

Leveraging cloud as a disruption enabler

By  Peter Alkema

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A technology innovation that offers disruptive tendencies is the cloud. Essentially, it's a pay-per-use model that offers a short-term, cost effective alternative to on-site fixed infrastructure. An enterprise can move applications "to the cloud", where a partner will maintain them and provide access to the users over the internet or a private network.



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Banks are edgy about this model due to data privacy regulations, and many central banks require customer information to remain within the borders of the country of operation. Cloud providers aggregate hosting requirements from multiple customers and achieve economies of scale by further virtualising their servers and hardware.

Not a new concept

Smaller banks, however, have been successful with cloud. Britain's Tesco Bank moved to Amazon's hosting service (AWS) in just eight months and now benefits from the reduced infrastructure costs and speed of bringing new applications on line. The downside to the model is developing new applications on the proprietary platform of the provider, as well as placing a huge reliance on them for availability of systems to customers and employees.

Cloud itself is not a new concept - the internal network of a bank is its own cloud and employees use it to gain access to systems that usually reside in a separately located data centre. For the established enterprise with huge investments in large fixed-cost infrastructure assets like data centres, it requires a massive shift in thinking to change their operating model.

Data centre floor space requirements should be halving every year as existing legacy applications are virtualised onto much smaller data centre footprints. The next logical step is to move these into the cloud and benefit from the economies of scale that will continue to come from assets being shared across multiple companies that are becoming continually smaller in size and physical space.

For customers, the internet is their cloud and arguably one of the biggest drivers of disruption and exponential technology; ubiquitous access to anything, anywhere at any time. The global race is on to leverage this to build really useful tools, which also provide information that customers need.

Potential to reshape relationships

Spanish banking group, Banco Bilbao Vizcaya Argentaria, has invested billions of euros in digital transformation and acquired a cloud computing provider to support its strategy of switching customers to digital platforms.

A 2014 survey of technology executives at financial institutions revealed that cloud computing holds the potential to reshape the partnership between corporate tech departments and financial institution business units. Different business demands can be addressed too, as banks can choose several types of cloud applications such as private clouds for the more sensitive data, and public clouds to store other information.

More frequently, banks are going with a hybrid model that combines the two. “Agility and time-to-market also augur for a more aggressive cloud strategy. When a competitor ups the ante on your mobile application and your bank wants to quickly match it to avoid losing customers, saying ‘months or weeks’ is unacceptable. If cloud can answer ‘hours and minutes’, cloud is where that application is going,” says Tom Groenfeldt in his article on *Forbes.com*.

DevOps revolution

Cloud is an essential ingredient for the DevOps revolution taking place in IT organisations and bringing lean manufacturing principles into the processes of maintaining, testing and supporting software.

According to Puppet Labs’ 2015 *State of DevOps* report: “Organisational investment in DevOps is strongly correlated with organisational culture; the ability of development, operations, and InfoSec teams to achieve win-win outcomes.” High performing IT organisations using DevOps practices have 60 times less failures, recover 168 times faster, deploy 30 times more frequently and have 200 times shorter lead times.

Deploying infrastructure in the cloud is a speedier and more cost-effective solution than using internal data centres, and contributes to lean practices and dramatic improvements in IT service levels. While cloud is an established practice, the use cases it enables are getting significant traction. In addition to DevOps there is also the API economy, cognitive computing and distributed computation, all of which require established, secure and mature cloud usage behaviour and practices.

More and more banks are overcoming their fears about security and regulatory risks and enthusiastically turning to cloud services.

ABOUT PETER ALKEMA

Peter is the CIO of FNB Business and has spent 15 years in IT. He is a key driver behind developing and implementing innovative IT solutions in CRM, procurement, finance and HR. His professional career spans various IT leadership roles across consulting and lines of business mainly in financial services. Peter is currently busy with his PhD at Wits University researching the impact of senior leadership on agile software development teams.

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