



TECHNOLOGY DECISION MAKING IN THE CLOUD ERA

Over the last decade, the business world has seen the evolution of several global-scale digital native enterprises and niche startups. The digital natives are disrupting the way established global 2000 companies are conducting business. By exploiting new technologies from open source and the cloud, they infuse life into their concept and scale rapidly. The origin of these technologies, creation and consumption models are significantly different from the past.

- a. Digital native enterprises open source their core technologies to generate more value and co-create in the open source community.
- b. Erstwhile major technology vendors are relying on open source with cloud-friendly deployment models to develop new and innovative technologies.
- c. Startups create innovative platform technologies predominantly in open source and offer enterprise services through a subscription model.
- d. The service offerings of hyperscale cloud providers are enterprise-grade and easy to consume. The service catalog is expanding quickly with innovative services, which are their products or managed services of open source technologies
- e. Large system integrators are creating technology-driven solutions to address emerging business needs to increase the value delivered to customers.

The importance of innovation in new technologies in open source and the cloud is recognized by global enterprises.

However, large scale adoption to compete better with digital natives is still a significant challenge for reasons such as -

1. Enterprises typically have a technology update cycle of five years or more, but a fast-evolving technology environment now requires them to revalidate their technology choices continually. However, enterprises are underprepared culturally to handle fast changes.
2. To achieve economies of scale, enterprises have standardized the technology stacks and centralized the technology adoption process. But with business functions now driving initiatives, the choice of technologies must now reside at a portfolio or functional level.
3. Enterprises have made significant investments in their current application portfolio. Moreover, the technology landscape is complex and interconnects several parts of the business processes and organization rigidly. Consequently, even in business portfolios, where new technologies can add advantage, enterprises are constrained by these challenges in adopting them.
4. The technology providers in the open source go beyond major software vendors and cloud service providers and include startups with varying funding levels and business stability. The procurement function in large enterprises is complex with rigorous compliance requirements (including vendor stability), making it difficult for startups and enterprises to work together.

Enterprise clients will have to overcome these challenges in adopting newer technologies like open source to compete with digital natives, to grow and thrive in the market. We see their adoption approach aligns with the organization's view of technology and how they utilize it in their growth strategy.

Enterprises can be classified into four categories based on their approach:

1. **Disrupt with technology and co-create technology to retain competitiveness** – These are enterprises whose business depends on technology to create their services and are technology companies at the core, with robust engineering skills. They develop technologies collaboratively to get broader inputs and ensure continued innovation that can be used in creating more value for the business
2. **Grow with technology and be a fast adopter** – Such enterprises invest more in application engineering than on platform engineering to produce relevant business applications that drive business growth. They source platform technology at a slightly higher maturity level to ensure stability and adhere to compliance needs.
3. **Optimize with technology and adopt technology in a standardized way** – Technology supports the business by delivering solutions to optimize the business processes and provide required stability and scalability. The enterprises are cost-sensitive as well and would adopt highly mature technologies in a standardized way to get consistency in implementation and achieve economies of scale.
4. **Save cost with technology and utilize technology that works** – IT is viewed as a cost and does not contribute to significant business growth or differentiation. Investment in technology is to ensure that current systems work while continuing to reduce operational expenses.



The choice of technology and buying process varies dramatically across these four categories of enterprises. For instance, business owners are actively involved in the decision making in the “disrupt with technology” category while only the IT function works within its budgets to run the systems in the “save cost with technology” category. No organization can be expected to remain in the same category permanently; they can change from one group to another over time based on market conditions, leadership strategy or the evolution curve. This approach to technology adoption varies even across lines of business within an enterprise as it is influenced by that department’s need for technology.

Enterprises need to consider factors such as business demands on growth and agility technology trends, organizational need for resilience and scalability, and regulatory and compliance requirements to choose and adopt the right technology available in the market. Enterprises should consider the following four factors while making technology decisions:

- a. **Compliance** – Not all regulatory and organizational needs are addressed by emerging technologies in open source

or services from cloud service providers alike.

- b. **Capability** – Each of the technology or service has unique capabilities, but how can enterprises effectively capitalize on them to meet their objectives?
- c. **Compatibility** – Critical business applications built over decades may not be compatible with new technologies. Additionally, combining two or more of the open source technologies or cloud services increases the complexity in relation to the benefits delivered.
- d. **Cost** – Enterprises must consider the current investment in technologies and their residual useful life. Moreover, limited gains on the adoption of open source and cloud technologies for certain types of workloads may not justify the cost of transformation.

Among the four key factors that influence the choice of technology and cloud, the dominant factor diverges based on the enterprise type -

- Enterprises belonging to category “Optimize with technology” and “Save cost with technology” need stable technology to work with and their technology change cycle tends to

be over three years. Thus, they must go with established product vendors and stable services from cloud service providers and consider “compliance,” “cost” and “compatibility” when making a choice.

- “Grow with technology” enterprises are more agile and revisit technology choices over a 12-18 month horizon and are more equipped to undertake risks with technology vendors. The focus is on “capability” when making the technology choice.
- “Disrupt with technology” is a trend typically seen at a specific line of business of the enterprise and not for the entire enterprise with global firms. They are open to working with niche startups, and their internal investments are disproportionate and atypical in anticipation of future gains.

Not all enterprises need to become a digital native today to remain robust and competitive. However, companies must undertake this transformation journey with the right approach towards technology adoption to ensure that business objectives are met in a compliant and least risky manner at the right cost.



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