



# White Paper

## Migrating to the Cloud

### *The Transition to Cloud Based Business Applications*

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June 2016

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## Purpose

This document describes the requirements and commercial steps involved in selecting new business applications, in particular the considerations and factors that are important when considering a migration or transition to cloud-based solutions.

## 1. Background

After a period of successful growth, many businesses review their current processes and business applications strategy. At this stage, it is important to align both business and IT strategies to ensure any forward framework for IT is honed to support the specific needs of the organisation and primed to enable future growth.

One option increasingly considered by business is to move non-differentiating business functions to a commercial off the shelf (COTS) platform. This can enable in-house IT staff to focus on providing the differentiating capabilities core to the business and improve the efficiency and effectiveness of providing enterprise-related middle and back-office capabilities. It can also, through "cloud" software-as-a-service (SaaS) applications, relieve the technical burden of managing the associated infrastructure.

For many organisations, the decision to move to cloud-based SaaS solutions is driven by:

- Pricing simplification and flexibility - the ability to adjust user-based subscription numbers as the business changes and grows (or shrinks)
- Standardisation of business processes - to reduce customisation of business applications and associated implementation and support costs
- The promise of "evergreen" applications – access to the latest versions and new functionality
- Removing technical and application maintenance pain – relieving the technical burden on internal teams of managing the associated infrastructure and applications support

However, organisations should not blindly and hastily rush to the cloud just because that's "what everybody seems to be doing". It should also be borne in mind that the term "cloud" is a loose one. There are multiple models of service it embraces, but these services and the problem to which each is the solution differ. It is important, therefore, that any decision to move to cloud-based services should be based on sound business justification and taken with great care.

## 2. Change Considerations

The replacement of any critical business application or technology with a new platform is a complex undertaking. Decisions about the target solution need to be based on clear business objectives and rationale, i.e. that you have a problem looking for a solution and not vice-versa. You need to ensure you have the approaches, capabilities and plans to mitigate the risks associated with such change, and ultimately the perseverance and mechanisms established to realise the expected benefits and value from the investment.

What is already a complex and significant undertaking for any organisation is made additionally challenging when you are looking to move from well-established in-house developed applications to standard COTS business applications. Not only have legacy applications been honed over time to match your business' specific ways of working, but your IT organisation is used to being at the heart of protecting the company's transactional "engine room" that enables the business to function on a daily basis.

A move to standard COTS, with their embedded "good" practice processes, means change for business users which needs to be carefully designed, planned and managed. For the IT organisation, there is potentially a loss of responsibility and almost certainly a need for new skills. This is especially true when you move from on premise or internally hosted business applications to SaaS cloud-based products. Not only is the responsibility for

application support moved to the SaaS provider, but also the management of infrastructure no longer resides internally. In-house skills must now revolve around informed supplier management, focusing on outcomes rather than delivery methods and platforms. This is a paradigm shift for both an organisation and its people.

Fairly or not, organisations can perceive the risks to security inherent in cloud-based services as being greater than the "devil-you-know" of wholly on-site provision. Actually, the evidence is that most of these fears are misplaced, but the appropriate way to deal with them is to understand where cloud solutions bring increased vulnerabilities and, conversely, where they can help lower the risks. Once this has been done, an explicit strategy to mitigate the weaknesses and leverage the strengths can be established.

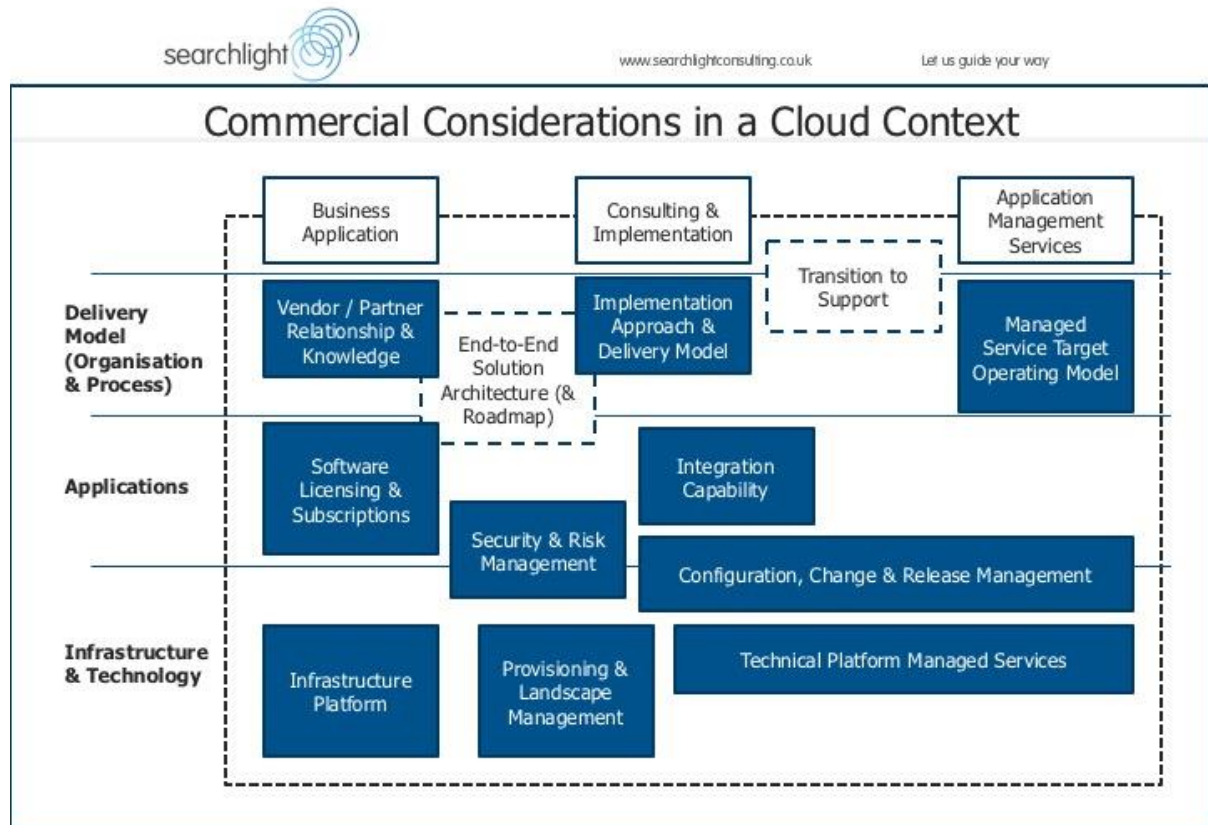
A move to the cloud, then, is a complex undertaking and a major change for your business. It is critical, therefore, to not only get the solution, vendor and implementation partner selection right, but to make sure the commercial frameworks are precisely aligned to business, technical and financial objectives.

### 3. Approach

#### 4.1 Commercial Scope - Context and Components

In a traditional enterprise solution procurement, the software, infrastructure, implementation services and ongoing applications support are usually considered as related, but essentially independent decisions. Indeed, as rich ecosystems have built up around most Tier 1 enterprise solutions providers, the element of competition introduced by looking at each aspect separately widens

your choice and provides an effective lever in commercial negotiations. Whilst the scope of components, as depicted in the following diagram, remains the same when considering cloud-based SaaS solutions, they inherently become more intertwined and difficult to segregate. It is important to take a 360° view up and down the solution/technology stack, and across the vendor relationship lifecycle.



#### **4.1.1 Infrastructure Platform and Provisioning**

Looking down the product technology stack, the product vendor either becomes the infrastructure platform provider, or is backing off the responsibility to another party. The non-functional requirements and service levels previously demanded from in-house technical teams running an internal data centre, or from external 3<sup>rd</sup> party hosting partners, now need to be met by the software vendor.

#### **4.1.2 End-to-End Solution Architecture & Integration Capability**

While not unique to cloud implementations, the complete solution being implemented undoubtedly requires integration with other applications. Whether these remain on premise or are other SaaS applications, integration and end-to-end solution architecture, design and delivery need to be carefully considered during the commercial discussions. Integration can consume 20-40% of a programme's budget, and while modern integration patterns and emergence of standard APIs helps, it is likely to be the first time your specific integration is being delivered. Who manages the integration capability, how and where it is managed, where the boundaries of responsibility are drawn, and what additional solution components and skills will be required need to be considered fully at the outset.

#### **4.1.3 Vendor/Partner Relationship and Knowledge**

The nature of SaaS delivery means that change can, and is, implemented more frequently. Vendors are keen to mature their cloud-based offerings to the same extent as their heritage on premise products and also keep pace with the innovations and releases of a new wave of cloud start-ups. Systems integration implementation partners, while able to continue providing functional and technical product knowledge, become more dependent upon the vendor for the latest product knowledge and release schedules, and need to have excellent working relationships and clearly defined escalation paths.

#### **4.1.4 Configuration, Change and Release Management**

From the outset configuration, change and release management becomes a concern for the implementation project itself. In a traditional implementation, you decide at the project's inception the version that you will configure and develop in. This carries through to the version that you go-live on, then you initiate a new project to handle the upgrade to the latest version, which probably will not get released until some months after your successful implementation is in production.

With a cloud/utility SaaS based solution, the implementation project has to constantly maintain currency with the latest SaaS releases, because the SaaS vendor's economic model depends on all clients being on the same version at the

same time. Indeed, in a multi-tenanted environment, where multiple clients are essentially using the same core installation of the application, (with logical partitions to maintain segregation of data), the exclusivity of the production environment for a specific client disappears. All of this results in an added layer of complexity for configuration management, provisioning the right environments and moving your solution from development to test to production. The responsibilities and accountabilities for managing change, configuration and releases, between the implementation partner, product vendor and client need to be established for the implementation project, as well as for ongoing support.

**4.1.5 Implementation Approach and Delivery Model**

Whether the scale and size of the project and functional delivery organisation for

SaaS products differs from on premise solutions or not is debatable. However, the implementation of cloud-based solutions presents additional opportunities and risks. These opportunities and risks merit implementation approaches that may differ from traditional on premise, waterfall methodologies. Not all partners or vendors have fully determined or developed the frameworks, tools or experience to help clients navigate these nuances.

**4.1.6 Security and Risk Management**

The vendor and any SI partner need to demonstrate maturity in their security management strategy and a key part of the selection process should be to assess how your information security profile will be altered and enhanced by the adoption of a vendor’s cloud solution. For example, across the following risk areas:

Risk Area	How risks manifest differently in the cloud	Mitigation/Management strategy
Data security		
Identity management		
Virtual estate creep		
Shared attack surface		
Administrator access		
Configuration management		
Auditing and logging		
Encryption		
Regulatory compliance		

#### 4.1.7 Managed Service Target Operating Model

Finally, the emergence of SaaS models also changes the dynamics of service management and support. Previously, applications and technical management services could be considered distinct from the implementation and product purchase. Anybody, in-house or outsourced, could set up to provide 1<sup>st</sup>, 2<sup>nd</sup> and even 3<sup>rd</sup> level support, with the vendor only being concerned when problems became so deeply entrenched in their product, that they needed to deploy technical and product experts to investigate a particular client's systems.

The nature of SaaS means that vendors automatically have more responsibility, accountability and control in the application management process, as well as the management of technical support services. When you are selecting your product vendor, with SaaS, you are also inherently selecting the organisation that will provide a significant part of your ongoing service management capability.

#### 4.2 Additional Commercial Dimensions

The obvious dimensions to consider in any commercial selection are the basic ones of whether:

- the vendor's product solution can fulfil your functional and non-functional requirements
- the vendor or implementation partner has a realistic and proven approach to implementation delivery and transition to support

- the cost of product and implementation services is affordable and competitive

The commercial process, however, needs to also consider a number of other dimensions to help smooth the implementation process and increase the likelihood of success.

**Capabilities:** Does the Vendor/Partner demonstrably have the skills, resources and established processes to deliver on all aspects of the Implementation Service, Transition and associated Managed Service? Evidence need not necessarily be written into the commercial agreements or RFP responses, but the documentation associated with the commercial agreement should reassure you that the Vendor/Partner has them. The less prescriptive the commercial agreement is on the other four dimensions (below), the more important it is for the Vendor/Partner to demonstrate the necessary capability.

Also, written into the main document, or its schedules, should be a commitment that the Vendor/Partner will provide the appropriate resources to fill the responsibilities as detailed.

**Responsibilities:** Who does what, in the realm of Implementation Services and Managed Services? What is the split of responsibilities between the Client and 3<sup>rd</sup> parties? How are services "backed off" between providers? To what standard must they do them?



**Redress:** What is done to compensate for failure to meet the responsibilities to the required standard? Not necessarily punitive, but it is there to give the responsibilities that can be called to account, full accountability. In the end, the objective is to get the services as specified, under normal operations or get Recovery (below) in the shortest time.

**Recovery:** In the event of catastrophic or chronic failure, what are the special measures that will be exercised to get delivery back on course? This could for example include “carve out” of some, or all of the service(s) to a 3<sup>rd</sup> party, at the expense of the Vendor/Partner.

**Exit:** What is “Plan B”? The Vendor/Partner must have a project plan and defined responsibilities to facilitate

your exit from the engagement in the event of: commercial necessity, failure of the relationship, including termination for cause; and normal end-of-term without renewal. (Note: it would be usual for the vendor to levy a separate charge for the service at the time of invocation.)

All parties need to know the consequences of failure, they need to understand their obligations, allowing them to focus on what’s needed and by whom so openly addressing redress, recovery and exit from the outset provides mechanisms that can be invoked in the event of significant problems along the way. Having these transparent to everybody and agreed upfront creates a more “grown up” and collaborative environment for successful, long-term partnering.

## 5. Conclusion

Changing any critical business application is a complex and significant undertaking, and the decision to do so should always be based on a sound business strategy. Solutions should be meticulously researched, selected and procured, and implementations carefully planned. Furthermore, a move to cloud-based SaaS solutions differs from more traditional IT solutions, presenting additional challenges from the outset. These are complex and not always easy to define, ranging from the fundamental change to the nature of the IT organisation, to detailed clauses in commercial negotiations regarding service management. However, with all considerations carefully addressed and navigated a successful outcome is likely to be achieved.

## 6. Searchlight Consulting Overview

Searchlight was formed in 2008 to provide independent advice and guidance for businesses as they seek to implement new or on-going complex IT enabled transformation programmes. From the initial review stage, to shaping strategy, product and services selection, negotiation and engagement, we ensure that capabilities and responsibilities are aligned and in place to deliver a successful change initiative. Over the years, we have developed a particular focus on enterprise solutions, as well as customer-centric and loyalty management digital strategies. We have provided support, guidance and “an extra pair of hands” to Global, Pan European and local clients, and worked alongside incumbent systems integrators to “just get the job done”.

Searchlight Consulting work with companies of all sizes to business change and enabling technologies; help to identify appropriate commercial solutions and appropriate service delivery models, including “cloud” and SaaS. We then work with clients to evaluate solutions and services, and commercially engage vendors. Our relationship continues beyond selection, through implementation to successful delivery.

We work to:

- Get the best out of Clients’ investment in Enterprise IT
- Shape, create and deliver IT-enabled, business change projects and programmes
- Provide independent, client-side advisors and supporting teams
- Help clients to deliver, meet their commitments, and build sustainable change and in-house capability

Our role is to provide clear guidance to our clients as they navigate their way through the complex and uncertain world of using IT, to transform their business processes, to enable smarter working and be more successful.

We do this by:

- Helping our clients align their IT strategy with their business strategy
- Helping our clients assess their IT capability in the context of their strategy, and identifying how to address any gaps
- Helping our clients implement the IT strategy agreed
- Working with all parties involved in IT-enabled business transformation, to deliver successful outcomes.



- **Decisions:** we help boards and partners to accelerate the decision timeline to launch Enterprise Solution projects and programmes
- **Risk:** we help boards understand how to mitigate the investment and business risk from change programmes
- **Value:** many organisations struggle to deliver value rapidly. We have supported our clients deliver many complex programmes

We strive to uphold our core values:

- Business value-driven
- Pragmatic in our approaches and solutions
- Flexible and adaptable
- Constructive, innovative challenging
- Independent and informed
- Collaborative and “grown up”
- Facilitative
- “Low maintenance”
- Innovative

We combine ‘blue-chip’ consultancy experience and capabilities, with a personal and approachable independence, offering a range of services to senior executive C-Suite customers, specifically:

- Board advisory and risk management services
- Enterprise Architecture
- Strategic architecture and planning
- Sourcing and selection
- Transformation programme leadership
- Programme, project and portfolio management
- Change management and business process consulting

We focus on helping clients understand how adopting an innovative approach to IT, can enhance business performance. We seek to demystify opaque concepts such as ‘digital’, ‘cloud’ or ‘enterprise solutions’, so that our clients feel able to make better decisions about how to use IT, to add value to the bottom line operation of their business.