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Navigating the cloud-native maze

Empowering organizations to capture business
value from their cloud investments

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Executive summary

The bigger the cloud, the more likely it is to rain on you, the CIO of a UK insurer pointedly remarked. Many cloud transformations fail. She explained that unless you are born cloud native, it is challenging to drive cloud-enabled transformation. Thus, we need to cut through the market noise and be more honest that CIOs and operational leaders must manage a new operational complexity. Too many businesses start their cloud journey with an infrastructure and cost focus and become disillusioned when costs explode. Yet, those costs can be justified only if there are clear business objectives for transformation projects. How can we help organizations finally capture business value from their often-steep investments in cloud transformation?

There is a scarcity of compelling thought leadership on how to approach cloud-native transformation. To better understand how organizations capture business value from their cloud investments, HFS Research, in partnership with Wipro, interviewed 10 CIOs of Global 2000 enterprises in Q1 2023. We focused on understanding how the CIO role is changing through the adoption of cloud. HFS supplemented the CIO interviews with deep-dive interviews and discussions with the Wipro cloud leadership team, which shared experiences and offered best practices.

Key findings



Most transformations failed

Even before the onset of cloud, people and culture presented the biggest challenge and opportunity for IT leaders.



IT leaders own nearly two-thirds (63%) of cloud-native transformations

CIOs own 23%. However, many CIOs have to reinvent themselves by double-clicking on the business value of IT, becoming an executive coach for the board, and fostering inclusive stakeholder management. While becoming cloud native mandates bringing IT and business together, the reinvention of CIOs is largely about execution.



Transformation must be anchored in business objectives

Misaligned technology and business objectives is a key reason for the many cloud-enabled transformation failures. Cloud native is predominantly about people, culture, and change—not technology and capabilities. Cloud native is about a set of architectural and cultural principles. Ultimately, cloud-native transformation is about how we create and deliver, not where. Therefore, we need to drive the discussions back to data-driven outcomes and link those outcomes to business objectives.



Cloud is becoming a business discussion

Becoming cloud native is about defining a North Star, blending business objectives with a realistic talent strategy. We must reset the cloud discussions more than ever and pivot from capabilities to business outcomes.



Don't retrofit cloud into traditional operating models

To achieve those outcomes, organizations must design their cloud target operating model.

The call to action is clear: Your cloud transformation will fail if it is not grounded in business objectives. To help enterprise leaders develop more nuanced narratives and foster an alignment of technology and business objectives, HFS has created the Cloud Native Foundation (see Exhibit 4). It is built on the fundamental belief that becoming cloud native is about business transformation. You can only be successful on this journey if you align technology and business objectives.

The bottom line is equally clear: Cloud is becoming a business discussion. Thus, organizations need to define and align their business and technology objectives rather than stay lost in capability discussions. Yet, the biggest levers for progress on transformation are driving cultural change and enabling people.

The CIO's mandate is to deliver business value while managing the new operational complexity of cloud native

Reports of the death of the CIO are greatly exaggerated, paraphrasing the great mind of Mark Twain. Yet, to stay relevant, CIOs have to reinvent themselves and drive transformational change. It is no longer enough to guarantee that systems are operational and keep organizations out of newspaper headlines. Rather, CIOs must explain IT's value to the board. CIOs that continue to define their job as just technology management are rare. The often-hyped discussions on cloud need to pivot to business value. For many organizations, decentralized working and efficiency gains are not enough to justify cloud's often-steep cost. Bluntly put, we need to reset the discussions on cloud transformation.

To achieve that reset, organizations need to resolve the cloud contradiction. How can we reduce costs while innovating at speed? Operational leaders ought to accept that cloud transformation is not a cost-reduction exercise. The benefits lie in cultural change that leads to the capture of new sources of value. This change is the essence of what cloud-native

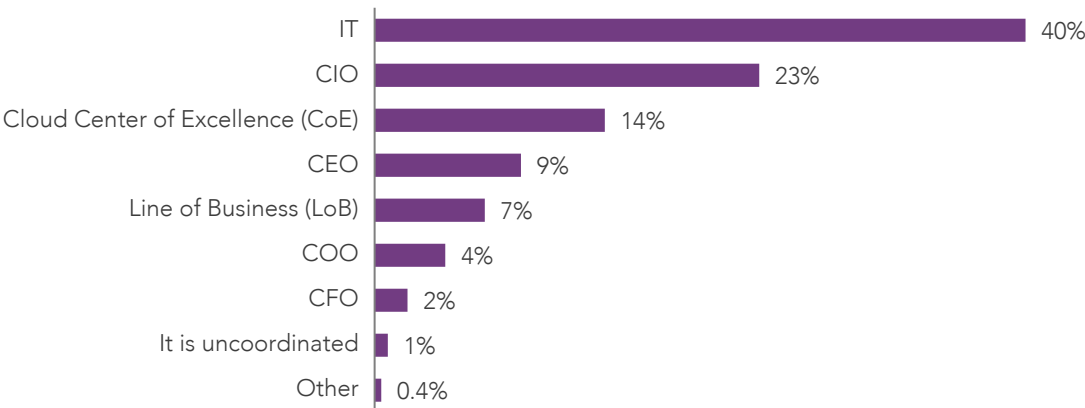
transformation means. Cloud native is about a set of architectural and cultural principles. Ultimately, cloud-native transformation is about *how* we create and deliver data, not *where*. We need to drive the discussions back to data-driven outcomes and link those outcomes to business objectives. Technology partners must help clients work through the implications of cloud target operating models. Without envisioning new models, the cloud will remain a horizontal and largely infrastructure-centric play.

Transformation is about cultural change—not technology

While CIOs can't drive transformations alone, they play a pivotal role. As Exhibit 1 outlines, in more than 60% of organizations, the CIO or IT leaders own their cloud-native transformation. However, transformation is neither about technology nor cost-cutting but about people and culture.

Exhibit 1: IT leaders own cloud-native transformation

Who owns cloud-native transformation in your company?



Sample: 508 Global 2000 executives
Source: HFS Cloud Native Transformation Study, 2023

Jen Cohen, former CIO at Toyota Research Institute, put it succinctly:

“

We are still making the same mistakes we were doing all along. All the large IT projects that have failed since the 90s—there’s a whole website for them. I think some folks are waking up. I think some organizations are realizing how powerful transformation can be. Yet, I don’t think you can cut your way to growth. I certainly think we can get a lot more efficiencies if we do the right thing. But we focus on tech, and eventually, we focus maybe a little on processes. However, we rarely focus on the people part of it. But if we want to change how our organizations fundamentally function and how they leverage technology, we are going to have to deal with the people part. And that’s always the hardest.

– Jen Cohen,
former CIO at Toyota Research Institute

Jen outlined that most transformations are failing, and we must be honest that the new complexity of the cloud is adding to those challenges.

The experiences of a French telecommunication company’s CIO are probably representative of many organizations less mature in their progress toward becoming cloud native. In his view, his organization is upgrading technology rather than driving wholesale change and transformation. He was transparent in that he doesn’t yet know the exact cloud native and 5G use cases. The only area where he feels on firmer terrain is the cloud usage, as the operator achieved significant maturity in FinOps. When asked whether he has a clear sense of the future state of his operations, his answer was unsurprising, “This is a work in progress.”

The misalignment of technology and business objectives is the main reason for failure of transformations

Leaving the cost focus to one side, many organizations focus on technology transformation without harnessing the transformational capabilities inherent in becoming a cloud-native organization. Organizations failing to align technology and business objectives will likely fail to capture business value from their investments. So, against this background, what levers do CIOs have for reinventing their roles and finally improving their transformation success rates?

- **Business alignment is crucial for capturing value:** Cloud-native transformation must be anchored in business objectives, and organizations need a strategic mandate or North Star to communicate the change required to achieve them. Fundamentally, technology objectives must align with business objectives. CIOs must foster effective collaboration with the C-suite and line of business leaders.
- **Management commitment is essential, as transformation is not about technology:** With the focus on business transformation and objectives, the CEO and board’s commitment is essential. Where transformations are run as CIO programs, they are bound to fail. We see progressive CIOs becoming executive coaches for the board, guiding them around the business value of IT and the implications of resiliency. This is critical for snapping out the cost focus of IT programs. In our view, it is challenging for CIOs to achieve transformation without having a board seat.

- **Double click on security and resiliency, as cloud native means new complexity:** With the decentralization of resources, there is a fundamental shift of risk toward the cloud service providers (CSPs). Organizations need to develop a shared responsibility model with the CSPs, revise incident responses, progress to continuous monitoring, and effect many other changes. With that, CIOs are no longer working with suppliers; they should forge new strategic partnerships to make their operations adaptable.
- **The ultimate success of transformation is about effective change management:** Traditional approaches and mindsets need to be adjusted to embrace cloud-native principles such as agility, continuous integration and deployment, and cross-functional collaboration. This cultural shift often involves promoting a DevOps culture and scaling site reliability engineering (SRE) practices, where development and operations teams work closely together. To make this point even more poignant, cloud-native transformation is more about people and culture than technology capabilities.

Organizations must reevaluate their executive talent after frequent erosion via strategic sourcing

Yet, the challenges for organizations to achieve successful cloud transformations go much deeper than changing the role of the CIO. Strategic sourcing decisions over the years have eroded core competencies among many organizations. With the shift toward cloud, this expertise needs to be rebuilt. Consequently, there is a serious lack of leadership on the customer side. They have done classical outsourcing for the last 10 to 20 years. Many of their people have been re-badged or transferred. So, there is a massive deficit of

engineering, technology, and business leadership on the client side. With rapidly changing sourcing models and a pivot toward co-sourcing, organizations need to invest more in hiring leadership skills.

Service providers must guide their customers to in-source and invest more in talent. Otherwise, we will see more transformations where the desired strategic outcomes won't be achieved. Enterprise leadership just can't assume that rebuilding those skills will magically happen; it won't. You've got to identify leaders in-house or hire them externally. These are important talent conversations to have up front.

In equal measure, organizations must bring in new skills such as platform, product, and engineering managers. Yet those skills have very different objectives and key results (OKRs). It is critical to infuse those skills early in the transformation journey, and there is a direct link to sourcing implications. Many organizations don't want to outsource this part; rather, they want this to be like a co-sourcing model. In some cases, product managers will be on the customer side, and in some cases, on the provider side. Consequently, the whole sourcing model needs to be discussed. It is no longer a question of make vs. buy or outsourcing vs. cloud transformation. It is a blend of different options, such as co-sourcing, outcome-based, and capacity-based models, especially when a project is entering the run part of a transformation.

To reset the cloud discussions, we must also be mindful of terminology. Many stakeholders we spoke to suggested we should stop discussing cloud transformation and instead discuss business transformation. In the following section, we outline how enterprises can shape those narratives.

Cloud is becoming a business discussion

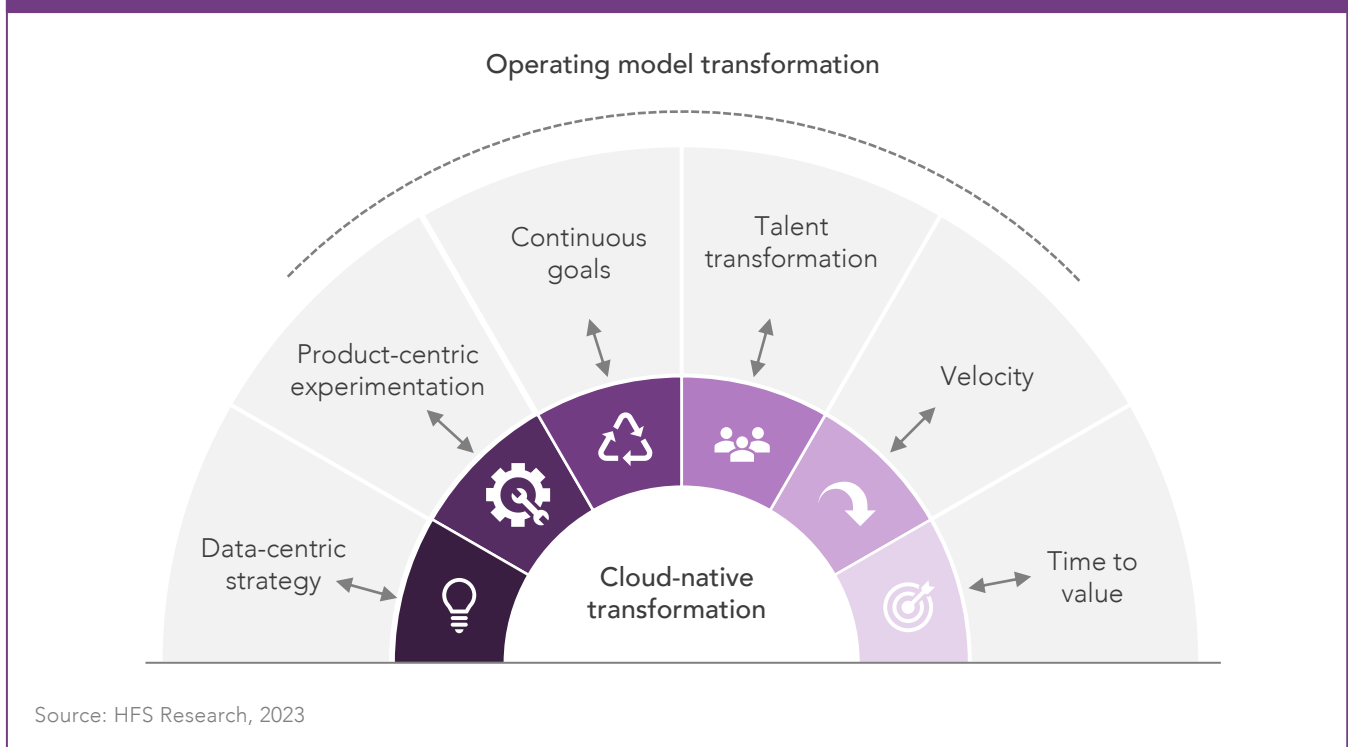
There is a fundamental disconnect in how the industry discusses organizations moving toward the cloud. The supply side evangelizes technology and capabilities with containerization and Kubernetes as the focal point for that marketing noise. Conversely, the buy side struggles to capture the value of their cloud investments, as very few clients have a well-defined cloud transformation strategy at an organizational level, which can lead to siloed transformations. Only by aligning technology transformation to business objectives will organizations get closer to capturing value from their investments.

To help organizations envision and articulate the outcomes for cloud-native transformation, HFS has developed [six vectors for cloud-native transformation outcomes](#). Exhibit 2 visualizes those vectors that enable cloud transformation and target operating models.

The main observations on embracing those outcomes include

- **Data-centric strategy:** Organizations increasingly seek experience-led outcomes ranging from customer to employee to ecosystem experiences. They must align their data needs to deliver on business strategy to achieve those outcomes. Organizations must run data and application modernization in parallel to succeed with this transformation.
- **Product-centric experimentation:** To support those data-centric outcomes, delivery is shifting from a project focus toward a product focus, where you no longer have clearly defined starting and endpoints; rather, operations align with product lifecycles.
- **Velocity:** Being cloud native is about working and collaborating fundamentally differently. It is about having access to all relevant data assets and enabling a high data throughput. Automation becomes a crucial enabler to get to the desired velocity and, ultimately, time to value.

Exhibit 2: Six vectors shape cloud-native transformation outcomes



Source: HFS Research, 2023

- **Time-to-market:** Last, since the pandemic shock, organizations have been looking for tangible outcomes in narrowly defined time windows. Lengthy projects with lofty outcomes are a thing of the past. At the same time, as suggested, many transformations fail because technology objectives don't align with business objectives. Here, cloud transformation kicks in.

The pivot toward business objectives must be part of the roadmap for the transformation journey. It requires clarity as to what cloud-native transformation means, a point that Vinay Ramananda, Global Chief Technology Officer, Wipro FullStride Cloud, made emphatically:

“

Clients have to define their vision of what cloud native is. Everybody says cloud native in their terminology. Please define what you mean by 'cloud native' and define it keeping your business outcome in mind—and that vision statement has to come from clients.

– Vinay Ramananda,
Global Chief Technology Officer,
Wipro FullStride Cloud

That vision statement has to come from clients because their requirements are unique. The six vectors and other thought leadership we have developed can help crystalize the vision, but it needs to be specific to individual organizations. This uniqueness also applies to the target operating model, as we will discuss later.

Yet, it is easy to trip up with the sequencing of events and milestones. Organizations need to figure out what works well for their business. If their business goals are speed or coming up with new business models, which can help them come up with new products and platforms, but also with the monetization of data assets, they should keep that as their starting point. Starting with a target operating model discussion without really knowing the business' wants or priorities is a little bit of a horse-in-front-of-the-cart kind of conversation.

Organizational setup must align with business objectives

From a target operating model perspective, a hub-and-spoke model is one approach for operationalizing these business objectives. The IT organization becomes an innovation hub, and the lines of business become execution spokes, enabled by IT. The best practice advice from many practitioners is to not try to own everything because that is a disaster waiting to happen. No line of business wants to give control of their applications to somebody else. Operations leaders don't want everybody to start innovating, or a mess after two years is inevitable because the leadership has many frameworks to deal with. The advice we hear time and again is that a cloud center of excellence (CoE) should own standardization, tool adoption, and automation. But for the broader transformation journey, a hub-and-spoke model, defined roles and responsibilities, cloud policy management, and change control and approval processes can provide the necessary checks and balances.

The organizational setup must align with business objectives. Therefore, creating program governance for the CoE and the execution is an effective way to steer organizations toward their business objectives and manage the milestones that drive the transformation journey. The ideal scenario is to start with a business objective, create a CoE, and establish an execution hub-and-spoke model. Customers often start asking questions: Should the program governance be sitting under a CIO organization or a partner organization? What should the construct of this cloud governance be? Should cloud CoEs be separate from cloud governance? The answers will vary from customer to customer, depending upon the complexity and politics at the customer level. The takeaway is that defining business objectives and working through the organizational setup are intrinsically linked.

Stop retrofitting innovations like cloud into traditional operating models

The two key challenges with designing a cloud target operating model are aligning it to desired business outcomes and driving change management. To eliminate doubt, there is no pre-defined sequence of events such as defining the future state and new business model then designing the cloud target operating model to migrate workloads. Only startups and digital twins of traditional organizations might have that luxury. Therefore, many organizations follow a phased approach of re-architecting for the cloud first, and some create a parallel cloud-native organization next to traditional and heritage operations. Manish Bushan, Head Client Solutions Group, Wipro FullStride Cloud, crystalized the required mindset for transformation succinctly:

“

The cloud-native operating model is not about cloud. It is about a roadmap. It is about agility. It is about that ability to pivot continuously into what drives the maximum value for the customers and the business.

– Manish Bushan,
Head Client Solutions Group,
Wipro FullStride Cloud

The ability to drive effective change management is not just contingent on the ability to drive cultural change. To a significant degree, it's also contingent on the reference architecture's design. Given the complexity of large enterprises, there is no chance of ever getting to a standardized technology or tool stack or having a dual stack of legacy and non-legacy technologies. Therefore, all the approaches—from policies, guardrails, and controls to FinOps—have strong limitations. Thus, an effective way to tackle those challenges is to embrace open source.

Service providers can play a critical role in educating their customers about the

developments in the open-source space because they can avoid lock-ins and cost surprises. There is so much tailwind, consolidation, and uncertainty that nobody knows what will happen. Investing in open source and building competency is a prudent way to mitigate risk.

In our interviews, we learned that four distinct elements help drive operating model discussions:

- **Make a cloud CoE the cornerstone of your operating model discussions:** First, clients should create a cloud CoE. In many cases, a dependable and replicable TerraForm-based environment provides the right level of security for delivering cloud services. Thus, clients should design a high-performing link between their organization and cloud providers.
- **The CoE should design the cloud adoption strategy:** Second, the CoE should create the cloud adoption strategy, including selecting the hyperscalers, migrating workloads, and creating cloud platforms. Some executives recommended leveraging a hub-and-spoke model, where IT drives the innovation and the lines of business steer execution.
- **Iterate through the cloud adoption frameworks:** Third is a fail-fast mode, an agile way of working through the cloud adoption frameworks, deciding what to do with applications nearing the end of life, such as lift-and-shift refactoring or leveraging innovative SaaS offerings. The key issue for many executives is doing it in a centralized way to maintain control while the lines of business drive the execution.
- **Create program governance with business objectives in mind:** Lastly, create program governance that will govern the center of excellence and the execution to facilitate managing target business objectives.

Exhibit 3 builds on those deliberations and summarizes the key issues. A significant deviation from those points is a more holistic approach when determining the scope, responsibilities, and goals of the transformation, such as a centralized or decentralized CoE. Another is having cross-functional agile teams to support transformation. We also believe [cloud-native operations](#) need to be elevated to be part of the strategic discussion around operating models, as becoming cloud native also means having to manage a new operational complexity that will impact the desired business objectives.

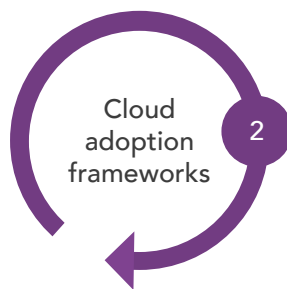
Discussions about industry cloud should be part of designing the target operating model, as many organizations struggle to achieve their objectives for cloud-enabled transformation. But this design requires that industry cloud is more than just repackaged IP and industry solutions. It should include new ways of engagement, such as deep vertical integration (including data integration, process automation, collaboration, and compliance), data governance, and new business models like data monetization, marketplace, and service bundling.

Exhibit 3: Four strategic levers guide cloud target operating model discussions



- Setting up the structure, defining the scope, and determining the responsibilities and goals of cloud-native transformation
- Ranging from vision and objectives to continuous improvement

Examples: Centralized or decentralized cloud centers of excellence, cross-function agile teams



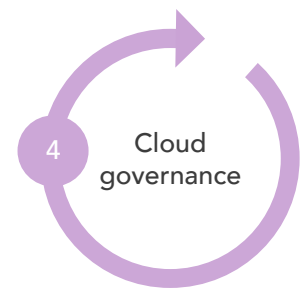
- Providing a structured approach to help organizations plan, execute, and optimize their transformations
- Ranging from strategy and planning to training and skills development

Examples: AWS Well-Architected Framework and Microsoft Azure Architecture Center



- Setting up in an iterative process the necessary processes, tools, and practices to manage and operate cloud-native applications and infrastructure efficiently

Examples: DevSecOps, DataOps, CI/CD, AIOps, observability



- Setting up policies, processes, and controls to ensure effective and secure management of cloud resources and services
- Ranging from stakeholder identification to monitoring and audit

Examples: Cloud cost management such as FinOps, value stream frameworks, continuous compliance

Source: HFS Research, 2023

Redesign cloud governance with a view to ensuring outcomes

One of the biggest distortions of cloud discussions is the often myopic obsession with cost. All too often, this obsession focuses on technology transformation but not business transformation. Organizations frequently find themselves in a dead-end situation where they are trying to measure the wrong objectives. Rather than just jumping on the FinOps bandwagon, it is crucial to identify the right objectives and tie them to the business outcomes the operating model should deliver. To succeed in this state of fluidity, the building blocks of business assurance and operational checks and balances must be consumable—just like the cloud itself.

To be more successful around these issues, organizations need to figure out how to measure progress and the impact of transformation more effectively. Fundamentally, this is as much about data like OKRs, monitoring, and spend ratios as it is about getting a sense of the transformation itself. Those data points are still very mechanical. Therefore, it is important to get a sense of the organization being transformed.

How can executives get a sense of how the sentiment across the organization is changing? In our discussions, we hear about softer qualitative and largely subjective criteria such as employee engagement, internal NPS, and employee morale, but we haven't come across more quantitative and objective metrics.

Operations leaders should test whether the collaboration score has increased. Similarly, they should ascertain whether the commitment to certain goals increased. If those parameters can be tested, we might see different outcomes from that cultural shift.

Beyond more effective measurements and metrics, another opportunity for organizations is to first find the right levels of governance that don't stifle the transformation. Second,

leverage the collaboration with business stakeholders to speed up the approval process. Vinay Ramananda pointedly put it:

“

Many times, we end up overdoing compliance for the sake of it. I think we need to simplify that. At the same time, we overestimate risks, which becomes a dampener for transformation. So, aligning with the business and ensuring your business is your sponsor help you clear hurdles with the CISO team with the InfoSec team. Because if the business says, 'This is the priority, and these are the guardrails we will use,' allow them to do it. It is so much easier to get approvals.

– Vinay Ramananda,
Global Chief Technology Officer,
Wipro FullStride Cloud

However, many discussions on cloud governance are reduced to a discussion of FinOps, focusing on cloud usage and cost instead of a holistic view of operational efficiency. In our view, governance approaches should be expanded to get closer to the notion of business assurance that can help to assure the transformation outcomes. FinOps is an important part of this, but the complexity and scale of transformational journeys lead to a lack of visibility of the operational underbelly.

While we make progress with observability and AIOps, many organizations struggle to progress to an end-to-end view of their processes. Perhaps most importantly, the cultural change around the six vectors of cloud-native transformation we discussed in Exhibit 2 is challenging traditional financial management practices, and the whole purpose of the transformation is to transform business models so that FinOps is often chasing shadows.

We also need a nuanced view of how different industries approach the topic. In our view, manufacturing, energy, and utilities demonstrate a strong focus on FinOps from day one and expect a return within 12 to 18 months. BFSI focuses less on cost and expects returns in three to five years; however, BFSI also has much higher expectations of the scale of that return.

We need a more holistic approach to governance and a broader business assurance that can help achieve transformation milestones and, ultimately, the business objectives we seek. Cloud native means there is an inherent shared responsibility across a broad set of stakeholders to guarantee governance, risk, and compliance.

That responsibility ranges from cloud providers to new operational teams and customer organizations undergoing transformation change. Thus, it is crucial to identify the right objectives and tie them to the business outcomes the operating model should deliver. To succeed in this state of fluidity, the building blocks of business assurance and operational checks and balances must be consumable—just like the cloud itself. Having played back all those best practices, let's aggregate those to the broader discussion points on cloud-native transformation.

Bringing it all together: Drive transformation aligned to business objectives

Given the operational challenges, what practical steps can organizations take to make their transformations more successful? How can we drive more meaningful discussion about cloud-enabled transformation?

One of the key takeaways from our discussions is that cloud-native transformation is a continuous journey without any endpoint. Thus, we have to push back hard on any short-termism or hollow promises from the supply side. It takes three to five years to realize the benefits and carve out a business for how each will help drive business growth by improving and reducing costs from a resiliency perspective, reducing costs in terms of maintaining your data center and maintaining all this. At the same time, we need to drive the discussions to a better customer experience, underpinned by effective resiliency rather than getting lost in technology capabilities. These are additional building blocks for more effective narratives.

Similarly, organizations must focus on aligning technology and business objectives, one of the key reasons many transformations fail.

Organizations should create their business case from a business value perspective, not a technological perspective. With the right business case, they want to ensure the timelines to get the returns are in the right time window. They can't expect to invest today and expect a return yesterday. It requires a clear understanding of a long and challenging journey. There will be bumps on that journey; therefore, you need to be committed to that particular journey. Sharad Gupta, Global Head, Application Engineering and Cloud Services, Wipro FullStride Cloud, summed this up by linking clear business objectives with a robust talent strategy:

“

Create your North Star well, but also create a job path towards that North Star. Be clear where you are today and where you see yourself five years down the line. Create milestones in between and measure yourself on the success on specific milestones across various parameters driven through business value.

– Sharad Gupta,
Global Head, Application Engineering and Cloud
Services, Wipro FullStride Cloud

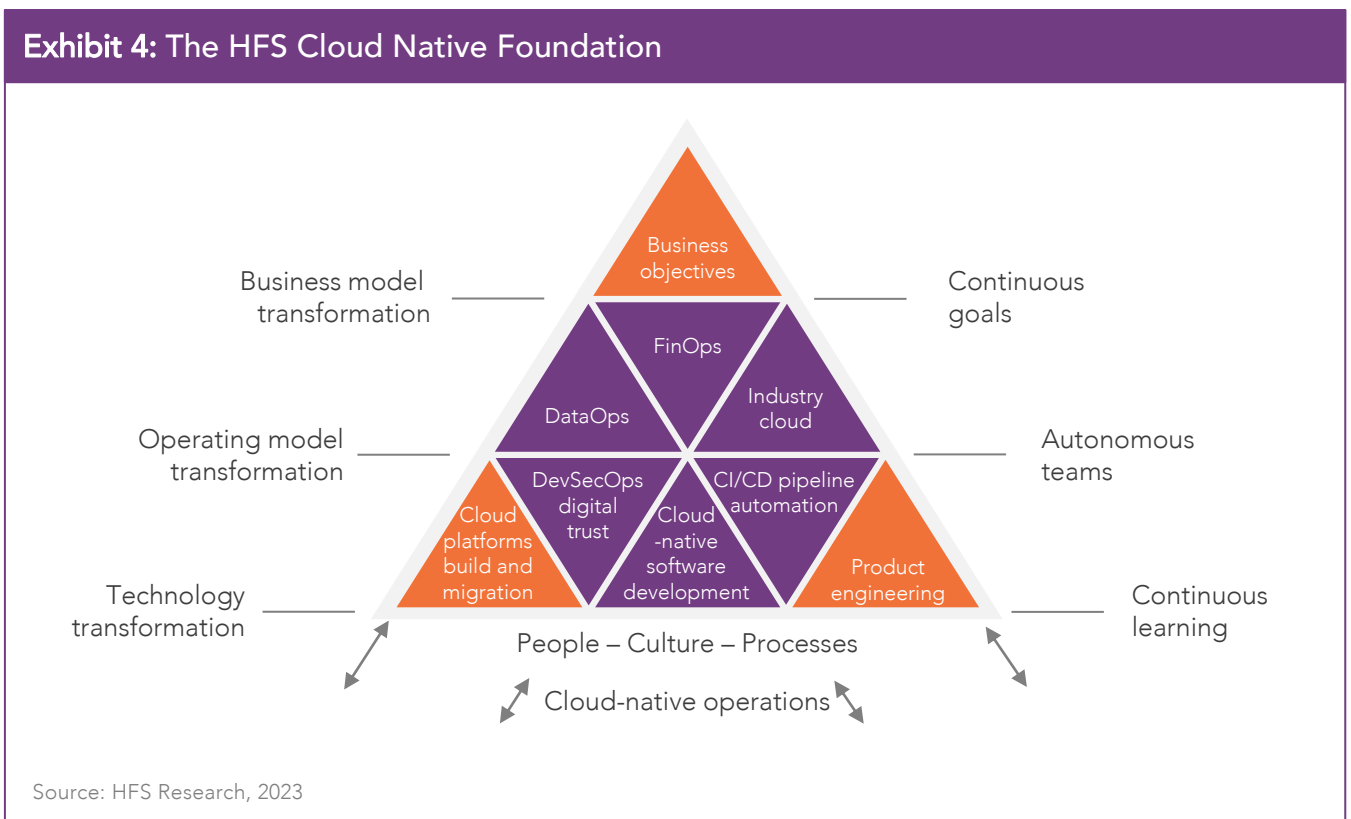
There is a lot to digest from those discussions, but this reflects the complexity of the topic. To help enterprise leaders develop more nuanced narratives and foster an alignment of technology and business objectives, HFS created the Cloud Native Foundation shown in Exhibit 4; it is built on the fundamental belief that becoming cloud native is about business transformation. You can only succeed on that journey if you align technology with business objectives, and you must acknowledge that cloud-native operations are a new complexity, at least in the short to medium term.

We will only see more successful transformations if organizations prioritize change management and foster new cultures, including defining a robust talent strategy and a collaborative management style. From an operations perspective, organizations need to be able to scale autonomous teams built on DevSecOps and SRE principles. These principles must be underpinned by completely new ways of working and collaborating, where continuous goals challenge traditional management principles. On that

transformation journey, continuous learning and unlearning are non-negotiable requirements.

Technology-centric activities like platform building and migration, product engineering, and new engagement models like industry cloud are just enablers for transformation—not goals in themselves. It cannot be overstated that cloud-native transformation is about people, culture, and processes. Technology is important, but alone, it won't drive transformation. Here, we have to change the discussions in the industry.

When discussing the lessons learned that could help clients on their transformation journey, Sorabh Singhal, VP & Global Head, Digital Transformation Services, Wipro FullStride Cloud, made the astute observation that all elements of the HFS Cloud Native Foundation have different contexts when discussed independently and when each of those elements depicted as triangles meets another element.



The HFS Cloud Native Foundation depicts a multi-dimensional relationship between the constituting elements. Sorabh elaborated that every client is undergoing a systematic transformation journey. When they are not progressing, you should go back to explaining the fundamental principles of cloud-native transformation as well as the interdependency of the constituent parts:

“

Ops model transformation today creates business agility. Agile creates better business alignment. What DevOps does is improve the cycle times for software delivery. What quality engineering does is reduce the dev cycle times, time to defects, and how we identify and detect them. One thing is what these things do in isolation. But when the ops model meets with Agile, it creates a product mindset. When the ops model meets DevSecOps, it creates a true one-team environment. And the list goes on.

– Sorabh Singhal,
VP & Global Head, Digital Transformation
Services, Wipro FullStride Cloud

Sorabh underlined that we need to be honest about the complexity of the cloud-native transformation journey, but at the same time, we must be careful not to discourage organizations from starting or continuing that journey. Therefore, we hope the observations on the state of the market and best practices that can overcome the many inhibitors of that transformation will help organizations to make more informed decisions.

The Bottom Line: Pivot to business transformation with people and culture top of mind.

Many transformations continue to fail. Thus, we need to reset the discussions on cloud-native transformation. We have to move from evangelizing capabilities to aligning technology and business objectives. Organizations need to develop a North Star underpinned by succinct business objectives. Crucially, that North Star needs to be linked to a realistic strategy for talent. Being cloud native is about working and collaborating fundamentally differently. It is about how we create and deliver, not where. That transformation can only be achieved with people top of mind and deep cultural change.

Calls to action

To navigate the cloud-native maze, enterprise leaders should



Reset the cloud transformation discussion: We urgently must reset the discussions on cloud-native transformation. The discussions need to pivot from technology and capabilities to clearly articulated business outcomes. The transformation journey is all about aligning technology and business objectives.



Define and communicate the business objectives: Those business objectives cannot be confined to decentralized work. Rather, we need to reimagine work and processes with a data-centric strategy, a product-centric mindset, and velocity top of mind.



Design your specific cloud target operating model: Just as the business objectives are specific to any organization, so is the cloud target operating model. While there are composable elements of that model, resist any suggestions of a template.



Make people and culture the centerpiece of your transformation journey: People and effective change management of established culture change makes or breaks transformation, and not just with cloud. It is critical to align a talent strategy to business objectives.



Mitigate operational risks to ensure your transformation outcomes: We ought to snap out of an often-myopic cost focus on cloud. Fundamentally, cloud is not about cost-cutting but transformation. Therefore, drive a holistic approach to ensure the strategic objectives. FinOps is just one element of that approach.

HFS Research author



Tom Reuner

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Tom Reuner is an Executive Research Leader at HFS. Tom is responsible for managing the HFS IT Services practice with coverage areas including cloud native, application modernization, and quality assurance. Furthermore, Tom covers the emerging ecosystems of ServiceNow, Salesforce, and Pega. Leveraging his long entrenchment in the automation community, Tom drives HFS' thought leadership on automation. A central theme of his research is the orchestration and increasing interdependency of approaches such as RPA, AIOps, Observability, and AI. He is also managing the Top 10 program to ascertain consistency and thought leadership.

Prior to HFS, Tom worked as Head of Strategy at Arago. His deep understanding of the market dynamics comes from having held senior positions at analyst firms, including Gartner, IDC, and Ovum, where his responsibilities ranged from research and consulting to business development.



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About HFS

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