CLOUD REALITIES

CR002

The CXO perspective on cloud
with Daniel Hartert

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[00:00:00] But you might. Yeah. So we might convert you into a Chrome user. Do you think? I don't care at all, to be honest, as long as I see the content that I'm, I want to browse I'm fine.

Welcome to Cloud Realities, a conversation show exploring the practical and exciting alternate realities that can be unleashed through cloud driven transformation. I'm David Chapman. I'm Sjoukje Zaal. And this week, we're going to be hearing from Daniel hartert. A CXO advisor is going to be given us a view from the front line. What's really going on with cloud and what challenges to CIOs have.

And we're also going to hear a little bit more from Daniel on his background and some of the challenges he's had.[00:01:00]

So Daniel, thank you so much for joining us. Tell us a little bit about yourself. I understand your last CIO role was a buyer. Yes, actually, that is true. But maybe to start on the private side, my marriage, I have my second wife Katja, I have four kids. I enjoy being outdoors, for our private times and enjoy life this way.

How old are your kids? They're upgrown, they're between 23 and 31. So calling them kids is sometimes a little bit like a joke. So you're effectively free. You're like in your second childhood at this point. That's absolutely true. No, no grandchildren yet. No by the sounds of it, it's not going to be long.

I'm not sure. I need to talk to them.

Yeah, no, there's still time for that, yeah. And then, on my professional side, I started out as a software developer, actually, designing software systems for semi conductive design by the end of the 80s, been a systems manager, managing data centers. And then over time, I got closer to enterprise wide [00:02:00] systems and then to the application level.

And the further you move up, the closer you get done into IT management. And that has led in the end for me to be like 20 plus years, CIO of large corporations like Bayer recently, more than 10 years. I've been more than seven years with Philips. I have been with Bertelsmann and in terms of my background, I had the privilege to work in many different industries.

As I said, semiconductors, consumer electronics. Healthcare, agriculture, and when it comes to Global, I had also the luxury to enjoy living abroad like seven years in the U. S. I live in the Netherlands, so I've seen a lot and now I'm acting as a CXO advisor with different purposes. I'm very much looking forward to digging into that and getting a view of what you're, the CIOs that you're talking to, what's going on with them at the moment.

But before we do, that's a very expansive career. So during that period, you've seen a number of eras of compute. By the sounds of it, so mainframe has probably been around during that [00:03:00] period, but of course, a lot of what you've done is has been through the world of client server, hasn't it? And then client servers, evolution into cloud.

Have you got a quick perspective on how you've seen those kind of era changes during your roles? Yeah. Yeah. AB absolutely. I always have to laugh when I hear the word mainframe because it was one of the first things I really killed, , when , I the first thing you took down Yeah, I took down really when I joined batsman, the media company in the early nineties after I have been with a semiconductor company, that was entirely on me.

I came to this company and everything was. IBM mainframe token ring, it was, and and, it was quite, quite a job to convince everybody to, to transform and to get into client server into relational databases at that time, you remember these competitions between Oracle Sybase informings and these type of companies it was that age.

The great database was of the late eighties. Yes. Yeah, absolutely. [00:04:00] So for a long time, client server but, at the same time, I was always curious, what's the next thing to come, not just from a technology point of view, but how can it drive value. And when it became clear that the next paradigm would increase the value to the business, I was always trying to be fast in terms of jumping on this and implementing it.

That's where we are today with, with cloud. What do you see as being the sort of the core aspect of business value of cloud, say when you compare it back to say client server era? I think, everything is changing with cloud, and you have to look at it from a business point of view, as well as from an IT point of view. And of course, you need to merge both because they should never act independently. But as we know more and more businesses are really being data driven. And when you talk about data driven, you know that the data that you need to drive your business is probably sitting somewhere in the cloud and can only sit in the cloud because it is accumulated [00:05:00] by connecting to multiple stakeholders that all sit somewhere in this world.

And then you start to sharing data, then you start to use data for better algorithms, for better outcomes and any digital business model today. Tell me one business model where the data is entirely inside. It's just not I give you one anecdote from Bayer and the agriculture business digital farming.

So when people had doubts, whether digital farming is something that really requires clouds. My first question was, okay, we know it also is based on satellite images. Where are the satellite images? They're in the clouds. Does it make sense to download all of the satellite images every second to your own data center, then process them and make sense of it?

No. You better put your processing where the data sits, and that's in the cloud. Absolutely. And so was it that logic that drove you to establish Bayer's cloud transformation approaches? Yeah, actually, when you are in a CIO position for a company like Bayer that is typically active in [00:06:00] various businesses not in the monolithic kind of monolithic type of setup, in this case, it was Pharma.

Consumer health and agriculture. And you can imagine agriculture and pharma, they do not have that much to do with each other. What you try, but now you are responsible for the entire IT of this company. And you have to think about, what is going across? What, what makes sense for all of them together?

And where do you have to create value individually? And you have to look at it from the business side. To give you one example, which I find is very transparent. When you are a farmer, for the last decades, the rule of thumb was always, it would take 12 years. from discovering a new molecule until this molecule might end up as a product in the market as a new drug.

And you know that when you find a new molecule, maybe one out of a thousand only make it towards a new drug. And 12 years means it is the time that people who might have a serious disease are not able to [00:07:00] yet get it because it's not finally developed. And the question is, how can you speed up the development of a new drug?

by using digital. And things are becoming now totally data driven. You have topics like computational life sciences, where you use data in order to simulate how a molecule would actually impact a certain disease. And when you then are further in the process and you have to try it out, and this is why you have the clinical trials, after animals, you have clinical trials with humans only to figure out.

What should be the target group of people where you apply this new drug to be tested? It becomes now so data driven and you can gain so much speed and shorten the cycles by using machine learning, artificial intelligence. And then further on, you're not alone. You work on this new drug with patients, with healthcare providers.

How do you communicate with each other? Patients who are in this crowd of a clinical trial, they used to have to go to the doctor [00:08:00] then, every two weeks to get another test, another exam, and many of those things can now be done digitally because you, we are wearing devices that are sending essentially real time the status of your health to the to the doctors.

All of this is digital and you have to ask yourself as a company, put yourself into the CEO position. You're now confronted with priorities where to invest. You invest into a new production facility where you manufacture or produce traditionally your drugs, or would you say, I rather use the money to go into new ways, how to even figure out what will be the new drugs.

And that is something where the CIO is there to help assess the probability of success to help to understand how much investment is required to help to understand by when would you see the first results and have the time to market. That's how CIOs would think. So in terms of the approaches that you then took up by dealing with such diverse [00:09:00] businesses, each of which are digitizing in their own way, is that how you handled the conversation as an executive?

You, you took it as almost, to use the three businesses. In your example, you took it as three separate business conversations that you then aggregated together to look at what the underlying cloud themes were for the transformation. That's absolutely right. And to bring this even further we came up, and this is not Bayer specific.

I think this can be applied to anyone, to any industry. Sure. And we came up with a model that was saying IT has two mandates. It's the value mandate, and it's the efficiency mandate. The value mandate, It's close to where the business value sits and the business value is specific. It's different in the automotive industry versus the pharma industry.

And that's why you have to sit with these people to understand what value can you drive by deploying digital. When you come to the efficiency mandate, it's about how you manage it. across an enterprise, and this is also [00:10:00] very much impacted by clouds. Are you doing everything yourself or do you recognize that by moving into the cloud, you get to different economies of scale, you can drive costs down, you can get a higher degree of agility to deliver to your businesses.

So that's my recommendation. You always think in these two categories. Value is with the business, efficiency is with your team. I think that is very insightful because my reflection on that is that IT itself as an industry, at least for the last Let's say the last 15 years, but it might even be the last 20 years.

Post millennium, IT has been really quite narrowly focused on efficiencies. It's often a cost center in organizations and things like outsourcing and, third, second and third generation outsourcing are usually to try and reduce costs of things like running data centers. So is that something you recognize or in the organizations you've been in?

Has it always had the value target as well as the efficiency target? A [00:11:00] very good observation, Dave. And I must confess, it has not always been like this, it depends also how IT is positioned within the company and where it reports to. Yeah. Oh, by the way, where it

reports to. It's also a funny discussion because many CIOs believe they have to report to the CEO.

In order to be close to the value and not to the CFO, I had two CFOs that I was reporting to who were really excellent in understanding the business value of IT. So it depends more on the person than on the function itself, but. You often find, this situation that IT is seen as a cost factor and as a, as an automation factor to a certain degree.

And the value part has always been difficult to quantify. You went as CIO to Gartner conferences you mingled with your peers to figure out, oh, shit, how can I assess the value? It's so easy to assess the cost because you can measure this.

And you might remember also these. [00:12:00] Discussion around what's the healthy ratio in terms of your cost that goes into the operating bucket. versus the new investment, the projects, and there are some it shops out there who unfortunately spend 90 percent on the, as is keeping the lights on, it's only 10 percent on new stuff.

And then their recommendations, you should better be 50, 50. I know the reality is that you probably always sit with more than 50 percent in the operating area. And you probably have 50 minus something available for new investments. And that becomes difficult, doesn't it, for organizations that are actually trying to create cloud cases, particularly if it's being driven from the IT department, if they can't get into that quantified value position and that then.

Exponentiates in difficulty when say the new value might even be in a new business service that the business hasn't even got its head around yet so in your conversations these days now you've [00:13:00] moved into a role of CXR advisor. I'd love to hear the types of conversations that you're having with other CIOs now about how they are quantifying that value.

Yeah. Actually, this is what I'm doing exactly as CXO advisor on one side working with companies to exactly understand what you alluded to. What is the value going to be of, for example, a cloud transformation, but then also talking to CIOs to understand where do they have their priorities? Why are the priorities set as they are?

And are they not able to move a little bit faster into the cloud? And the reality is yes, many of them are struggling. And I think it comes also from the fact that, Cloud is not fully understood by business leaders, what it is they often look at this as a technical thing, and this is only for IT.

What I would recommend, to CIOs is whenever you talk about the need to transform [00:14:00] towards cloud, first, be able to articulate the business benefits the business benefits that can be achieved by what I just explained, for example, in the clinical trials in the R and D area or digital marketing, getting closer to your customers, achieve a higher degree of customer loyalty and these types of things.

And then you have to ask yourself as a CEO, okay, if I understand That a certain digital dose in my business models is absolutely necessary to continue to compete. Can I be digitally outwards and stay analog inside? The answer is a clear no. Yeah. You have to live, you have to live the digital paradigm internally to be perceived as a digitally driven or data driven company.

And if your IT is not moving to cloud, forget it. If they still have their own data centers, if they still have to do it yourself. paradigm. It's not going to work. And this is something that CIOs and CEOs, should figure out when they [00:15:00] talk about priorities and how fast or how slow should I move forward.

And are you still seeing when you talk across multiple different sectors and multiple different organizations, how mature do you think this conversation is across the industry now? So if you step back and look across the industry, we hear such an awful lot about cloud. It's almost in every airline magazine, it's in mainstream media as well as tech media.

You get a lot of data about how fast a lot of the providers are growing. So it lulls you into thinking that this is a mature conversation that we're right in the middle of. But actually when you look at things like workload adoption rates and when you look at what organizations are actually doing with the cloud, it's maybe not as mature as you might think it is.

So what's your perspective in terms of talking to a lot of organizations? My first observation is that this is not industry specific. I would not say that certain industries or for mature companies, we talked about enterprises [00:16:00] are much further advanced than than others. It depends on the specific people and how far are they believing into cloud and digital as a means to reinvent themselves.

COVID certainly has resulted in some acceleration as we create a higher level of. belief, and trust that cloud and digital can really help and deliver workarounds around situations, that, that were not expected, but it comes also with a danger. With the danger that business leaders believe what they now do with Zoom conferences, Microsoft Teams meetings, that this is all about cloud.

This is a very small piece and part of it. And companies should see this only as a proof that things are going to work and then think about what are the real, value drivers in order to, benefit from being in the cloud. And that is a discussion that CIOs and CEOs have to have in a very intense forum.

Yeah, I see that the I think a COVID point is very well made. I thought what [00:17:00] COVID did was prove first of all it created an existential crisis. So organizations had really no choice if they were going to survive You know, some significant population lockdowns, they were going to have to work in a different way and it allowed companies for the first time, maybe ever, certainly in the recent digital age to move at the speed of cloud, to pivot, to work in a very different way at the innovation speed of cloud, which I think is quite, was quite unusual for them, but they had to do it.

What I wonder is if when you look at broad adoption, does adoption of cloud move at the speed of cloud or does it actually move at the speed of an organization's budget and budgetary cycles and things like that? What do you think that's? That's a real good question. I clearly tend to to vote for the letter, it moves at the speed of your budget.

And which I think is not not a surprise because in cloud, it's the reality in a lot of [00:18:00] ways, isn't it? It's in a lot of ways. Yeah. And of course the it industry, with all of its different players, they have cloud now as the core business. There's no it company that can be successful without, playing somewhere in the cloud and they all innovate and they innovate in parallel.

And now you are on the other side, you are using their products and services. Of course it takes time to adapt and we should not underestimate the change management that is required in a company. It's often not a technology issue. More question of how do you change how do employees get used to work different, differently than before?

And this is not just about, Microsoft Teams and Zoom. Let's take the example of a more critical aspect, supply chains. global supply chains. We are all hit by this, since since COVID.

And it should be clear to everyone, if your supply chain systems, try to handle a supply chain in the traditional world, you will suffer from breaks.

However, if you are [00:19:00] able to adopt a more data driven approach, if you are able to adopt artificial intelligence, gathering a lot of data that is coming up, with alternative proposals, how you can feed your production, with products, with services and alternative routes, then you are on the winning side.

This is what people have to think. Business leaders, COVID changed the way how we communicate and communication is one aspect of IT in the company. The other aspects are production. supply chain marketing, and they have to see that the same as what happened to communication between each other is possible to happen in each of these domains.

So there is a lot of room, a lot of room to explore in order to come to a more digital supply chain, to come to more digital marketing, and it's going to be better than what we had in the analog world before. So when you're talking to CIOs about that challenge, cause it's such a scaled [00:20:00] challenge, isn't it?

Like lots of people, when they talk about cloud, first of all they think about it often as a very technical exercise or it's a data center exit. And what you've just talked about has ripples into every corner of how a business functions. How are you approaching that conversations with CIOs who are.

Managing a series of budget targets and maybe don't have the investment at hand to deal with something like that. How do they get after such a big prize? Yeah, it has a lot to do with how does a CIO want to be seen him or herself in the company? What is really my role? Do I help to shape the future of the company or do I just follow and do what everybody is asking me to do?

And my strong advice is put yourselves into a position that you are part of shaping the future. And this is by the way, also true for this other topic, sustainability, where, because digital [00:21:00] and sustainability have a lot to do with each other. Don't wait until somebody comes and asks you to do something about it.

So my advice to CIOs is this is your opportunity. Now you are the chief information officer. Information is data. Data is cloud. Nobody around you probably better understands what cloud can do for your company in terms of creating business value. So don't be shy, speak out what could be done and what could be really the result in terms of the business value.

Of course it requires that. the CIO understands the business. Unfortunately, not always the case. But if it is, don't hold back your horses. And I also want to bring this into the context of the current discussions, the war in Ukraine, inflation, companies trying to save money. And then some people are saying, Oh, Now let's stop to invest into cloud or let's shrink our cloud investments in the next couple of years.

I think big mistake. That would be a big mistake. I would rather look, as a CIO for [00:22:00] where are other maybe areas that I can save. They are one or the other dollar or euro, but please keep my cloud investments, on the right level because this is the future. And in these times, which are hard, it is really now the moment to put the right basis in place for our future in the company.

I think that's a phenomenal place to draw a conversation today to a bit of a close. And it feels like we've only just started. There's there's so much more to explore in what you've said in terms of the obligation of a CIO, I think almost in an organization to bring what's possible to the table for discussion and be bold about that, right?

Sometimes you might feel vulnerable in doing that, or you might feel like you're going to get exposed in doing that. But I think really it's a time now to step in. And actually there's been no better time, really, because you've almost got some of the proof points sitting right there in terms of what the pandemic.

Allowed [00:23:00] organizations to do. Yeah. Abs. Absolutely. And it also goes hand in hand with one other aspect when you are the c I o and you have the intention, to help your company to transform, show to your leadership that you can transform yourself and your own area. Yeah. And this is something I'm also observing that many IT leaders are holding on too long.

What they have in place now, and I know we know the transform transformation into cloud for It's a huge step because look at your skill base. Now, if you have a thousand employees, just to have an arbitrary example, and amongst a thousand employees, you have a certain competency mix that competency mix with clouds and after cloud transformation.

We look completely different, but it's the same in the business. And you need to show as a CIO that you are the first one who is going to have the courage to transform and to convert this. And when you do that step and you see the [00:24:00] first successes, you create also trust in the business.

It's often forgotten that this is very important. Lead by example, not by talking. Do you see a difference there? Because if we look at the pandemic, that was so disruptive for business. Leaders need to take a stand for that. Do you see it's different now? Are they holding back again? Yeah, I think that there, there is some holding back or I would even, I would call it maybe a certain dose of missing courage, to go faster and to really accept that the future will be different.

And many companies and IT leaders are taking the stance of I will first observe what others are doing. And if it's proven to be successful elsewhere, then I will follow. Okay you might not have to be always the first mover but with cloud. and competition in your industry. There's no time to lose.

And you need to have the courage just to go forward.[00:25:00]

Sjoukje, what research have you found over the course of the last week in terms of, looking forward and what might come next? Yeah, that's very much in line with the discussion that we now have. Yeah. Because every week I will do some research on the recent tech innovations and I'll pick one that's interesting to share.

And this week I came across a recent study that's got published. So according to that new study from WANclouds, 81 percent of IT leaders say their C suite has directed them to reduce or take on no additional cloud spendings as financial markets continue to be volatile. Because of the rising inflation, the interest rates, along with fears of a potential recession, have put increasing financial and operational strain on organizations.

This came out this week. Of course, we are not surprised, that this came out, but the way how it's formulated already shows a problem. The C level [00:26:00] has directed them, so they are not part of the C level. You're right. They just get, yeah, so they, they seem to get directions. It's been delegated to them.

Yeah. And now they try to figure out how to follow, that marching order. The only thing I would say is if I would get this marching order from my C level, I would immediately start engaging in a discussion. Not because I do not recognize the needs of the company, to be careful in these times, but to engage in the discussion that there are certain investments.

that need absolutely to be made going forward. Otherwise, we might be able to go through this crisis, but we could be dead afterwards. And of course, it's not an all in or black and white scenario, but simply saying, slash your costs by 80%. No, that doesn't work from my point of view.

This is not how you should run a business. I agree. And I also agree with the fact that there's a, there's a fiscal reality out [00:27:00] there, which is going to be difficult for the next number of years and let's hope that's a fairly short number of years, but it's moving into the unknown again, but I think to your point.

Rather than just trying to manage what we've had for the last 10 years, actually pushing forward and going what's a cost effective way to do new things that might actually help us manage our way through this financial crisis in a much more creative and innovative way. That might give us access to new things that we've not had in the past.

It shouldn't be just about turning the screws down and all the budgets and hoping the world will be the same at the other side, because I think one thing that is 100 percent for sure is the world will not be the same on the other side of the crisis. Absolutely. And, you have to take a look in a holistic way at what you have at hand.

The other example is we are now in this crisis, mainly because of the war. And we know next to this war, there's also cyber war and [00:28:00] companies, feel the pressure to do something. And the other study that I have seen just recently is that more than 60 percent of CIOs have now recognized that cyber security.

It's much better to be set up in the cloud than on prem in order to have a better strategy for defense. So what do you do now? We have these cyber threats, you are not adequately protected anymore. And when you go cloud, you can be much better. Would you stop investing? I would find it stupid.

I know you've got some interest in security. What's your perspective on that? So if we look at that recent study that came out this week that kind of worries me because if we see that the investment in cloud is going to be lower in the upcoming years, then that also means that investment in cybersecurity will also be decreasing.

So that kind of worries me. But, in reality, maybe one, one last experience very often when these reports are coming out, they, they show very much this black and white [00:29:00] picture under the hood. I know that in these companies, in most situations, there's a more substantial discussion around, what makes sense, what doesn't make sense and you find ways.

Or you can still continue, to invest maybe with a little bit of a slower dose but continue to invest into those things that are really necessary to come out of the crisis better. That would be my hope. Fantastic, Daniel. And thank you so much for joining us for the discussion today. You've given us a lot to think about and I think it barely felt like we scratched the surface of it.

Yeah, I enjoyed it very much, Dave. And you're right. We could talk another two hours about this, but the most important thing is talking is nice. Let's hope. All the other guys are doing something. That's it. And actually we end the show by asking our guests what they plan to do next. So what are you planning to do next?

And that can be, who you're talking to next, or it could be as simple as, Hey, for dinner tonight, I'm going to make spaghetti bolognese. What are you up to next, Daniel? Friday afternoon I'm happy to be able to look forward to [00:30:00] the weekend. That be sunny.

And my next thing is the weekend and being outside and enjoy the nice weather.

And then Monday I'll continue to think about how to further engage in cloud and transformations. Daniel, I hope you have a lovely weekend and the weather holds up. Same to you. Yeah. Thank you so much for being on the show this week, Daniel. Thanks to our producer Marcel, our sound and editing wizards, Ben and Louis, and of course, to all of our listeners.

We're on LinkedIn and X, Dave Chapman, Rob Kernahan, and Sjoukje Zaal. Feel free to follow or connect with us and please get in touch if you have any comments or ideas for the show. And of course, if you haven't already done that, rate and subscribe to our podcast.

See you in another reality next week

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