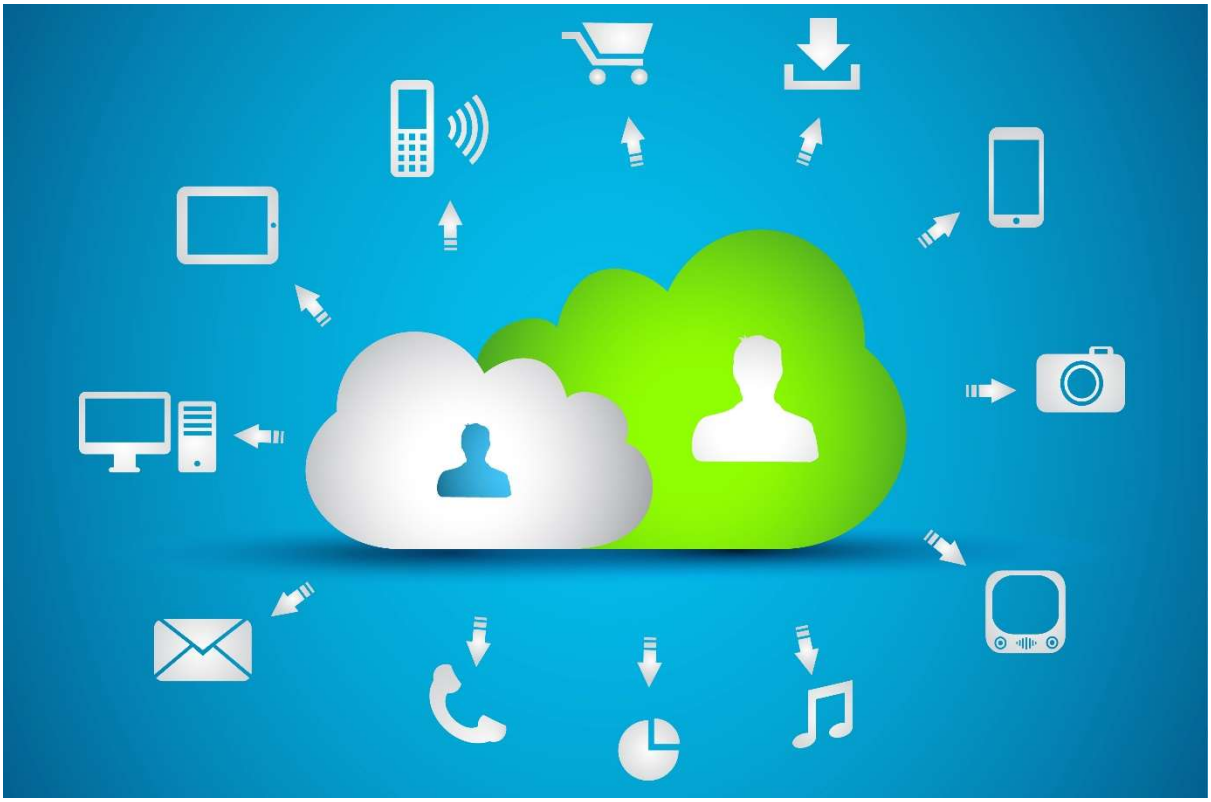
Cloud Transformation at a Major Global Insurer: Perspective of a Senior IT Executive on Benefits, Pitfalls to Avoid and Lessons Learned



Introduction

Stan Wien, our associate principal for Change and Human Capital interviewed a senior IT executive for a subsidiary of a major global insurer about the organization's cloud transformational journey and experience. The organization recently completed a successful migration to cloud.

The following is a summary and paraphrasing of the interview exchange.

Business Rationale and Benefits

Wien: What was the business case rationale for embracing cloud technology and solutions?

Executive: We are a large and complex global organization with a multitude of business demands and constraints that we must constantly juggle. Our business units' needs are constantly evolving and changing. Our IT organization needed to be nimble and responsive to those business needs. By the same token, we needed to control and reduce the cost of software licenses, be able to respond to a 24/7 business model and adapt to fluctuations in capacity requirements. Moving to cloud technology allows us to address all of those challenges while simultaneously reducing our IT costs. We were able to shave off 90% of our infrastructure costs, resulting in savings of $27 million. That was a big win. Savings were made in labor, licenses, depreciation and fixed costs. Also, savings were achieved from reduced mainframe MIPS.

Besides lowering cost and allowing us to be more responsive to the business needs, we are able to process changes quickly and continuously. Change control process were also automated as part of this cloud journey. With a touch of a button, we are now able to facilitate continuous changes that used to get bogged down by manual change control processes.

Pitfalls to Avoid

Wien: What were the impacts on the organization as a result of this transformation to cloud, and what are pitfalls you would coach others to avoid?

Executive: In hindsight, I would have done more to prepare the organization for the change. The cultural impact on the business and IT departments cannot be underestimated. Shifting to the cloud requires a different mindset and a different mode of working and collaborating. There's much less of "stuff being thrown across the walls", but teams also lose control of things they used to have more influence over. The infrastructure team traditionally procures and prepares the environment and tells the development teams when the environment is ready for development, testing and what not. Well, in a cloud, environment, the preparation of environments occurs much more seamlessly as infrastructure teams no longer need to procure expensive hardware that takes a long time to process (from the issuance of PO to receipt and installation of hardware). Therefore, the infrastructure teams naturally resist as they see the cloud movement to be a threat to what may be perceived as their power and influence over when environments can be set up and ready for development.

In a cloud environment, application/development teams and infrastructure teams work much more as one singular team, and processes are much more seamless, agile and nimble. The traditional siloed

processes that exist between the infrastructure and development teams are replaced by more streamlined and interconnected work processes.

The second impact is to do with the cultural chasm between the development teams and the operations teams. There is a need to address the cultural difference between the application development and the operations teams when you shift to cloud. The development teams are keen to develop and deliver applications as quickly as they can while the operations teams are concerned with ensuring controls are in place to the mitigate risk of migrating developed applications and changes to production environment before they are ready. Both teams have valid concerns that must be addressed.

The third impact is to understand the legal implications as it relates to liability concerning cloud security. Organizations have undue (security) concerns with migrating to cloud. Not migrating to cloud because of the concerns with security is not a rationale decision. Cloud can be secure or more secure than traditional on-premise approach, but organizations must take the necessary measures to make sure that security controls are in place when migrating to cloud

As a simple analogy, I would use electricity. Not following code when installing electricity wiring can be enormously hazardous. However, just because it is hazardous, it does not imply one should not use electricity. It just means you have to make sure your house is properly wired according to code, and you want to make sure you enlist the right electrician and expertise to make sure that you not only comply with code, but that the wiring promotes efficient use of electricity. The same would be true with the cloud. You should not not use cloud because you are concerned about the risks of cloud usage. Instead, you should make sure that your cloud implementation is secure, according to standards and regulatory and business requirements, and promotes efficiency. AWS Cloud for instance, promotes the Shared Security Model. AWS guarantees security “of” the Cloud. You, the customer, must still be responsible for the security “in” the cloud. So, it is important that organizations migrating to cloud understand this. The onus is still on us, the customer to apply the right security frameworks (ex: AWS Well Architected Framework) to ensure adequate controls for security our data in the cloud and to mitigate against cyberattacks.

Lessons Learned

Wien: What were some of the key lessons learned if you were to do it over or provide advice to someone else preparing for a similar undertaking?

Executive:

Opportunities to Re-skill

We learned during the current state assessment that our middleware teams were bloated in headcount and cost wise. One of the major opportunities were to re-skill this team to support the new environment. So, my sense is many organizations transitioning to the cloud will find that the current skillsets would no longer support a cloud-based environment.

Rather than be quick to hire new talent, I would conduct a current state assessment as quickly as possible to identify those individuals and talent who are interested in new opportunities and then provide them the opportunity to be trained and be prepared for the transition to the new environment. You may require some external support for some time while your team gets up to speed.

Roles, headcount and jobs will need to be aligned

Because the operating model to support a cloud environment is starkly different from the traditional model, you can expect headcounts to be reduced in some areas (ex: infrastructure support) and replaced with new roles in others.

You will also require new skills and roles defined and in place to support the transition:

1. *Cloud Vendor/Service Management*:As an example, you will need skills to manage cloud services, provisioning and cloud vendor management which are all entirely different from managing and negotiating traditional hardware procurement. There is the notion of infrastructure organizations shifting to become "service brokers", which fits in with established ITIL methodologies.

2. *Continuous Integration and Delivery pipeline*: You will require new types of management skills to manage the continuous development/integration and deployment process as 100's of application development tasks become streamlined and automated through the continuous delivery process.

3. *Portfolio of Application Management*: There is also the need for upgraded skills to better manage the application portfolio. Interfaces to global infrastructure and monitoring processes provided by AWS (for instance) must be globally consistent, and applications that run there must conform to those global standards. AWS allows us to better manage this process globally, on a 24/7 basis. The key is make sure we have the skills to be able to do so.

Conclusion

In conclusion, there's significant tangible and intangible benefits to be gained from adoption and migrating to cloud. However, the journey to cloud should be properly planned and executed using best practices and tested methods. One of which is to apply relevant organization change management principles to adequately assess the impact of change of the organization to develop approaches to mitigate the risk of implementation failure and change resistance.

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