



Value Economics

Extracting Value from Cloud Assets

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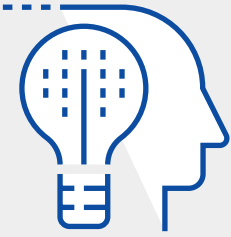


C-Suites Should Build a Legacy of Digital Culture, Cooperating in Three Key Areas



Operations Leader

e.g., COO



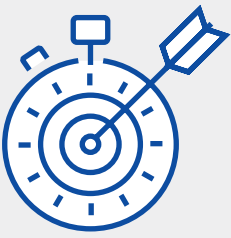
Data-Driven Innovation

Act like a software company by extracting value from data and spreading agility beyond developers.



Customer Experience Leader

e.g., CMO, Head of Customer Service



Future Workplace

Improve employee engagement in a world where work happens differently — and do so with a focus on trust and safety.



Human Capital Leader

e.g., CHRO



Operations Leader

e.g., CIO, CDO, CTO



Value Economics

Invest in both cost optimization and growth areas to boost the bottom line.



Finance Leader

e.g., CFO



Security/Risk Leader

e.g., CISO



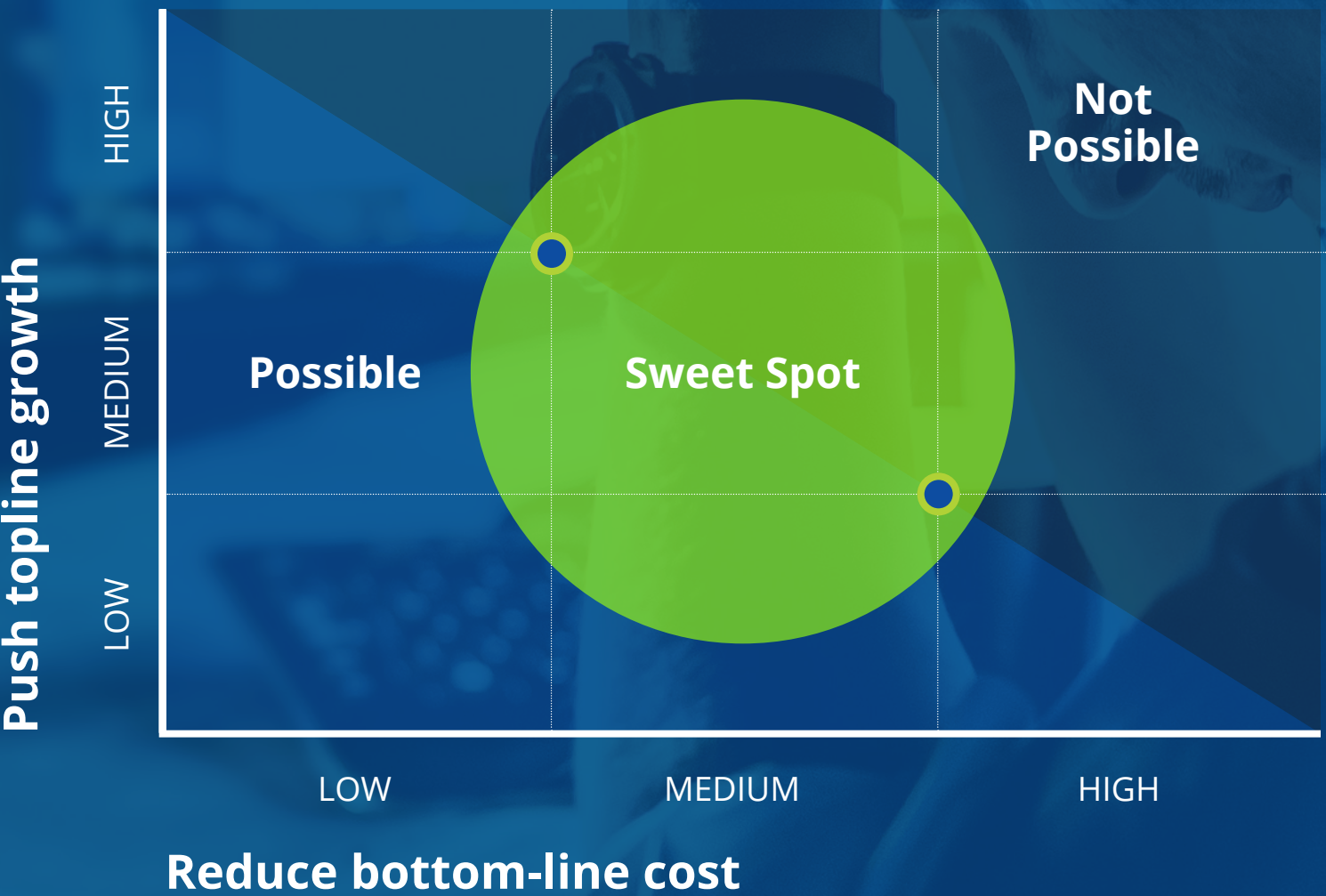
In Times of Disruption, it is Necessary to Rationalize Investments to Drive Topline Growth

The 2020 crisis exposed the misallocation of capital in organizations of all sizes. As they accelerate out of the crisis, smart C-suites are looking for the perfect balance between investing in cost-reduction and revenue-generating technology. Aggressively redeploying the value extracted is the essence of value economics.

“Companies with strong balance sheets in a strong cashflow position should demonstrate the courage of their convictions and invest where they see an opportunity to grow their business.”

Emilio Gonzalez, CEO, Pental Group

The way forward is a perfect balance between creating bottom-line efficiency and growth — this is value economics.



This is why CFOs are focusing on capital appropriation like never before ...

Top 5 Pain Points for CFOs in 2021



... and why procurement staff are looking to value generation, not just cost reduction

Top 3 Priorities for Procurement Leaders in 2021



Value Economics Can Be Achieved Only if Finance and Technology Leadership Work Together on Priorities

Finance and procurement leader



PRIORITY

Right cost structure for variable business models (e.g., data monetization)



Lighter balance sheet



Predictability and transparency of financial results



ACTION

Increased procurement of variable IT resources (e.g., cloud infrastructure)

Accelerated shedding of assets and the move to opex

Control of variable expenses

A third have accelerated cloud usage post COVID-19

60% are revising cloud strategies due to capex constraints



Cross-functional link between the CIO and the chief procurement and chief financial officers

Technology leader



Get more value from technology investments



Accelerate time to market for new applications



Create efficiency for IT business functions



Unify cloud management for cost and control

Automation of cloud deployment patterns


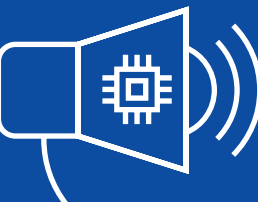

End-to-end automation of business tasks

14 days to deploy a legacy storage system

50% of organizations believe this is a top 3 KPI for CIOs

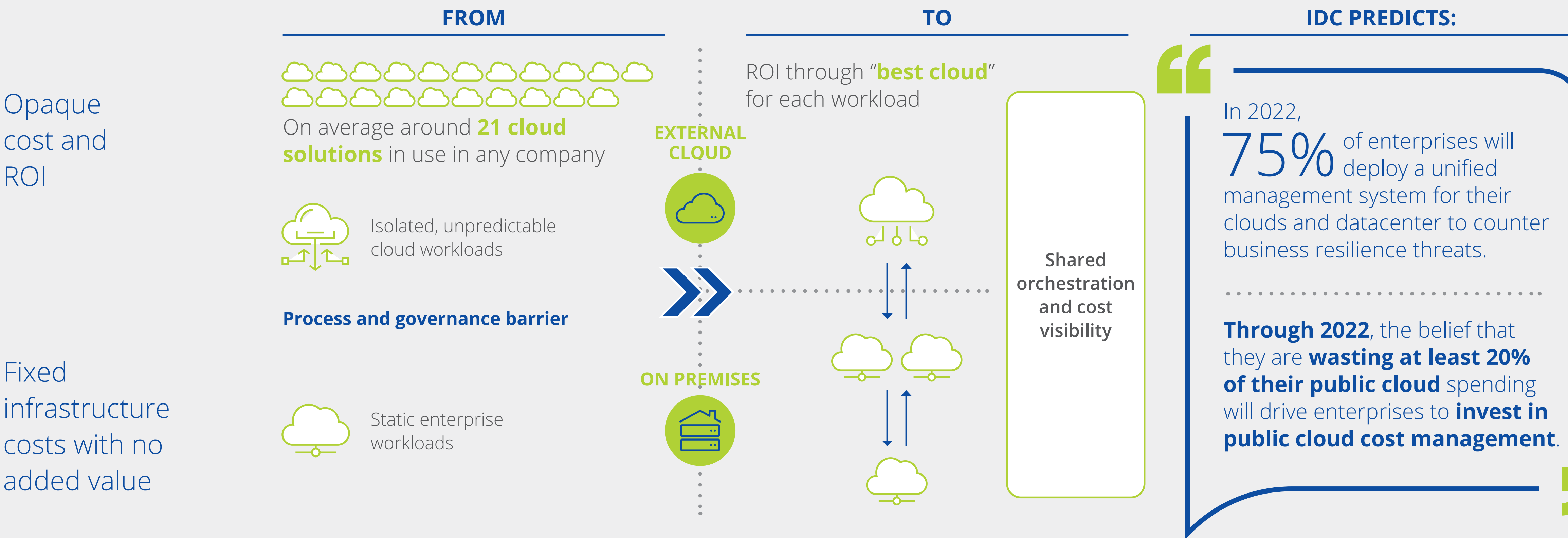
Customers That Achieve the Most Are Those That Quickly Reinvest the Savings Achieved on Sunk Costs

Value economics, aimed at allocating capital where it has the most impact, relies on architectural decisions. These play out in different business phases, from launching digital services to M&As. Deciding where to invest for growth and where to invest for efficiency in architecture has a profound impact on the balance sheet.

BUYER		CHALLENGE		SOLUTION		LESSON LEARNT
1 Major Asian brewer		Distributed enterprise infrastructure with 60 industrial sites, low reliability, and high maintenance costs. Financial systems under pressure.		Replacing legacy systems with next-generation on-premises cloud systems and infrastructure software. Higher SLAs, predictable costs.		Scalability in distributed environments requires a fresh start on standards to achieve ROI.
2 Martech provider		Cloud-native workloads on a major hyperscale cloud resulted in opaque and non-manageable costs.		Cloud cost management solution with automated recommendation of instance type and automated governance. Savings of around 20%.		The CFO office was a key transformative driver, receiving reliable cloud costing forecasts in exchange.
3 U.S. university		Researchers were making inefficient use of external cloud resources with 1,100 AWS licenses open, many expensed through credit cards. Manual process to reconcile billings.		The new cloud leader discovered usage through a cloud management tool, then consolidated access to an enterprise account. Thousands of dollars in savings.		Sunk costs in inefficient cloud management are not just in unused services but also in the time IT staff take to charge back.

Technology Architectures for the Next Normal Must Enable Flexible, Efficient Use of Cloud Resources

Value economics can be supported by IT leaders through architectural decisions. These include building a single governance plane spanning owned datacenter and cloud resources, the push to automate everything, and stringent management of external cloud costs.

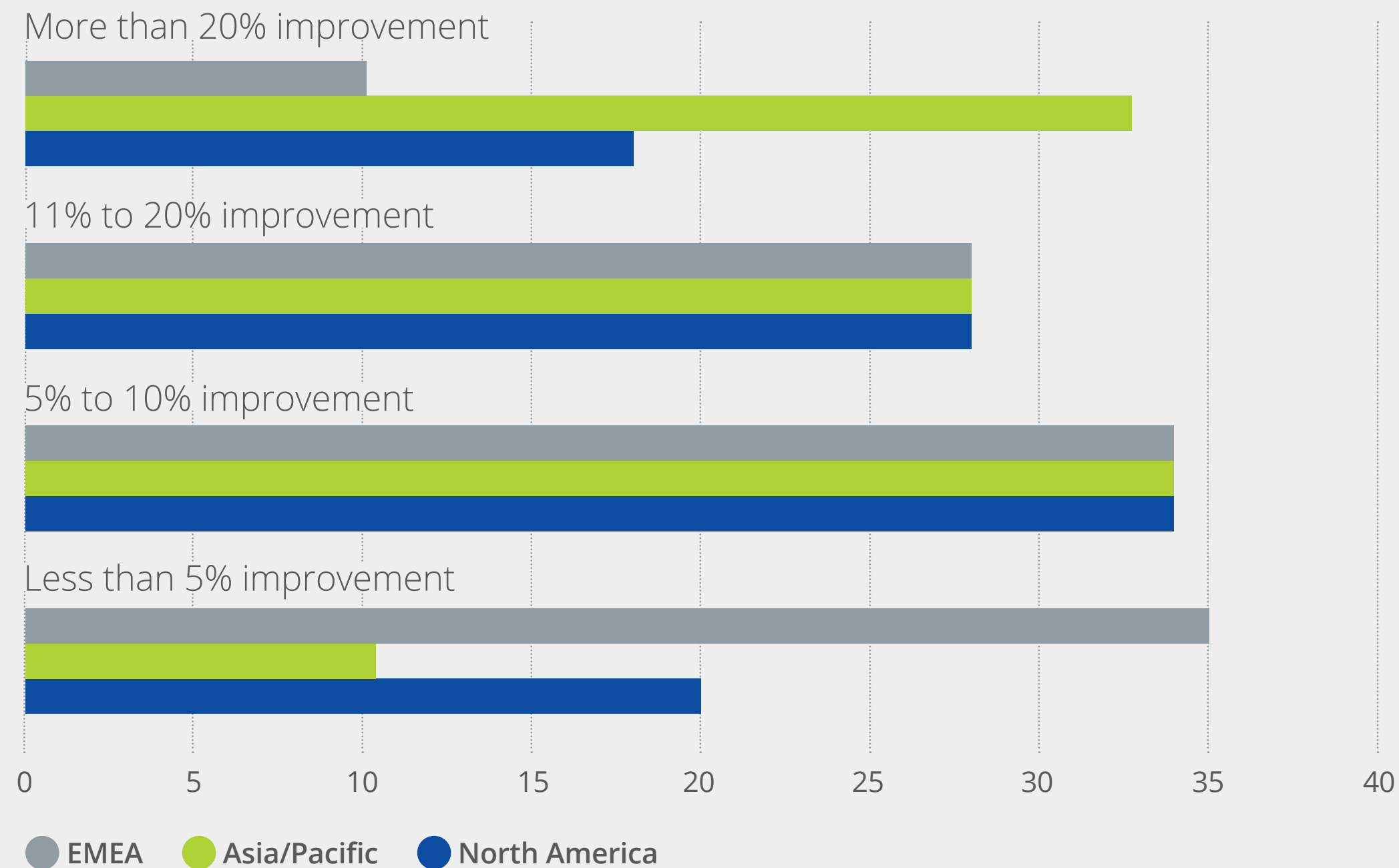


Strategic Recommendations for C-Suites Building a Value Economics Foundation

Digital initiatives have an impact and typically generate more than 10% financial improvement, but C-suite members need to embrace full transparency on business initiatives to extract value. This is a key part of establishing a digital culture.



What business impact has your organization's DX initiatives had on your organization's last financial results?



Request visibility on tech assets

The financial TCO and ROI of digital resources — from “traditional” to cloud pools to edge devices — should not be a secret for the CIO and CFO. It is a C-suite item.

Share business model changes early

Strategy- or product-driving functions should give finance and IT enough time to digest the IT procurement consequences of new business models such as forthcoming acquisitions or new digital offerings.

Actionable Steps for Technology and Finance Leaders

Act!



**Finance and
procurement
leader**



**Technology
leader**

Arm the chief procurement officer with tools to assess IT suppliers in the continuum from capex to subscription to opex.

As a rule, reallocate at least 80% of technology-driven efficiencies into innovation and more granular architecture control plans.

Compare and contrast all your owned or consumed IT assets on three axes: TCO, developer productivity, and time to market.

Assess the real cost of variable cloud infrastructure resources through discovery and automated monitoring.

Build a cloud road map for your enterprise applications with the twin goals of slashing maintenance costs and scaling innovation.

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