

# CLOUD PLATFORMS CLEAR THE WAY FOR A BLUE OCEAN STRATEGY

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Mastering the challenges of modern IT including Social, Mobile and Cloud Computing requires, as always, a standards based approach. The new standard is the platform and, with the right approach, IT can make any business more nimble and help drive new opportunity and profits. We've seen this kind of inflection point before, but this time it's bigger.

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## Overview

A recent and all too typical online discussion asked whether the IT department is a cost center or a profit center. We think this question should have been answered a long time ago. In a world driven by information, the IT department *must* be a profit center or the business will fail to thrive. Given this reality, better questions to ask might include, How innovative can the IT group be? What issues must we help IT overcome to get to that level of innovation? In which business areas should IT innovation be applied?

We believe the answers ultimately come from ideas popularized in ***Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant***, by W. Chan Kim. In this book, Kim showed how successful companies seek out opportunities to innovate and build unique products that don't have competition thus enabling them to be number one in new markets that grow rapidly rather than becoming one of many competitors in older, more crowded spaces often competing on price. Information is central to this approach.

For much of its history Apple, Inc. has pursued Blue Ocean strategies whether or not they used the term. The succession of products from Macintosh to MacBook to iPod to iPhone and iPad represent an unbroken string of successful Blue Ocean thinking that put Apple into new markets with little competition. If you couple Apple's advanced thinking about products with an equally advanced software strategy that brought to market iTunes and the Apple Store you see that Apple has leveraged technology, information and software to build an unassailable market presence.

But Apple is a relative exception. Why isn't Blue Ocean thinking — especially regarding IT — more prevalent in businesses today? Over the last five years a gap has widened between IT departments that have planned for growth and those that have just cut costs. As a result, many companies are saddled with legacy applications and systems that leave little room in their budgets for innovation. For them IT really is a cost center — the budget goes primarily to what's already installed rather than to strategic IT investments that could promote new business ideas and profits.

This Beagle Research Executive White Paper examines how a properly configured cloud platform can support your Blue Ocean Strategy. But to be sure, all clouds are not the same and CIOs and other decision makers have to step through the selection process carefully with a clear concept of what's needed.

## The World Stands at a New Inflection Point

Right now, global business faces multiple inflection points. For instance,

1. The surge of new social communication channels and platforms over the last ten years has changed the game for how businesses go to market and engage with their customers, markets, employees, products and services.
2. Mobile computing has become one the fastest growing areas of the technology industry as sales of desktops and laptops have stalled providing a clear indication of where software demand is heading.
3. The pace of business has accelerated due to the above trends forcing a third trend — the demand for real time access to information.

These situations offer the potential for Blue Ocean thinking and leading companies are leveraging them to carve out new niches. Lagging companies will eventually pick up on these three drivers too but only once most of the early — and easy — profits have been scooped up.

For many companies, adopting a Blue Ocean approach is a chicken and egg proposition. IT budgets are incredibly tight and existing maintenance agreements, staffing levels and even energy requirements and floor space tie up most available funding. The first step in implementing a Blue Ocean strategy for many CIOs is finding a way to break the cycle of high overhead legacy systems and to free up time and resources.

For many, it starts with the transition to Cloud platforms that break the impasse by providing an alternative way to build and deploy the next generation of business applications. Cloud application platforms provide new labor saving, one-and-done, development modalities that enable technologists to conceptualize applications once and deploy for the raft of consumption devices from tablets and smartphones to conventional desk and laptops to integration with the latest web services.

## The Blue Ocean Vision for IT

You've heard this before because it is true: the business and technology environment has three drivers today — social, mobile and real time.

1. The social media discussion is no longer about if but when. Companies understand the need for incorporating social media into their business systems so that they can better understand customer sentiment and demand. Customers express needs, complaints and solicit product information through social channels often bypassing conventional sales, marketing and service channels. Leading companies understand that their future success is in addressing their customers where they meet and share ideas, hence the need for socially aware applications.

Socialization is also taking place within the enterprise and employees have an increasing need and desire to collaborate about business the same ways they communicate in their private lives — through social channels.

2. CIOs and other executives understand that mobile devices are the fastest growing segment of computing for end users while desktop and laptop sales are flat. Moreover, social media is especially suited to mobile devices. It can work with global positioning system (GPS) data to enhance the user experience and improve the quality of data collected for the vendor. GPS data can also serve remote employees by, for example, identifying customers.
3. All of this signals a customer and employee base that is constantly in motion and in need of information anywhere, anytime, which is to say, in real time.
4. It is also a frugal customer base down shifting from bulky and expensive gear to a sleek and affordable “world computing” platform, the device.

Serving the disparate information requirements of customers and employees requires software that often accesses the same or similar data and serves it up for multiple devices and operating systems. Devices and networks are in place for most of the customer-focused infrastructure. But in many cases business oriented social and mobile applications have not been built out yet. The conventional IT approach is to layer on additional functionality but under the circumstances, layering social, mobile and other attributes onto the numerous applications for the devices that users now demand means that few organizations would have the time or resources to take advantage of this paradigm shift.

## **Wanted: A New Paradigm for Application Development**

Adding social, mobile and real time capabilities to applications rather than building them in requires significant resources including time, labor and money and possibly opportunity costs. Consider what’s needed. From a single source of company data and business processes, the IT department must provide for:

- Developing and maintaining conventional business applications.
- Adding social media and workflow to those applications.
- Re-deploying these applications to several other operating systems for portable devices including iOS (Apple), Android (Google) and Windows Mobile (Microsoft) and/or tuning them for multiple browsers.
- Developing and maintaining the company Website and commerce site and tuning them for multiple browsers.
- Application development and maintenance for Web applications that run on popular third party sites like Facebook.

## Every Transformation Begins With A New Set of User Requirements

The IT paradigm is broken. Very few companies can afford to invest in the multiple development efforts required to project IT into all the lines of business implied above. Hence the need is for a cloud-based paradigm that supports the major issues of our era — social, mobile and real time. In other words, IT needs a new platform.

### We've Been Here Before

Historically whenever IT has become constrained in so many ways, thoughtful practitioners have stepped in to devise a new set of standards or paradigm that reduces complexity and cost making it possible to achieve advanced business goals. As Table 1 shows, very often this involved changing computing, networking, operating systems and applications. Usually, the resulting new paradigm has been stable for about a decade before the accumulation of improvements at all levels drove order of magnitude performance improvements, significant cost reductions and ultimately changed the prevailing paradigm. This simply restarted the cycle.

This is happening today but to an unprecedented extent. Businesses are grappling with many changes at the same time unlike the shift from mainframes to client-server for instance. Today's shift requires IT to simultaneously serve conventional desktops and laptops as well as websites with socialized solutions and all must be accessible from the full constellation of conventional computing and mobile devices.

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**Table 1 Older paradigms that came and went.**

Business use	Hardware	Enabling Technology	Application Software	Vendor example	Business objective
<b>Accounting and finance systems</b>	Mainframe, 3270 green screens, “big iron”	COBOL, CICS	GL/AP, Some ERP	IBM, MSA, Dun & Bradstreet	Knowing where the money is.
<b>ERP, Manufacturing</b>	Mini-computers, VT-100 terminals, teletype interface	C, RDBMS, early Unix,	SCM, PLM ...	SAP, Oracle, JD Edwards, etc.	Controlling manufacturing for quality and cost.
<b>Office Automation</b>	PCs, laptops, client-server, early handheld devices	Windows, C, C++, Visual BASIC, Java and client server	Email, Contact managers, word processing, spreadsheets, presentation graphics	Microsoft, ACT!, Word Perfect, Lotus, IBM, Oracle	Accelerate front office processes, drive down costs.
<b>Front Office</b>	PCs, laptops, handheld devices, cloud data center	Cloud computing	SFA, Call Center, marketing, CRM, ecommerce,	Siebel, Salesforce, Microsoft, Oracle,	Control the customer gather management data. Front office automation, accelerating sales.
<b>Social Revolution</b>	Handheld devices and Tablets	Social Networks, Native Mobile Apps, REST APIs, HTML/HTML5, Ruby, PHP, etc.	Employee Collaboration, Customer Marketing Engagement Apps, Employee Social Networks, Product Social Networks	Twitter, Facebook, LinkedIn, Salesforce DropBox, Box, Apple, Google, Amazon, Do.com Sugar	Understand customer, respond with relevant ideas and offers. Enable employees.

## Vision Of A Single Platform Solution

Can a single platform contain all of the functionality required to build and maintain all of the applications needed by a modern IT shop? We think so. In fact, we do not believe that any credible or affordable alternative exists for enabling enterprise IT to develop and deploy the myriad number and types of applications called for by modern business. Anything less than a single platform would immediately lead to redundancies and problems with data accuracy, application portability and maintainability — a situation that would resemble what currently exists in many shops.

That said, it is likely that a typical IT department will rely on multiple platforms for the foreseeable future as shops continue to deal with legacy issues. But going forward every company will explore a cloud alternative to balance out their on premise portfolio.

Here are the general conditions that an enterprise platform must satisfy.

### The Platform Drives The Applications

Simply put, the platform captures all application metadata including process flows and social capabilities. This metadata then drives multiple code generators that build running code specific to devices, operating systems and social media.

The platform also provides all infrastructure needs from simple compute and data storage to advanced call handling. Also, social media interfaces insulate the user from the need to deal with data center operations and thus focus resources on the business needs for the software.

In turn the applications generate data about customer use as well as process data. All this data is captured and available for analysis through platform-based analytics. The information thus derived can then be fed back into business processes forming a virtuous cycle.

### Economic Driver For The Platform

If social, mobile and real time are the goals then the enabler is the cloud platform. The cloud platform answers the demand not just for applications or infrastructure but also satisfies economic and multiple deployment needs as well.

Just about every cloud vendor offers some rationale for why cloud is less costly and therefore a great advantage, but even in this dimension there are differences. Cloud vendors who offer infrastructure only (or infrastructure as a service, IaaS) can make a credible case of saving money on technology ownership (the hardware and software stack) and possibly labor. They can also make a case for scalability (adding users to an application) and expandability (adding applications) and for some situations that's all that is needed. But fees for such things as API calls can often erode cost advantages from pooled resources.

However, saving money is not the same as making it and while it is always good to look for ways to economize on IT costs, economizing is not the same as a Blue

Ocean Strategy either. If a Blue Ocean Strategy is about finding new business processes and better ways to support the old ones, then moving traditional applications to another data center without reconsidering the business process or inventing net new processes that do the old job only better, is not enough.

Using technology to innovate improvements to the ways employees communicate with each other as well as with customers has the chance of delivering a Blue Ocean advantage. So does defining applications one time and generating customized code for multiple platforms. Each of these defines the real benefits of the cloud platform.

**Table 2 Modern cloud platform check list.**

Capability	Benefit
<b>All apps automatically mobile</b>	Faster development, deployment and maintenance. Fewer errors.
<b>Integrated collaboration and content layer</b>	Adds social component automatically and automates information sharing.
<b>Rich ecosystem of partner apps and services</b>	Nobody can do it all. This is a sand box where everyone plays nice.
<b>Integrated Analytics</b>	A must have for all the social data you now collect.
<b>Designed for both employee and customer apps</b>	Give customers the ability to help themselves while reducing your overhead.
<b>Visual Development option</b>	Gives business people the ability to make changes without worry of downstream problems.
<b>Open choice of professional development languages</b>	Lowers the learning curve, everyone can be productive.
<b>Integration with modern Social Networks and services</b>	That's where your customers are. Now you can hear them.
<b>Integration as a Service (REST and SOAP APIs)</b>	The lowest cost approach, secure, standardized. Future-proofs your business.
<b>Data as a Service</b>	Access curated data sources to augment your information.
<b>Identity management</b>	Enables use of the platform to authenticate into other cloud platforms and on premise systems instead of traditional identity servers like Active Directory.
<b>Instant scale</b>	The Web's a big place and now you don't have to worry about the costs of over provisioning or the risks of under provisioning.
<b>Automatic elasticity</b>	To add applications as your business grows.
<b>Automatic performance</b>	Processing power grows as your demand does, now bottlenecks from limited servers.
<b>Automatic upgrades</b>	24/7/365 management schedules upgrades at most convenient time for you and your customers.
<b>Enterprise Security and Trusted Operations</b>	Your vendor makes the big investments in operations and security so that you don't have to.

And very importantly, it's all included in a monthly fee.



## Getting There

A platform should be seen as a toolbox. There may be only one, but it will contain many components that work well together. Our reference case for a cloud platform is the solution set from Salesforce.com, which includes the capabilities for all aspects of modern IT deployments and the parts work together to deliver platform services.

### Force.com

The core technology providing a powerful, scalable and secure cloud platform, delivering a complete technology stack including everything from database and security to workflow and user interface.

### Chatter

Chatter is the enterprise social network supporting employee collaboration. The Chatter Stack provides an efficient way to enable employees, partners, and customers to monitor and participate in multiple key conversations across the social web as well as internal conversations. The Chatter Stack is designed to make users more productive through a new collaborative user interface and real-time event feeds. It changes the way people consume enterprise data across every department, geography, and industry.

### Site.com

Site.com can be used to build custom websites, hosted by Salesforce, that also connect with social media services. The service is designed so that anyone, even people who don't understand website code, can pick a template, drag and drop content, and publish a website.

### Heroku

A cloud application service for developing and deploying highly scalable web applications using the most advanced and easy to use development languages including Ruby, Node.js, Clojure, Java, Python, and Scala.

### AppExchange

Pre-Built third party packaged applications and services: Over 1500 third party applications that can be automatically installed and uninstalled into a customers cloud environment. It serves as an iStore for enterprise applications.

## Summary

So let's go back to the questions we started with and see how platform affects the answers.

## How innovative can the IT group be?

The IT group should be as innovative as it needs to be given prudence and good management practices. Assuming that a well functioning IT group is a profit center, then judicious investment in it should yield positive results and such areas should be fed, not starved. As a practical matter the CIO may find him- or herself playing musical chairs with the budget moving funding from a less profitable effort to a more profitable one using the platform to renovate strategy. This might take some time but the good news is that the efforts will show progress from the beginning.

## In which business areas should IT innovation be applied?

Clearly today business finds itself confronting change in most customer and employee-facing areas from the influx of social media as well as new challenges posed by increasing mobility demands. So, logically investing in these areas would be both smart and profitable but many CIOs understand that to get to these challenges they must first address issues of the legacy code-base. There are two strategies for this.

First, existing business applications may first need to be captured by the platform to free up resources and budget before new projects can be initiated. CIOs discover many advantages when moving existing applications to the Salesforce Cloud platform. For example, because the platform has social and mobile capabilities built-in, moving applications there automatically prepares them for the upgrade to social and mobile. Also, the platform's ability to generate code for multiple devices and application types such as HTTP5, Heroku, Ruby and Java means the IT group can immediately begin to leverage the platform's advantages with the first application.

The second strategy is an incremental approach. With flat or even declining IT budgets and long backlogs, many CIOs and enterprise architects have divided their IT environments into two sectors. The first is traditional ERP applications defined as the legacy core (systems of record) that manages a specific set of internal processes such as accounting, manufacturing, and supply chain processes. The second area is a layer of agility around the core (systems of engagement) made up of next generation applications built on a cloud-based platform. These systems are designed to be more dynamic. They are social and mobile applications that engage customers, employees, and partners as part of a social front office layer.

## What issues must we help IT overcome to get to that level of innovation?

The greatest barrier to driving a Blue Ocean strategy through IT comes from simply recognizing that the old paradigm is over and that a more productive and multivalent approach is available. CIOs who are accustomed to buying and managing hardware and software as well as hiring and managing the people to run it all need to imagine what life would be like with far more elastic resources that can be dialed up or down through cloud subscriptions.

Finance is also trained to see IT as a capital expense though today an increasing quantity of IT support is bought as a service and treated as an operational expense. Moving from capital to operations can free up large sums that the organization can deploy in more profitable ways, including investments in business-centric IT programs that deliver social, mobile and real time capabilities to common business practices.

## Conclusion

Mounting pressures to economize IT spending and significantly enhance enterprise IT's response to business needs have brought us to a crossroads. Meeting these conflicting demands requires a fresh approach to IT that can be found in the cloud platform. In its long history the IT industry has faced this kind of challenge before though at no other point has so much been riding on the outcome. For over ten years Beagle Research has documented the evolution of the cloud platform to its present state of maturity. While it is undoubtedly true that the platform still has some distance to travel on the maturity curve, it is already at a point where advanced practitioners have adopted it and are making significant strides in developing their own Blue Ocean Strategies with it. We encourage our readers to consider how the cloud platform can drive further business success.

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### About Beagle Research Group, LLC

Founded by Denis Pombriant, Beagle Research Group, LLC has been researching and writing about front office technology since 2000. In that time we've covered the major software introductions including Cloud, Social, Mobile and Analytics and their impact on business. Our approach is rooted in economics and the practical application of technology for business benefit.