Director of Global Software Architecture at Groupe Danone, the French Food Multinational based in Paris. Welcome, Ralf.

**Ralf Steinbach:** Good afternoon, because it is afternoon here.

**Gardner:** And we're here also with Bryan Acker. He is Culture Change Ambassador for TELUS Transformation Office at TELUS, the Canadian telecommunications firm. Welcome, Bryan.

Bryan Acker: Thanks for having me.
Gardner: And we're also here with Tim Minahan, Chief Marketing officer for SAP Cloud and Line of Business Solutions. Welcome, Tim.

Tim Minahan: Hey, Dana, it's great to be here.

Gardner: Let me start with you Ed. You've done recent research there at Oxford Economics, and it seems to me that business, at its simplest definition, is a series of inputs transformed by processes and value adds and then a set of outputs.

Now that's grossly simplified, but this is all governed internally by systems of record, cycles of learning and, many times, innovative processes, based on intellectual property and research. How is cloud now able to address this entire business meta process, rather than just some discrete parts like systems of record?

Questions on the cloud

Cone: Dana, we did a survey for SAP last year, and that became the basis for this program. We went out to 200 executives around the world and asked them that question, not quite so elegantly phrased as you did, but "What are you doing in the cloud? Are you still looking at it for just process speed, efficiency, and cost cutting?"

The numbers that came back were really strong in terms of actually being a part of the business function. Beyond those basics, cloud is very much part of the daily reality of companies today.

We saw that the leading expectation for cloud to deliver significant improvement was in productivity, innovation, and revenue generation. So obviously process, speed, efficiency, and cost cutting are still very important to business, but people are looking to cloud for new lines of business, entering new markets, and developing new products.

In this program, what we did was take that information and go out to executives for live interviews to dive deep into how cloud has become the new engine of business, how these expectations are being met at companies around the world.

Gardner: And we'll be speaking to some of those in just a few moments at Danone and TELUS, but before we get to the nitty-gritty of how you do this, I'm still interested in why this is evolving to a higher value. So Tim at SAP Cloud, how you are using this shift? Are businesses doing this intentionally or are they basically being forced by what's happening around them?

Minahan: Dana, increasingly, as was just indicated, businesses are moving beyond the IT efficiencies and the total cost of ownership (TCO) benefits of the cloud, and the cloud certainly offers benefits in those areas.
But really what's driving adoption, what's moving us to this tipping point, is that now, by some estimates, 75 percent of all new investments are going into the cloud or hybrid models. Increasingly, businesses are viewing the cloud as a platform for innovation and entirely new engagement models with their customers, their employees, their suppliers and partners, and in some cases, to create entirely new business models.

Just think about what cloud has done for our personal lives. Who would have thought that Apple, a few years ago, would be used to run your home. This is the Apple Home concept that allows you to monitor and manage all of your devices -- your air-conditioning, your alarm, music, and television -- remotely through the cloud.

There's even the quasi business B2B and B2C models around crowd sourcing and crowd funding from folks like Kickstarter or payment offerings like Square. These are entirely new engagement models, new business models that are built on the back of this emergence of cloud, mobile, and social capabilities.

Gardner: Right, and it seems that one of these benefits is that we can cross boundaries of time, space geography, what have you, very easily, almost transparently, and that requires new thinking in order to take advantage of that.

Bryan, at TELUS as Culture of Change Ambassador, are you part of the process for helping people think differently and therefore be able to exploit what cloud enables?

**Flexible work schedule**

Acker: One hundred percent. It's actually a great segue, because at TELUS we have a flexible work arrangement, where we want 70 percent of our employees to be working either from home or remotely. What that means is we have to have the tools and the culture in place that people understand, that they can access data and relevant information, wherever they are.

It doesn't matter if they're at home, like I am today, on the road, or at a client site, they need to be able to get the information to provide the best customer experience and provide the right answer at the right time.

So by switching from some of the great tools we already offered, because collaboration is part of TELUS’s cultural DNA, we've actually been able to tear down silos we didn't even know we were creating.

We were trying to provide all the tools, but now people have an end-to-end view of every record for customers, as well as employees and the collaboration involving courses and learning opportunities. They have access to everything when they need it and they can take ownership of the customer experience or even their own career, which is fantastic for us.
Gardner: Ralf, at Danone, as Director of Global Software Architecture, you clearly have your feet on the path and you've seen how things have evolved. Do you see the shift to cloud as a modest evolution or is this something that you also view having had an IT legacy experience as quite a bit more, something that changes the game?

Steinbach: Sure. We've been looking at cloud for quite sometime now. We've started several projects in the cloud, mainly in two areas. One involves the supporting functions of our business which is HR, travel expenses, and mail. There, we see a huge advantage of using standardized services in the cloud.

In these functions we do not need any specifics. The cloud comes standard and you can not change, as you can with SAP systems. You can't adapt the code. But that is one area where we think there's value in using cloud applications.

The other area where we really see the cloud as valued is in our digital marketing initiatives. There, we really need the flexibility of the cloud. Digital marketing is changing every day. There's a lot of innovation there and there the cloud gives us flexibility in terms of resources that we need to support that. And, the innovation cycles of our providers are much faster than they would be on premises. These are the two main areas where we use the cloud today.

Cone: Ralf, it was interesting to me, when I was reading through the transcript of your interview and working on the case studies we did, that it is even changing business models. It's allowing Danone to go straight to the consumer, where previously your customer had been the retailer. Cloud in new geographic markets is letting you reach straight to the end user, the end buyer.

**Digital marketing**

Steinbach: That's what I meant when I talked about digital marketing. Today, all consumer product goods company like Danone are looking at connecting to their consumers and not to the retailers as in the past. We're really focusing on the end consumer and the cloud offers us new possibilities to do that, whether it is via mobile applications or websites and so on.

One thing that's important is the flexibility of the systems, because we don't know how many consumers we'll address. It can be a few, but it could be over a million. So we need to have a flexible architecture, and on premise we could not manage that.

Gardner: It's interesting. When I listen to Ralf, I'm hearing agility and also speed, speed of innovation. They can let those cloud services providers be in the vanguard of things like energy, facilities, the process speeds, the speeds and feeds, the nuts and bolts. They are really in the vanguard because their business model is based on a cost of operations where they are going to seek those efficiencies constantly.
So, Ed, the concept of speed seems to come up more and more. We're talking about speed of innovation, agility, direct lines of communication to customers and, of course, also supply-chain direct communication speed as well. How prominent did you see speed and the need for speed in business in your recent research?

Cone: Well, speed was important and it's speed across different dimensions. It's speed to enter a new market or it's speed to collaborate within your own company, within your own organization. This idea of taking IT and pushing it out to the people, to the customer, and really to the line of business allows them to have intimate contact and to move quickly, but also to break down these barriers of geography.

We did a case study with another large company, Hero, which is a large maker of motorcycles and two wheeled vehicles in India. What they're doing with cloud-enabled customer-facing technology is moving their service operation outside of dealerships into the countryside, out across India. They go to parks and they set up what they call service camps.

There, the speed element is the speed and the convenience with which you are able to get your bike serviced, and that's having a large measurable impact on their business. So it is speed, but it is speed across multiple dimensions.

Gardner: Tim, another thing that Ralf mentioned was standardization of having consistency in how the services are delivered to them so the business can innovate at a higher abstraction.

It seems to me that the cloud provider and their role in this, is at a higher abstraction as well. As a provider of cloud services yourself with SAP, how are you seeing the ability to standardize and make consistent and automate processes and services in a way that then speeds up the general business objectives?

New innovation

Minahan: At the core, as I mentioned before, the cloud is really all about unlocking new innovations, providing agility in the business, allowing companies to be able to adapt their processes very, very quickly, and even create entirely new engagement models, and that's what we are seeing.

It is not just the cloud though. This convergence of cloud, big data, analytics, mobile and social, and business networks really ushers in ultimately a new paradigm for business computing, one where applications are no longer just built for enterprise compliance or to be the system of record. Instead, they're really designed to engage and empower the individual user.

It's one that ushers in a new era of innovation for the business, where we can enable new engagement models with customers, employees, suppliers, and other partners.
We've heard some great examples here, but some others were very similar to the experience that Danone has seen. **T-Mobile** is leveraging the cloud not to replace its traditional systems of records, but to extend them with the cloud, to create a new model for social care, helping monitor conversations on its brand, and engage customer issues across multiple channels.

So not just their traditional support channels, but Twitter and Facebook, where these conversations are happening and really it is empowered them to deliver what has become a phenomenal kind of “Cinderella-worst-to-first” story for customer support and satisfaction.

Now, they’re seeing first time resolution rates that have gone from the low teens to greater than 94 percent. Obviously, that has a massive impact on customer satisfaction and renewals and is all powered by not throwing out the systems that they’ve used so long, but by extending them with the cloud to achieve new innovations and then drive new engagement models.

**Gardner:** Tim, another factor here, in a sense, levels the playing field. When you move to the cloud, small-to-medium-sized enterprises (SMBs) can enjoy the same benefit that you just described for example from T-Mobile. Are you at SAP seeing any movement in terms of the size or type of organizations that can exploit these new benefits? Is it something only for big guy?

**Minahan:** No, it certainly isn't something only for the big guy. Although what's interesting, Dana, is that you and I have been around this industry for quite some time and the original thought was that the cloud was the big, democratized computing power.

It allowed SMBs to get the same level of applications and infrastructure support that their larger competitors have had for years. That's certainly true, but it is really the large enterprises that have been aggressively adopting this on an equal pace with their SMBs.

**All sizes of companies**

The cloud is being used to not only accelerate process efficiency and productivity, but to unlock innovations for all sized companies. Large enterprises like **UPS, Deutsche Bank**, and Danone are using cloud-based business applications. In the case of UPS and Deutsche Bank, they're using business networks to extend their traditional supply chain and financial systems to collaborate better with their suppliers, bankers, and other partners.

It's being used by small upstarts as well. These are companies that we talked about in the past like Mediafly, a mobile marketing startup. It's using dynamic discounting solutions in the cloud to get paid faster, fund development of new features, and take on new business.

There's Sage Health Solutions, a company started by two stay-at-home moms in South Africa that is really grown from zero to a multi-million dollar operation. That is all powered by the leveraging the cloud to enable new business models.
Cone: To follow on with what Tim said about the broad gamut of usage from company sites and also earlier mentioning mobile, what we saw in our survey is that mobile is of great importance to companies as a way of reaching their customers for internal productivity as well. But reaching customers is actually a higher priority and that comes down to the old adage: You have to fish where the fish are.

Look at what Danone is doing when they're setting up direct-to-customer technologies and marketing. They're going into markets where people don't necessarily have laptops or landlines. They're leapfrogging that to a world where people have mobile devices.

So if you have mobile customers, and as Tim said, think of the consumer experience, that is how we all live our lives now. No matter what size your company is, you have to reach your customers the way your customer lives now, and that is mobile.

Gardner: So there's a standardization of process between larger companies and smaller companies that is much greater now with the cloud. They can all play off of the same rules when it comes to supply-chain processes or business interactions as well as marketing and co-marketing.

But at the other end of the spectrum, you can use a standardized approach to deliver services out to any mobile endpoint. We're talking about smart phones today, but we might be talking about sensors or Internet points that are not quite sophisticated as a phone, but are nonetheless taking data and providing data back.

So, Ed, this all boils down to greater collaboration, standardized, accepted collaboration, SMBs with larger ones down to the actual mobile cell phone or **smart phones**. Tell us a little bit about your research, how you have gone about it, and how that new level of pervasive collaboration was demonstrated in your findings.

**Baseline information**

Cone: In terms of the research, as I said, we went out to 200 execs around the world and asked them a series of questions about what their investment plans were. It was baseline survey information. What are you doing in the cloud, how much of it are you doing, and what are the key benefits that you're getting?

Then, as we went deeper in this phase of the project, we found that collaboration has different meanings. It can be collaboration within the company. It can be with partners, which cloud platforms allow you to do more easily. It's also this key relationship, a key area of collaboration between IT and the business.

What we see in this research is that IT is increasingly seen as a partner for the business as a way of driving revenue via the cloud. But across the four regions that we surveyed -- North America, Latin America, EMEA and APAC -- we saw a very high percentage of companies say that they
see that IT is emerging as a valued partner of the business, not just a support function for the business. I think that's a key collaborative relationship that I'm sure our guests are seeing in their own companies.

**Gardner:** Just to be clear, Ed, this is ongoing research. You're already back in the field and you'll be updating some of these findings soon?

**Cone:** Yes, we're really excited about that, Dana. We did this survey last year for SAP. Then, we jumped in about a year later using those numbers and did these in-depth research interviews to look at the use of the cloud to drive business. This summer, we're refielding the survey to see how things have changed and to see how the view of the future has changed.

We ask a lot of questions about where they are now, and where they think they'll be in three years. We're really interested to see how people are doing compared to the targets they set and what their new targets are. So we will have some fresh numbers and fresh reports to talk to you about by Q3 or Q4.

**Gardner:** Let us look into those actual examples now and go back to Bryan at TELUS. Let's start at that high level question, Bryan. Where do you expect to be in three years at TELUS, and how has cloud perhaps been a factor in that change.

**Acker:** Before we jump to that, I have a tangible example that might help express the value of collaboration at TELUS and something that people don't think about, and that is safety.

We have a lot of field technicians who are in remote areas, but have mobile access. A perfect example is that we can go into a situation where a technician may be a little unsure of what to do in a situation and it's potentially unsafe.

Because of the mobile access and the cloud, we've enabled them to quickly record a video, upload it directly to our **SAP Jam system**, which is our collaborative tool suite that we use, and share it with a collection of other technicians, not just the person they can call.

**Safer situation**

What happens is then people can say this is unsafe, you need to do X, Y and Z. We can even push them required training, so they can be sure that they're making the right decision. All of a sudden, that becomes a safer situation and the technician is not putting themselves at risk. This is really important because people do not think of those real, tangible examples. They often feel that they're just sharing information back and forth.

But in terms of what we are doing and where we are going, I sit in HR, and we're trying to improve the business process. We now have all of our information, the system of record, an integrated learning management system (LMS), our ability to analyze talent, so we make the correct hires.
We now trust the information implicitly and we're able to make the correct decision, whether it means customer information, recruiting choices, hiring choices, or performance choices.

Now, we're in a situation where we're only going to maximize and try to leverage the cloud for even more innovation, because now people are singing from the same choir sheet, so to speak.

We have access to the same system or record of truth, and that's the first time we've had that. Now, recruiting can talk to learning, who can talk to performance, who can talk to technicians and we know they all get a consistent version of the truth. That is really important for us.

**Gardner:** Those are some excellent examples of how mobile enhances cloud. That extends the value of mobile. That brings in collaboration and, at the same time, creates data and analysis benefits that can then be fed back into that process.

So there really is a cyclical adoption value here. I'd like to go back to the cultural part of this. Bryan, how do you make sure that that adoption cycle doesn't spin out of control? Is there a lack of governance? Do you feel like you can control what goes on, or are we perhaps in the period of creative chaos that we should let spin off on its own in any way?

**Acker:** That’s a great question, and I'm not sure if TELUS handles this in a unique way, but we definitely had a very detailed plan. The first thing we did was have collaboration as one of our valued attributes or one of our leadership competencies. People are expected to collaborate, and their performance review is dependent on that.

What that means is we can provide tools to say that we're trying to facilitate collaboration. It doesn't mean matter if you're collaborating through a phone call, through a water-cooler chat, or through technology. Our employees are expected to collaborate. They know that it’s part of their performance cycle and it’s targeted towards their achievements for the year. We trust them to do the right thing.

We actually encourage a little bit of freedom. We want to push the boundaries. Our governance is not so tight that they are afraid to comment incorrectly or afraid to ask a tough question.

**Flattening the hierarchy**

What we're seeing now is individual team members are challenging leadership positions on specific questions, and we're having an honest and frank discussion that’s pushing the organization forward and making us make the accurate correct choice at all time, which is really encouraging. Now, we're really flattening our hierarchy and the cloud is enabling us to do that.

**Gardner:** That sounds like a very powerful engine of innovation, allowing that freedom, but then having it be controlled, managed, and understood at the same time. That’s amazing. Ed, do
you have any reactions to what Bryan just said about how innovation is manifesting itself newly there at TELUS?

**Cone:** When we spoke to TELUS, I was interested in that cultural aspect of it. I'm sure the guys on the call would disagree with me on a technical level, but we like to say that technology is easy, and culture is hard. The technology works, and you implement it and you figure that out, but getting people to change is really difficult.

The example that we use in the case study, SAP on TELUS, was about changing culture through gamification, allowing people to learn via an online cloud-based virtual game. It was this massive effort and it engaged a huge number of employees across this large company.

It really shifted the employee culture, and that had an impact on customer service and therefore on business performance. It's a way that the cloud is moving mountains and it's addressing the hard thing to change, which is human behavior and attitudes.

**Minahan:** Dana, I'd add to that. We talk about the convergence of these different technologies in cloud, social, and mobile and ultimately we had this convergence going on in technology that we talked about all the time. There is massive change going on in the workforce and what constitutes the workforce.

Bryan talked about how there is a leveling of the organization, doing away with the traditional hierarchical command and control, where information is isolated in the hands of a few, and the new eager employees doesn’t get access to solving some of the tough problems. All that’s being flattened and accelerated and powered by cloud and social collaboration tools.

Also, we're seeing a shift in what constitutes the workforce. One of the biggest examples is the major shift in how companies are viewing the workforce. Contingent and statement of work (SOW) workers, basically non-payroll employees, now represent a third of the typical workforce. In the next few years, this will grow to more than half.

It’s already occurring in certain industries, like pharmaceuticals, mining, retail, and oil and gas. It's changing how folks view the workforce. They're moving from a functional management of someone -- this is their job; this is what they do -- to managing pools of talent or skills that can be rapidly deployed to address a given problem or develop a new innovative product or service.

These pools of talent will include both people on your payroll and off your payroll. Tracking, managing, organizing, and engaging these pools of talent is only possible through the cloud and through mobile, where multiple parties from multiple organizations could view, access, collaborate, and share knowledge and experiences running on a shared-technology platform.
**Customer is evolving**

**Acker:** That extends quite naturally to the customer. The customer is evolving faster than almost anything and they expect 24X7 access to support. They expect authentic responses and they now have access to just as much information as the customer service agent.

Without mobile, if you can't connect with those customers and be factual, you're in trouble. Your customers are going to reply in social-media channels and in public forums, and you're going to lose business and you're going to lose trust with your existing customers as well.

**Minahan:** I fully agree. The only addition to that is that they also expect to be able to engage you through any channel, whether it’s their mobile phone, their laptop, or in some cases, directly face to face, on the phone, or in a retail outlet and have the same consistent experience and not need to reintroduce who they are and what their problem as they move from channel to channel.

**Gardner:** Thank you, Bryan and Tim, on that. Clearly we're seeing how things that just weren’t possible before the cloud are having pervasive impacts on businesses. Let’s look at a new business example, again with Danone. Ralf, tell us a little bit about how cloud has had strategic implications for you. You have many brands, many lines of business. How is cloud allowing Danone to function better as a whole?

**Steinbach:** We have a strategy around digital marketing and, as you know, we're operating in almost every country in the world. Even though we're a big company, locally, we're sometimes quite small. We're trying to build up new markets in emerging countries with very small investments in the beginning. There, the cloud is definitely the best option for us to start these new businesses and connect to all consumers.

Money matters, even for a big company like Danone. That’s very important for us. If you look at Africa, there are completely different business models that we need to address.

People in Africa pay with their mobile phones. Some sell yogurt on a bicycle. Women pick up some yogurt in the morning and then they sell them on the road. We need to do businesses with these people as well. Obviously, an enterprise resource planning (ERP) system isn't able to do that, but the cloud is a much better adapted platform to do this sort of business.

**Gardner:** Again, instances where cloud is enabling things that simply couldn’t have been done with spreadsheets, email, and sticky notes. So very interesting. Now, it’s one thing to look at the impacts of cloud, and we've certainly demonstrated that there are new benefits and that provides a challenge.

Ed, how do you compare doing something that's never been done before to something in the past that therefore create a metric of success to measure what you're doing? Is there anything in your research so far that helps organizations understand the value of cloud, some of these instances
that we’ve been talking about that put into business terms. The C-suite likes to look at numbers. How do we measure innovation?

**Metrics lacking**

**Cone:** We're doing some research on another program right now on that very topic for a non-SAP program. That is showing us that metrics for success on basic things like **key performance indicators (KPIs)** for progress of migration into the cloud are lacking at a lot of companies. Basic **return on investment (ROI)** numbers are lacking at a lot of companies.

We're really old school. To go back to your definition of what a business is, we think it’s an organization that’s set up to make money for shareholders and deliver value for stakeholders. By those measures, at least by dotted line, the key metrics are your financial performance? Are you entering, as we mentioned before, new markets and creating new products?

So the metrics we're seeing that are cloud specific aren't universal yet. In a broader sense, as cloud becomes an everyday set of tools, the point of those tools is to make the business run better, and we are seeing a correlation between effective use of the cloud and business performance.

**Gardner:** Now, Tim Minahan at SAP, any thoughts on measuring innovation, qualifying and quantifying it? Isn't data analytics a new currency that we need to bring to the table when we think about the fruits of doing this kind of elaboration.

**Minahan:** Certainly. What the cloud, mobile, and social bring to bear in addition to new collaboration models is that they kick off an unbelievable amount of new information, and oftentimes not in a structured way. There's a need to aggregate that information and analyze that in new ways to detect and predict propensity modeling on your customers, your supply chain, and your employees. Progression and development are extremely powerful.

I think we’ve just scratched the surface. As an industry, we provided the channels through which to collaborate, as we heard today. There are entirely new engagement models and business models that the companies hadn’t even thought of before. Once you have that information, once you have that connectivity, once you have that collaboration, you can begin to investigate and trial and error.

To answer your question about measurement on this, yes, we need measurement of the business process and the business outcome. Let’s not forget why companies adopt technology. It’s not just for technology sake. It’s to effect the change. It’s to effect more efficiency, greater productivity, and new engagement capabilities.

Measuring the business benefit is what we're seeing and what we’re advising our customers to do. And rather than just measuring, are we tracking towards an adoption of having more cloud in our infrastructure portfolios.
The focus today is largely driven by the fact that the lines of business are now more engaged in the buying decision and in shaping what they want from a technology standpoint to help them enable their business process. So the metrics have shifted from one of speeds and feeds and users to one of business outcomes.

**Gardner:** Bryan at TELUS in Toronto, you're closely associated with the human resources productivity and the softer metrics of the employee involvement and dedication that sort of thing. Are there any ways that you can think of that cloud adoption and innovation, as we’ve been describing, has this unintended set of consequences when it comes to employee empowerment or that innovation equation? How do you view measuring success of cloud adoption?

**Simplifying the process**

**Acker:** To echo what’s already have been said, we've actually tried to simplify the process as well. We’re not really concerned with how many users are using the tool or how many conversations are happening. We measure our customers success by the likelihood to recommend. Will a TELUS customer recommend our services and products to friends, family, and peers?

We measure internal success by our employee engagement metric. If the customers are satisfied and the employees are engaged and fulfilled at work, that means that we're probably moving in the right direction. We can kind of reverse engineer to see what changes are helping us. That allows us to take our information and innovation from the cloud and inspire better behaviors and better process.

We can say, "You know what, in this pocket we’ve analyzed that our customers are likely to recommend it higher than anywhere else in Canada. What are they doing?" We can look back through the information shared on the cloud and see the great customer success stories or the great team building that’s driving engagement through the roof.

We can say, "This is the process we have to replicate and spread throughout all of our centers." Then, we can tweak it for cultural specifics. But because of that, we can use the cloud to inspire better behavior, not just say that we had 40,000 users and 2,000 hits on this blog post. We're really trying to get away from the quantitative and get into the qualitative to drive change throughout the organization.

**Gardner:** We're reaching the end of our time. I want to look a bit to the future. What comes next? You can certainly make the argument that cloud adoption as an IT function has been in effect for some years now and is moving into maturity. But I think we can safely say as well that the business exploitation of cloud models and effects is still rather new and fresh.

So we're still in an uncharted territory, and trying to think about where this takes us next is interesting and exciting. Let’s start with Ralf. Where do you see the impacts of cloud adoption in
your business over the next couple of years? What’s likely to take place there that you can already start to see the glimmers of, the initial parts of?

Steinbach: There are still some challenges in front of us. One of the challenges is China. China is one of the biggest markets, but cloud services are not always available or they’re very slow. If your cloud solution is hosted outside of China, there's a big problem. These are probably technical challenges, but we have to find solutions with our partners there, so that they can establish their services in China.

That’s one of the challenges. The other is that the cloud might change the role of IT in our organization. In the past we owned the systems and the applications. Today, the business can basically buy cloud services with a credit card. So you could imagine that they won’t need us anymore in the future, but that's not true.

As an IT organization, we probably have to find our role inside the organization, from just providing solutions or hardware to being an ambassador for the business and to help them to make the right decisions. There are still problems that will remain as the integration between different applications. It doesn’t get easier in the cloud, so that’s where I see the challenge.

And last but not least, it's about security. We take that really seriously. If we store data, whether it's employees or of our consumers, we have to make sure that that our cloud providers have the same standards of security and there are no leaks. That’s very, very important for us. And there are legal aspects as well.

We've just started. There are still a lot of things to do in the next few years, but we're definitely going on with our strategy towards the cloud and towards mobile. And, at the end of the day, it all fits together. I think it was said before that it's not only cloud, but it's the big data, collaboration, and mobile. You have to see the whole thing as one package of opportunities.

**Important challenges**

Gardner: Thank you, Ralf, for bringing us a bit back down to earth, when it comes to cloud. We can certainly see the benefits, but there are still a lot of important challenges to overcome along the way as well. Bryan at TELUS, how do you see things unfolding? What do you think might be some of the impacts a few years from now that we're only just starting to realize?

Acker: On a more positive note, which is just the other side of the coin, obviously the challenges are there, but we're actually just starting to be able to experience the fact that innovation at TELUS is moving faster than it used to. We're no longer dependent on the speed at which our pre-assigned resources can make change and develop new products.

IT can now look at it from a more strategic point of view, which is great. Now, we're maximizing quarterly releases from systems that are leveraging the input from multiple companies around the
world, not just how fast our learning team can develop something or how fast our IT team can build new functionality into our products.

We're no longer limited by the resources, and innovation is flying forward. That, for us, is the biggest unexpected gain. We're seeing all this technology that used to take months or years to change now on a quarterly release schedule. This is fantastic. Even within a year of being on our cloud-computing system, we're so happy, and that is inspiring to people. They're maximizing that and trying to push the organization forward as well. So, that’s a real big benefit.

**Gardner:** Tim Minahan, at SAP you have a unique vantage point looking at many different aspects of business technology and cloud. Do you have any thoughts about where this can lead us in the next few years that we haven’t yet hit upon, things you're just starting to see the first really glimmers of it.

**Minahan:** A lot of it has been touched on here. We're seeing a massive shift in what the role of IT is, moving from one of deploying technology and integrating things to really becoming business process experts.

We talked a bit about the amount of data and the insights that are now available to help you better understand and predict the appetites of your customers to help you even determine when your machines might fail and when it's time to reorder or set a service repair.

I think the biggest thing is that the cloud is going to unlock new business models and new organization models. We talked a bit about TELUS and their work patterns, in which most of the workers are remote and how they are engaging the field service technicians in the field.

We talked about the growing contingent workforce and how the cloud is enabling folks to collaborate, onboard, and skill up those employees, non-payroll employees much more quickly. We're going to see your new virtual enterprises. We're talking about borderless enterprises that allow you to organize not just pools of talent, but entire value chains, and be able to collaborate in a more much transparent way.

We mentioned before about Apple Home. You're beginning to see it with 3D printers. It's this whole idea where more and more companies become digital businesses. This isn’t just about on-the-channel commerce providing a single customer experience across multiple channels.

It's actually about moving more and more of what you deliver, the solutions you deliver, the former products your deliver, to digital bits that can be tested, experienced, and downloaded all online.

All of this is being empowered by this massive convergence of cloud, mobility, social and business networks, and big data.
What comes next

Gardner: Last word to you, Ed Cone. Tell us a bit on the extrapolation side of your research. Any thoughts about what comes next, something that could not have been done before these cloud models emerged.

Cone: To follow on what Tim said about the borderless enterprise, when we ask people what’s in the cloud now and what’s going to be substantially cloud based in three years, three of the highest growth areas were innovation in R and D, supply chain, and HR. All of those go straight to this idea that boundaryless digital enterprises are emerging and that cloud will be the underpinning of these enterprises.

We're working with Tim right now on a big global study about the workforce. When I talk about culture and the way companies function internally, a year ago, when we started this research, HR was the least likely function of the ones we queried to be in the cloud, and it's going to have massive growth in the next couple of years.

These stories start to converge of boundaryless and culture, all coming together via the cloud. That’s the segue to say that we're really excited to see how these numbers look when we refield this survey this summer, because that progress is snowballing and accelerating beyond even what people thought it was the last time we asked them.

Gardner: We’ll look forward to seeing that research and discussing it the next time we get together. I appreciate that. I am afraid we will have to leave it there.

You've been listening to a sponsored BriefingsDirect podcast discussion on the expanding impact that cloud computing is having at the strategic business level and not just as an IT efficiency shift. And we’ve heard how companies like TELUS and Danone are gaining refocused stability to extend processes and insights broadly and affordably to their customers, suppliers and other partners inside and outside of their organization.

So, please join me now in thanking our guests, Ed Cone, Managing Editor of Thought Leadership at Oxford Economics. Thank you so much, Ed.

Cone: My pleasure.

Gardner: We were also joined today by Ralf Steinbach, the Director of Global Software Architecture at Groupe Danone, the French food multinational in Paris. Thank you, Ralf.

Steinbach: Thank you for having me.

Gardner: Bryan Acker has joined us. He is the Cultural Change Ambassador for TELUS Transformation office. At TELUS, the Canadian Telecom firm based in Toronto. Thank you, Bryan.
Acker: Thanks, this was great.

Gardner: And last, Tim Minahan joined us, he is Chief Marketing Officer for SAP Cloud and Line of Business Solutions. Thank you, Tim.

Minahan: Thanks, Dana.

Gardner: And a big thanks lastly to our audience for joining us. This is Dana Gardner, Principal Analyst at Interarbor Solutions. Don’t forget to come back next time at BriefingsDirect.

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