

TCS Global Cloud Study for Finance Leaders

How finance leaders are reevaluating
their cloud business strategies

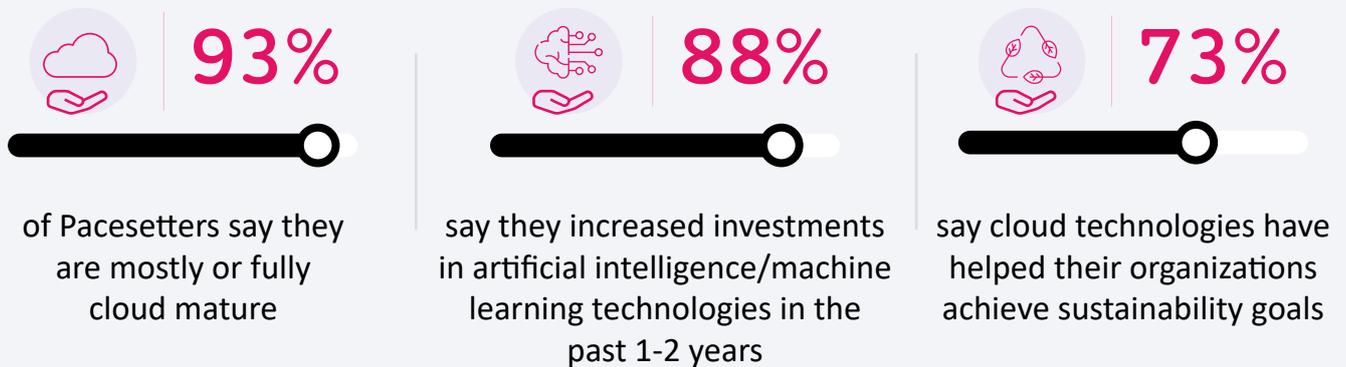


Executive summary

Most organizations initiated their cloud journey in the last five years and already have a sizeable portion of their critical systems and applications on cloud. Today, many senior finance leaders are carefully scrutinizing cloud strategies and investments. Though the overall cloud trajectory remains firmly pointed toward business growth and transformation, organizations are caught between the demands of expansion and consolidation. During this 'in-between' phase, many are fine-tuning existing cloud strategies; some are pivoting entirely.

In every instance, organizations are searching for the best path for cloud financial management and business case benefits tracking. Future success requires a simplified, unified and optimized cloud strategy and infrastructure today. How do finance leaders get there? Where should they place their big bets on technology investment?

To help answer these questions, we analyzed the results from the TCS Global Cloud Study and identified an elite group of senior finance leaders (what we call the "Pacesetters") that have outperformed the rest in revenue and profitability performance. These leaders have made significant progress along the cloud continuum and are poised to unlock exponential value.



What we've learned

In this report, we've outlined the areas where Pacesetters are leading and the approaches and strategies they've taken to pull ahead. First, we examine how they've accelerated beyond their peers in cloud maturity and business agility. We then compare their outlook on investments and areas of prioritization, and spotlight the stakeholders they're entrusting with the ownership of turning cloud strategies into reality. Finally, we look at where and how Pacesetters are using cloud as a key strategic enabler in their sustainability and ESG reporting.

Section 1:
Taking the lead in cloud adoption and agility



Section 2:
Mastering the balance of budgets and investments



Section 3:
Bringing business to cloud decision-making



Section 4:
Bolstering sustainability and ESG reporting with cloud



Who qualifies as a Pacesetter?

Pacesetters constitute 15% (40) of all 274 senior financial leaders surveyed. To qualify as a Pacesetter, a company must have significantly increased revenue growth (by 10% or more) and significantly increased profitability performance (by 10% or more) from 2018 to the present.



Section 1: Taking the lead in cloud adoption and agility

Over time there has been a gradual evolution from cloud as an IT infrastructure enabler to a core pillar of business strategy. Yet all business strategies are subject to macroeconomic and geopolitical uncertainties. A profound lack of clarity and consensus on potential impacts can turn momentary hesitation into habitual deferment.

But there is also a cost to sitting out this moment, and the wait-and-see approach has reached its natural limits. As recent AI advancements have shown, time and technology march on, and action must replace indecision. Tech solutions build on one another, and organizations with a clear and unified cloud infrastructure strategy are the ones best positioned to reap the benefits of cloud-enabled innovation.

Journey to cloud

When considering cloud transformation, organizations must first lay the foundation of a strong digital core, with cloud as the unifying digital fabric. With initial modernization efforts underway, organizations have a foundation to begin creating exponential value by unlocking innovation with business processes and models for greater insights and customer experiences. Eventually, in the latter stages of fully achieved cloud maturity, organizations fully utilize cloud-native environments and transformative partner ecosystems.

1



Build digital core

- Migrating workloads to the cloud for better elasticity, operational efficiencies, resilience, and scaling
- Modernizing infrastructure, applications, and data

2



Innovate business models

- Business model and process innovations
- Using technology to create connected and personalized customer experiences
- Integrating best practices across industries into business model

3



Transform and grow around purpose-led ecosystems

- Adopting ecosystems as an operating model; collaborating with competitors and partners
- Shifting from delivering point-products or solutions to meeting holistic purposes
- Catalyzing cross-domain innovation with platform play

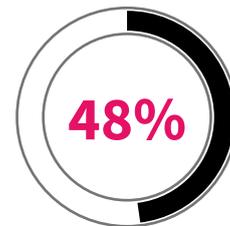
This research shows that Pacesetters have taken a significant lead in cloud adoption. They report higher cloud maturity than Followers, with 93% of Pacesetters reporting they have achieved most or full cloud maturity. And while only 8% of Pacesetters are still in the early stages of cloud adoption, nearly a third (30%) of Followers have yet to move past the initial phases.

Pacesetters are more likely to view cloud investments for their transformational potential with new business models and innovation.



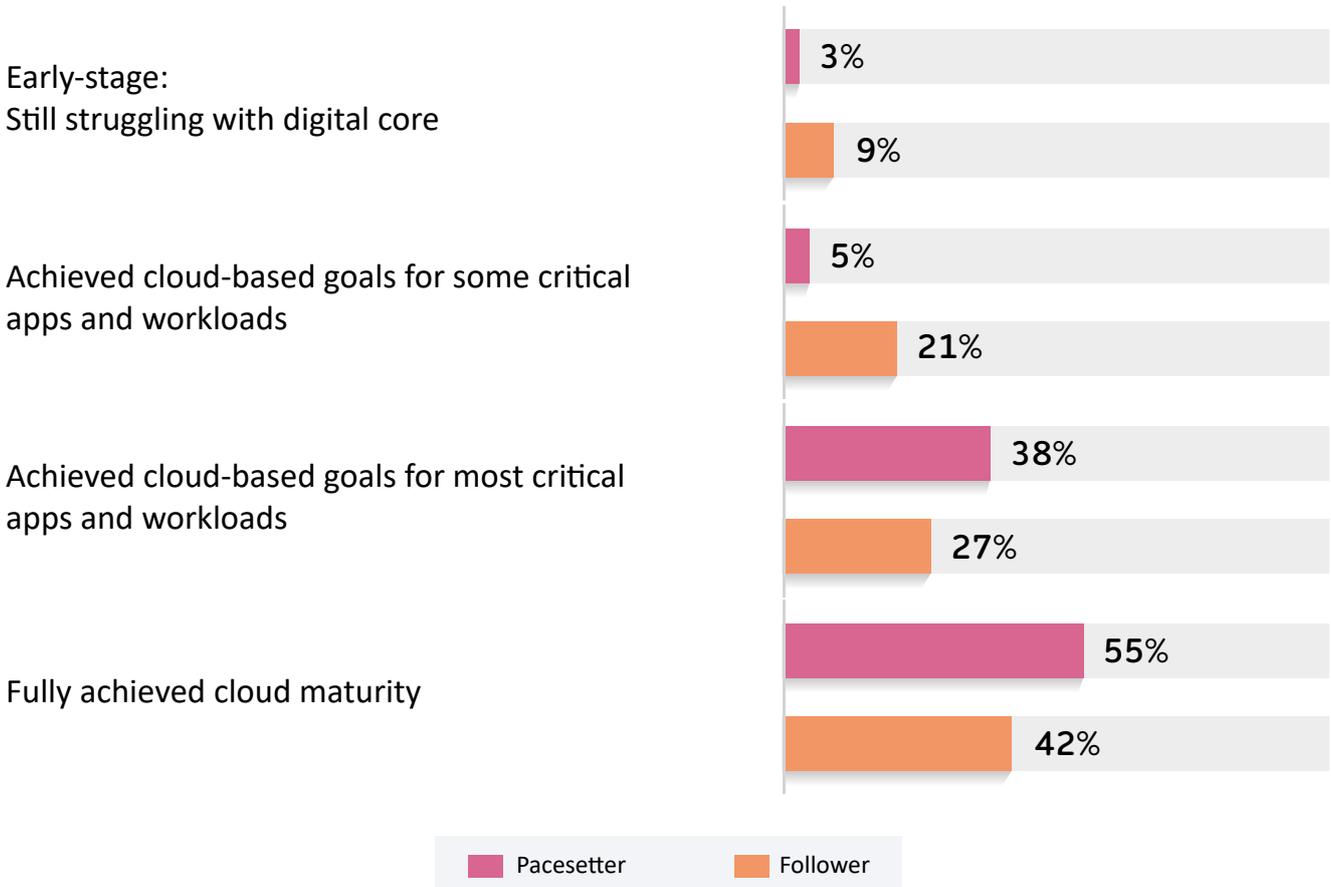
68% of Pacesetters reported “New business models, including operating processes and workflows” as a top wish list item for innovation

VS



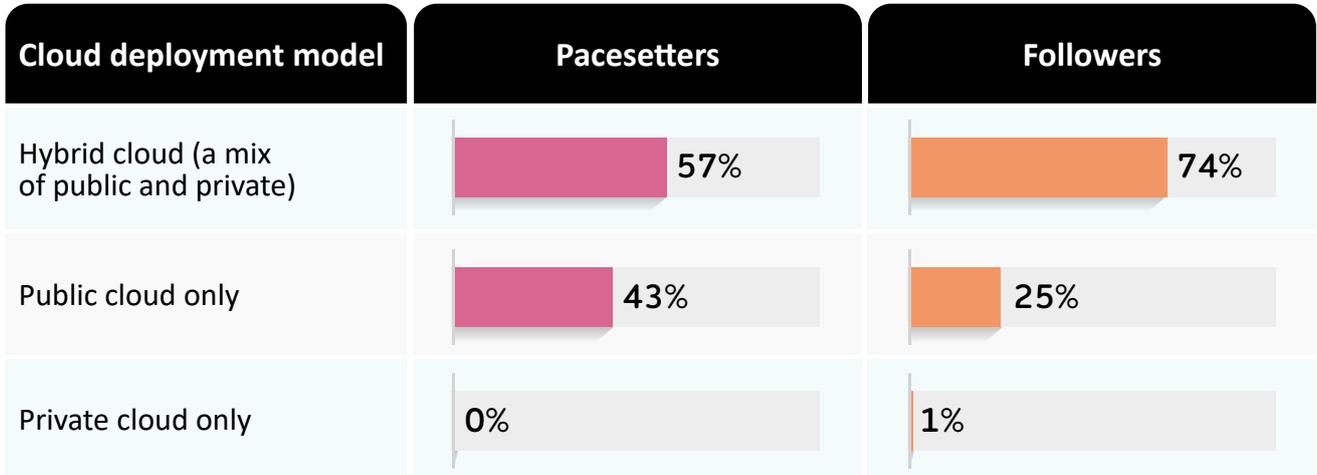
48% of followers

Q. “Pick the top 3 most desired outcomes for cloud-enabled innovation at your enterprise.” (N=274)



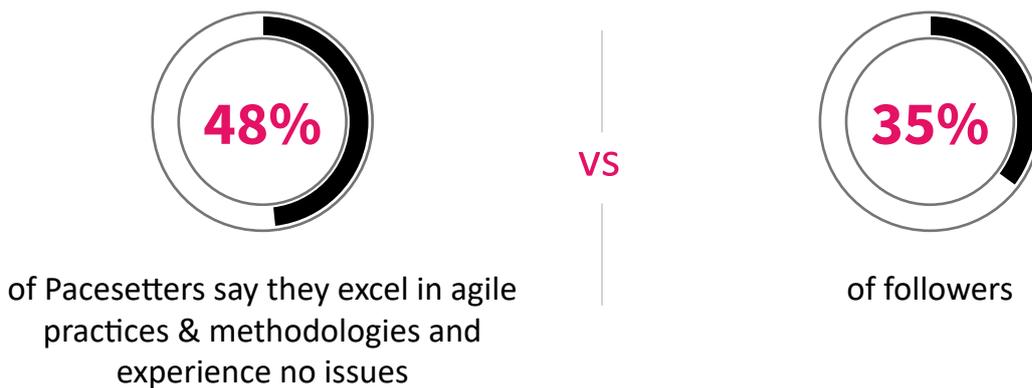
Q. How would you describe your company’s cloud maturity as it relates to your critical apps and workloads? N=274

When it comes to deployment models, a vast percentage of respondents say their organizations have moved to a multi-cloud/hybrid environment with a mix of both public and private clouds. However, Pacesetters are much more likely to utilize large third-party public cloud service providers (such as Microsoft Azure, Amazon Web Services and Google Cloud).



Q. What best describes your cloud deployment model? Choose the one that most closely resembles your current scenario. N=274

Pacesetters have also acquired more proficiency in the ability to react quickly to fast-moving disruptions. This commitment to agility is an increasing necessity in a world where business trajectories are difficult to plot.



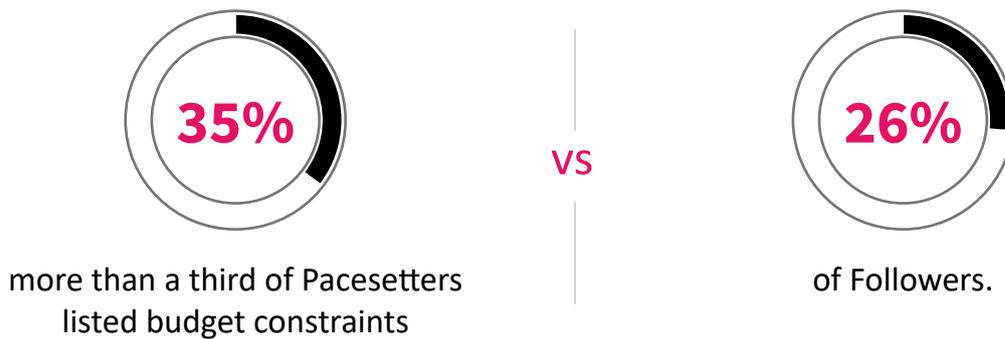
Q. To what extent does your organization possess the following skills and capabilities for cloud environments and applications? Agile practices & methodologies N=274



Section 2: Mastering the balance of value and investments

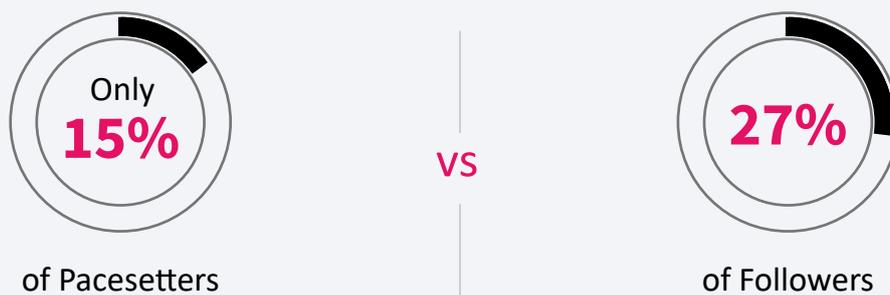
By definition, Pacesetters have greater revenue than the Followers and demonstrate a greater degree of confidence in prioritizing investments in an already stringent budgeting and capital allocation environment.

In fact, Pacesetters feel even greater cost pressures when it comes to identifying obstacles to cloud-enabled innovation.



Q. What do you see as the biggest obstacles holding back cloud-enabled innovation?: "budget constraints" N=274

Though budget concerns are universal, Pacesetters appear to put them to use more wisely.



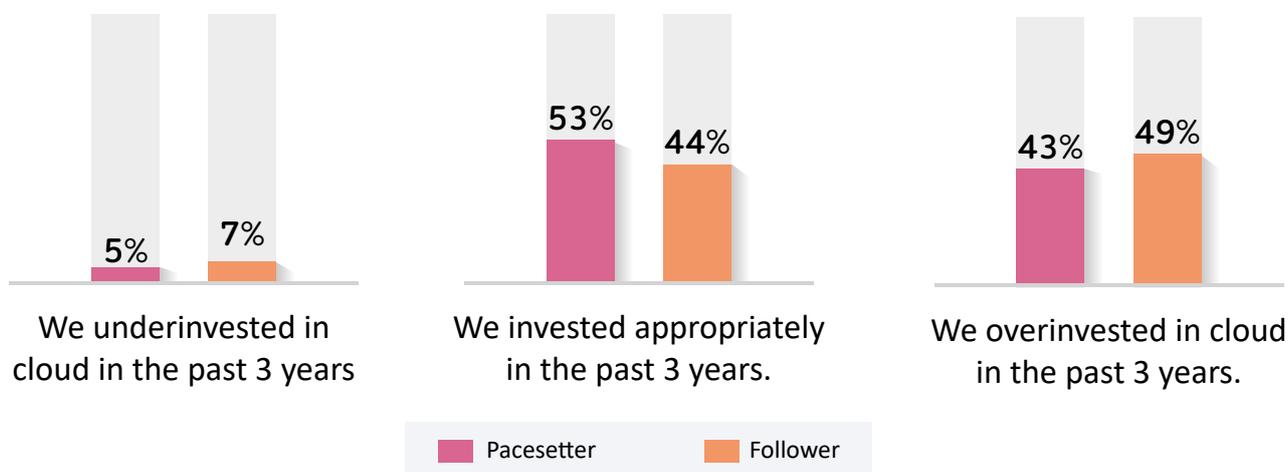
say they have changed or are considering changing their cloud strategy due to insufficient return on investment.

Percentage of respondents selecting "agree" or "significantly agree" that "we have changed or are considering changing our cloud strategy due to insufficient return on investment" N=274



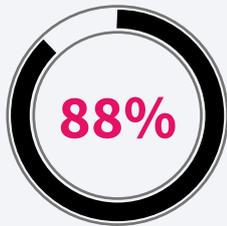
Although there is an overwhelming commitment to cloud for all respondents (88% of Pacesetters and 75% of Followers say cloud is a long-term investment), organizations struggle to strategically balance multiple cloud investments with competing priorities and clashing workloads across all organizational functions.

Pacesetters are more likely to successfully match investments with business priorities and have a greater ability to right-size their cloud investments. However, over 40% of Pacesetters and Followers believe they have overinvested in cloud. Given that finance is typically adept at building investment business cases, it's not clear if expectations are being missed in new capabilities or if cloud costs have exceeded projections.



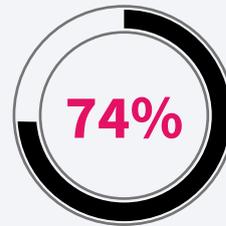
Q. Thinking back on the past 3 years, how would you describe your company's cloud investments? N=274

And they're quick to take advantage of new opportunities for innovation, such as technologies fueled by cloud. Investments are heavily slanted toward artificial intelligence and machine learning technologies, both of which are highly dependent on large amounts of internal and external data being accessible and scalable through cloud.



of Pacesetters say they increased investments in artificial intelligence/machine learning technologies in the past 1-2 years

VS



of Followers.

Percent who increased investments in data-intensive technologies in the past 12-24 months (n=274).

It is a testament to the momentum surrounding AI investment that a percentage as high as 74% could still be overtaken by Pacesetters with a nearly 15-point spread. In fact, the [2021 TCS Global Financial Leadership Study](#) revealed that just slightly more than half (56%) of the total survey respondents planned to invest in AI/ML capabilities for financial planning and analysis within the next year.



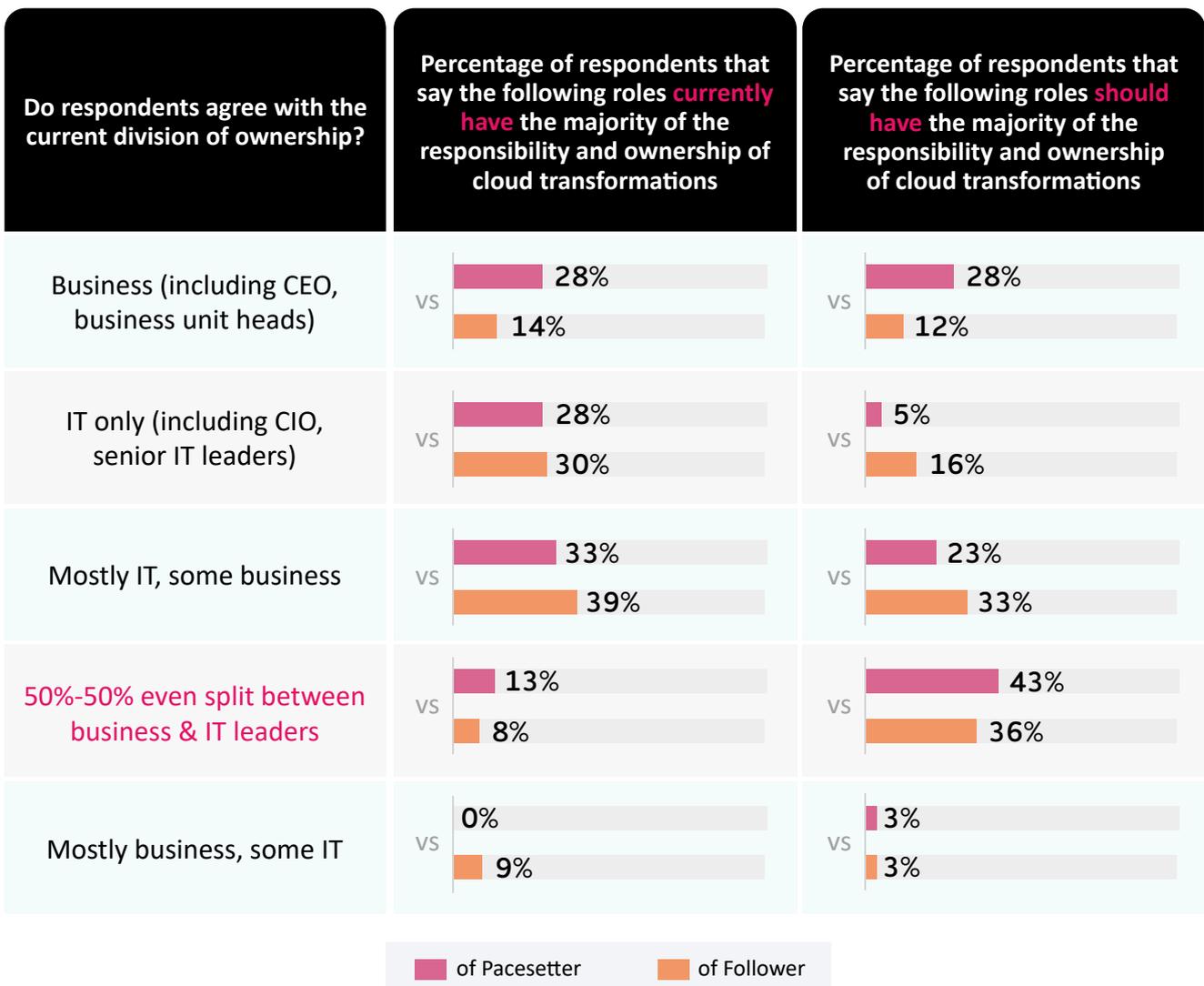


Section 3: Bringing business to cloud decision-making

The lines between business and IT functions – and the stakeholders of those – are rapidly receding in many areas, and with cloud in particular. While there are many technology entry points to cloud, business problems largely determine which technology to orient toward, whether automation, artificial intelligence, edge computing or others.

Pacesetters have already begun making the transition to shared IT and business cloud governance. They would like to see greater business involvement in cloud ownership and responsibility than what they currently have in their organizations.

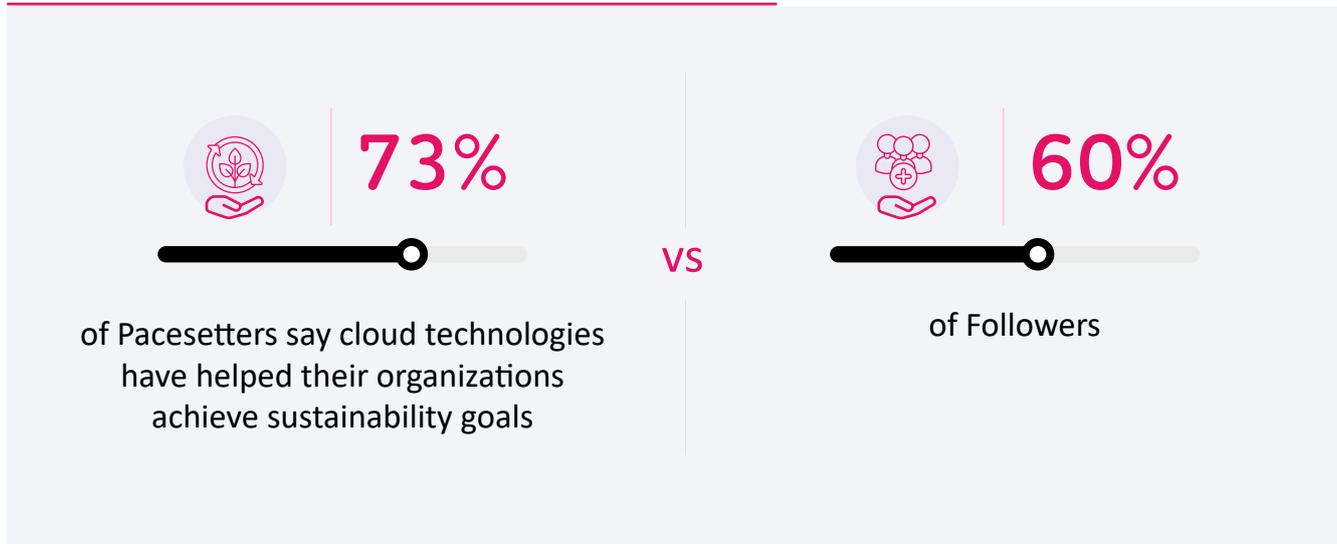
IT currently leads cloud decision-making and ownership for 61% of Pacesetters and 69% of Followers. But only 28% of Pacesetters agree that this is the best division of responsibilities, versus 49% of Followers. The largest percentage of respondents for both Pacesetters and Followers desire a 50-50 even split between IT and business stakeholders. This indicates there is a significant opportunity for better cloud investment governance that allows the business and IT committee to drive future cloud decisions.





Section 4: Bolstering sustainability and ESG reporting with cloud

Across all organizations, there is a collective imperative to build sustainable, inclusive futures. Senior finance leaders see cloud as an important – and thus far successful – part of that vision, and Pacesetters even more so.



Percentage of respondents selecting “agree” or “significantly agree” that cloud technologies have helped our organization achieve sustainability goals N=274

Collectively, environmental, social and governance – or ESG – metrics have risen in regulatory importance for many organizations. While requirements and standards are still evolving, there is a growing imperative to standardize amorphous, voluntary standards with international reporting requirements. In June 2023, the International Sustainability Standards Board (ISSB) formally issued the first two IFRS Sustainability Disclosure Standards, known as IFRS S1 (sustainability disclosures) and IFRS S2 (climate disclosures).

The S1 and S2 standards aim to provide a global baseline on sustainability disclosure by consolidating current disclosure recommendations, frameworks and requirements spread across different working groups and geographies (USGAAP and IFRS standards). Further, they are linked to actual annual financial statements.

These disclosures are applicable to annual reporting periods on or after 1 January 2024. The scale of implementing the disclosure requirements will likely accelerate an already integral role for cloud and AI technologies, both in the transition to greater transparency and through the ability to access and manage third-party data sets, such as government, industrial or geoeconomic.

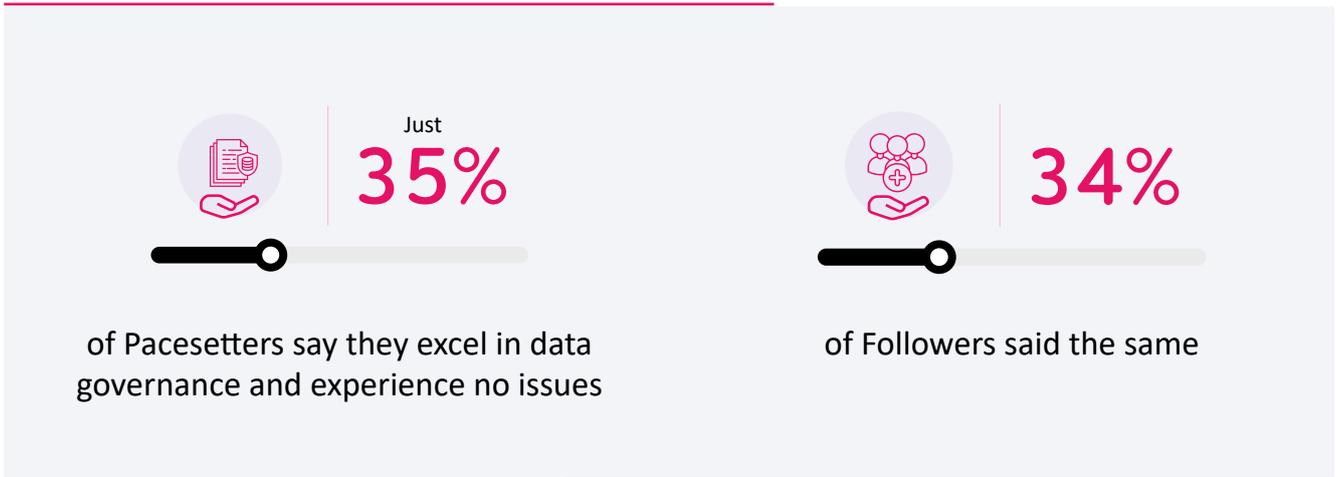
However, some areas of ESG tracking are more easily translated to cloud-based recording and analysis, and the survey results largely reflect this. The social aspects of ESG such as community involvement are less likely to have data available and therefore less likely to involve cloud at this point. However, this could change as standards mature.

The Pacesetters lead in many of the tracked ESG areas

	Pacesetters	Followers
Environmental		
Air and water quality management	65%	60%
Recycling & wastewater mgt	55%	43%
Carbon footprint / emissions / greenhouse gas	40%	46%
Social		
Employee engagement and wellbeing	68%	53%
Labor & human rights practices	63%	55%
Employee diversity and inclusion	25%	32%
Community involvement	15%	9%
Governance		
Compensation/insider trading practices	65%	47%
Board leadership policies	53%	53%
Data privacy and collection	28%	38%
Climate risk & compliance	30%	22%

Where the challenges are: Future focus areas

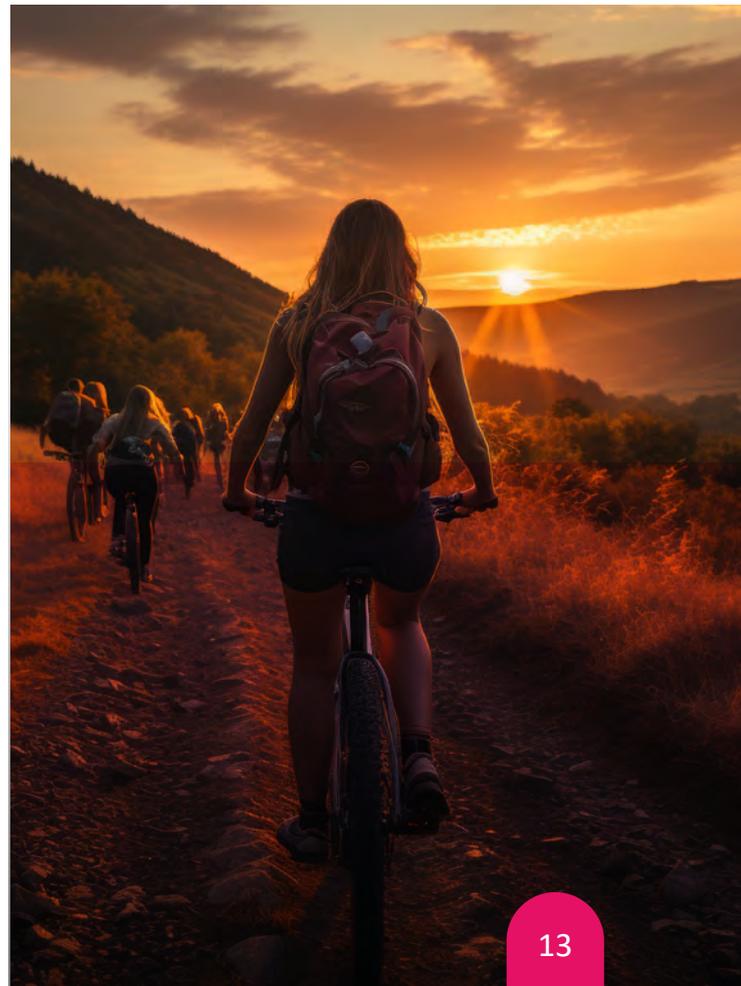
While Pacesetters are outperforming Followers in many critical areas, there are other areas that require action. One clear problem is data governance. Organizations must have robust mechanisms in place to share, discover, and access data. That requires a strong commitment to data governance as part of an overall strategy to secure more value from data. Respondents are making significant progress toward this commitment, but more work remains for everyone, including Pacesetters.



Q. To what extent does your organization possess the following skills and capabilities for cloud environments and applications? :- Security (apps, data, etc.); Data governance and compliance N=274

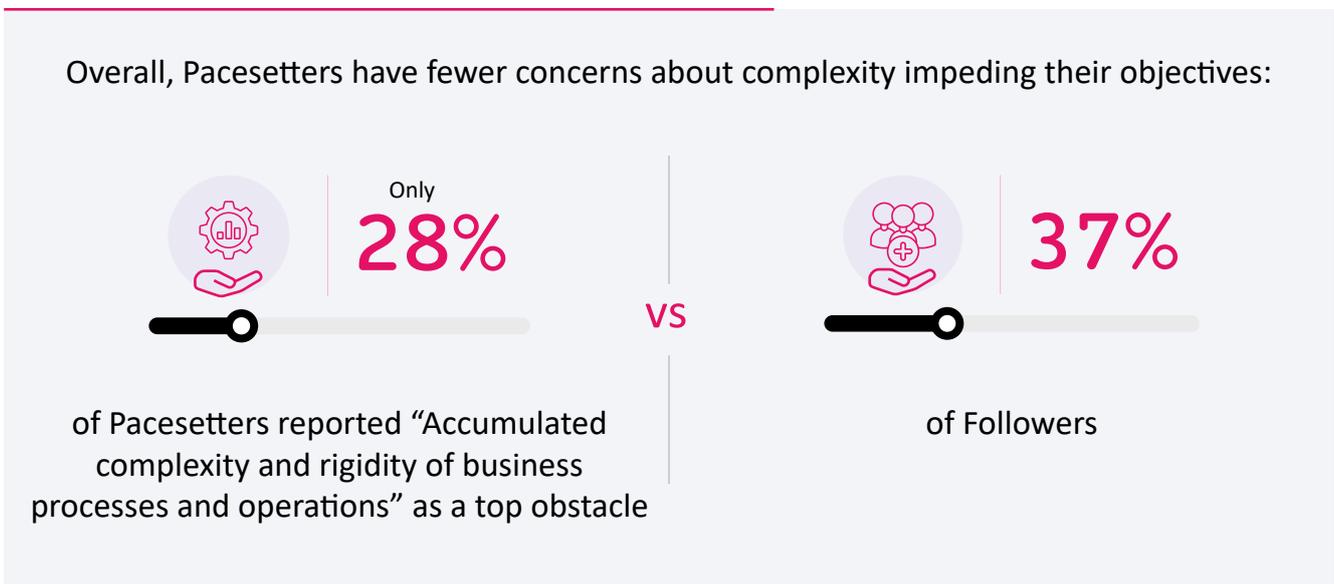
Digital ecosystems – defined in the survey as a complex network of stakeholders who connect online and interact digitally in ways that create value for all – are another area of concern. Ecosystems forged on cloud-based platforms can allow organizations to integrate and engage with external partners and competitors to simulate more opportunities, create new markets and unlock new forms of value.

The vast majority of the respondents, including the Pacesetters, say they're not there yet. Around two-thirds across all regions surveyed are still in the initial or early stages of ecosystem participation.



	Pacesetters	Followers
No plans to participate in ecosystems	15%	10%
Initial stage: Assessing requirements and planning participation in ecosystems	55%	59%
Early stage: Implementing industry, customer or partner ecosystems	15%	17%
Middle stage: Initial participation in industry, customer or partner ecosystems	5%	3%
Late stage: Firmly entrenched and participating in industry, customer and partner ecosystems	10%	11%

Q. Please rank your digital ecosystem maturity level. In this survey, a digital ecosystem is defined as a complex network of stakeholders that connect online and interacts digitally in ways that create value for all. (N=274)



Q. What do you see as the biggest obstacles holding back cloud-enabled innovation?: “accumulated complexity and rigidity of business processes and operations” N=274

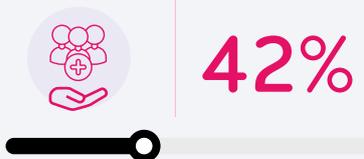
Still, there is a point at which entrenched systems become counter-productive to growth and innovation. For many Pacesetters, that tipping point may have already occurred, with legacy on-prem ERP systems hampering organizations’ ability to innovate and meet new business requirements quickly.



50%

Half of Pacesetters cited a reluctance to migrate from fully optimized legacy IT/ERP systems as a top obstacle to cloud-enabled innovation

compared to

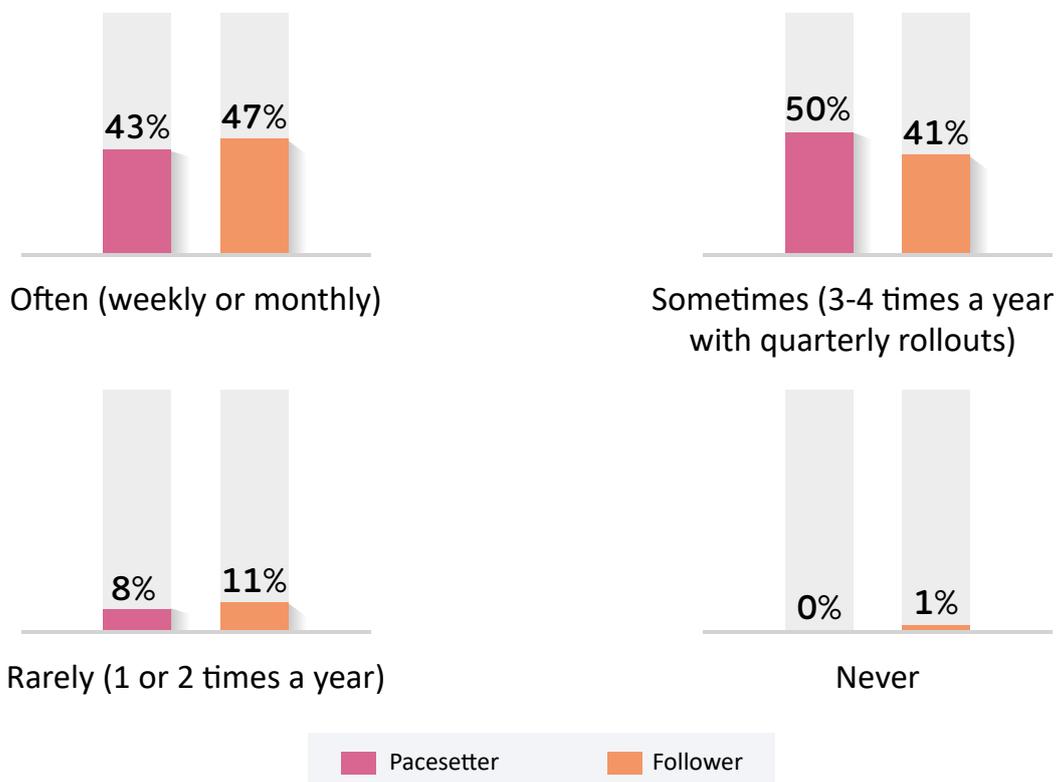


42%

of Followers

Q. What do you see as the biggest obstacles holding back cloud-enabled innovation?: "Reluctance to migrate from fully optimized legacy IT/ERP systems" N=274

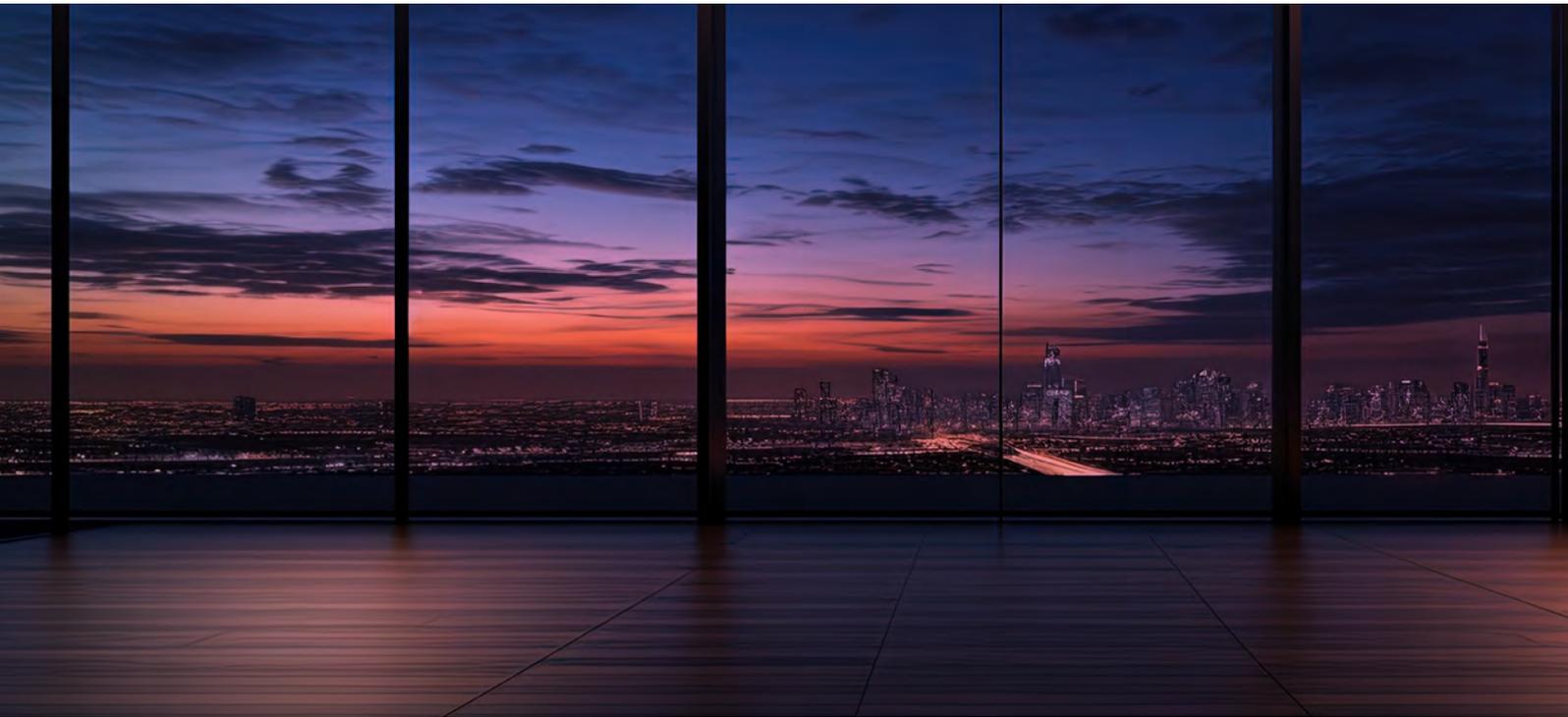
And yet these same ERP systems require frequent customizations. Because of new functionality or requirements, half of all Pacesetters must customize their ERP systems quarterly; nearly that many must do so monthly or even weekly.



Q. How often do you need to customize your ERP system to accommodate new functionality or business requirements? N=274

Summary

With the exponential acceleration of new technologies setting the stage for significant change and disruption, both the Pacesetters and the Followers will have to be vigilant in assessing their digital strategies regularly. Furthermore, the enormous data and processing demands of these new technologies could quickly make on-premise systems and data stores unaffordable and obsolete.



We recommend the following actions to better align investments and meet the strategic goals of your organization under a range of market conditions:

Connect technology with people and processes

In practice, technology is often blamed for failure, when the actual reason is a lack of alignment of people and processes. Consider what processes need to change or be eliminated before a new technology is added and determine whether the existing skills base is sufficient.

Build space for innovation

If your teams are regularly fighting fires due to process issues, data quality and poor technology performance, they may have little time to devote to the future. It's imperative that organizational cultures incorporate a strong value of innovation and provide the necessary space for creativity. As an example, embedding innovation labs in your organization or providing access to them can spur creativity and become an incubation hub for applying new technologies to achieve business outcomes.

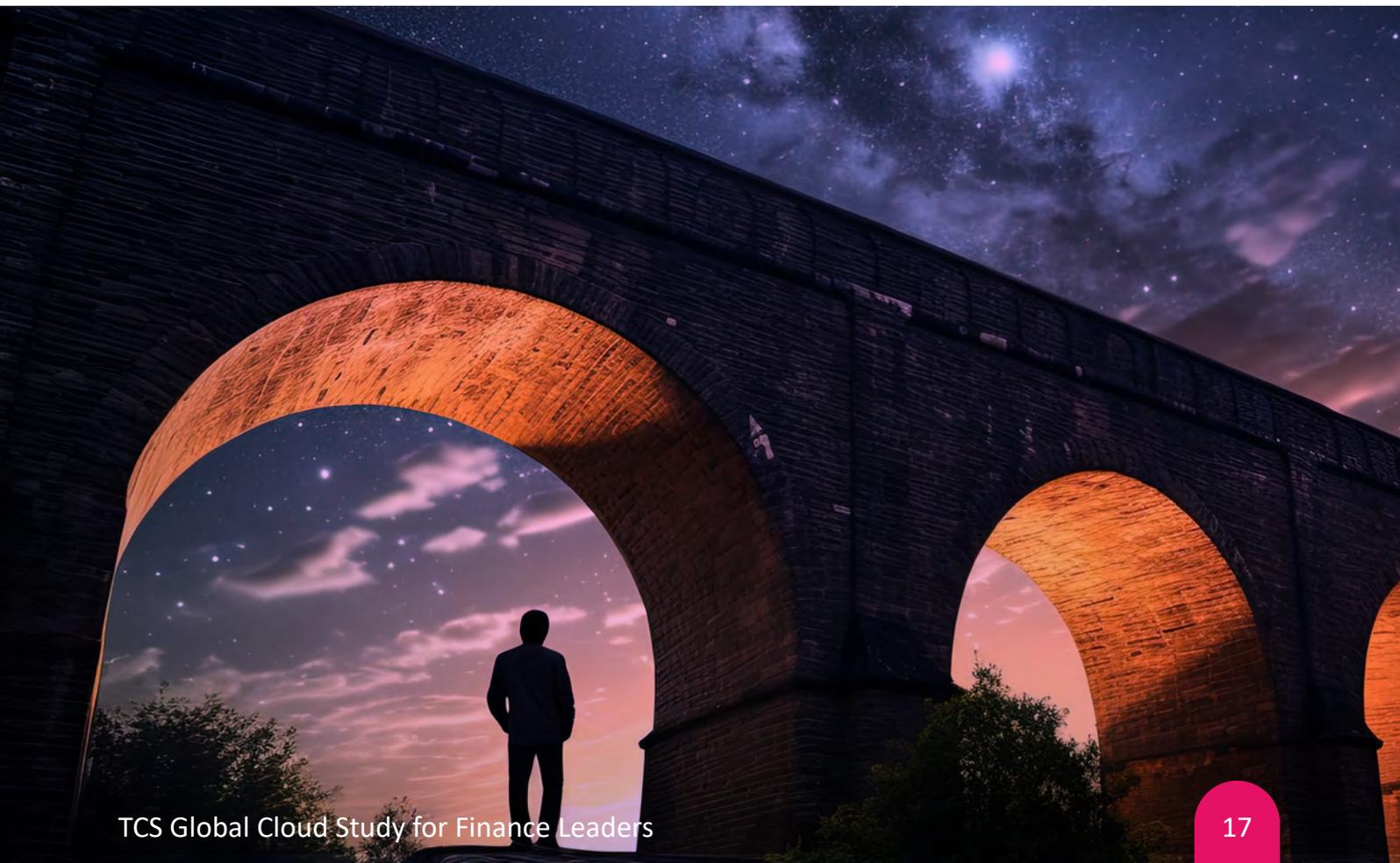
Close the gaps in cloud readiness

Whether you are a seasoned Pacesetter or one in the making, there is no substitute for a strong foundation to build on. For cloud readiness, this means your enterprise has an updated approach to technology and data. Decision frameworks and supporting policies should be clear and flexible enough to adapt to change. Security officers and business owners must be engaged early so that assets remain secure while establishing the best technological environment for business growth.

Enable investment prioritization and transparency

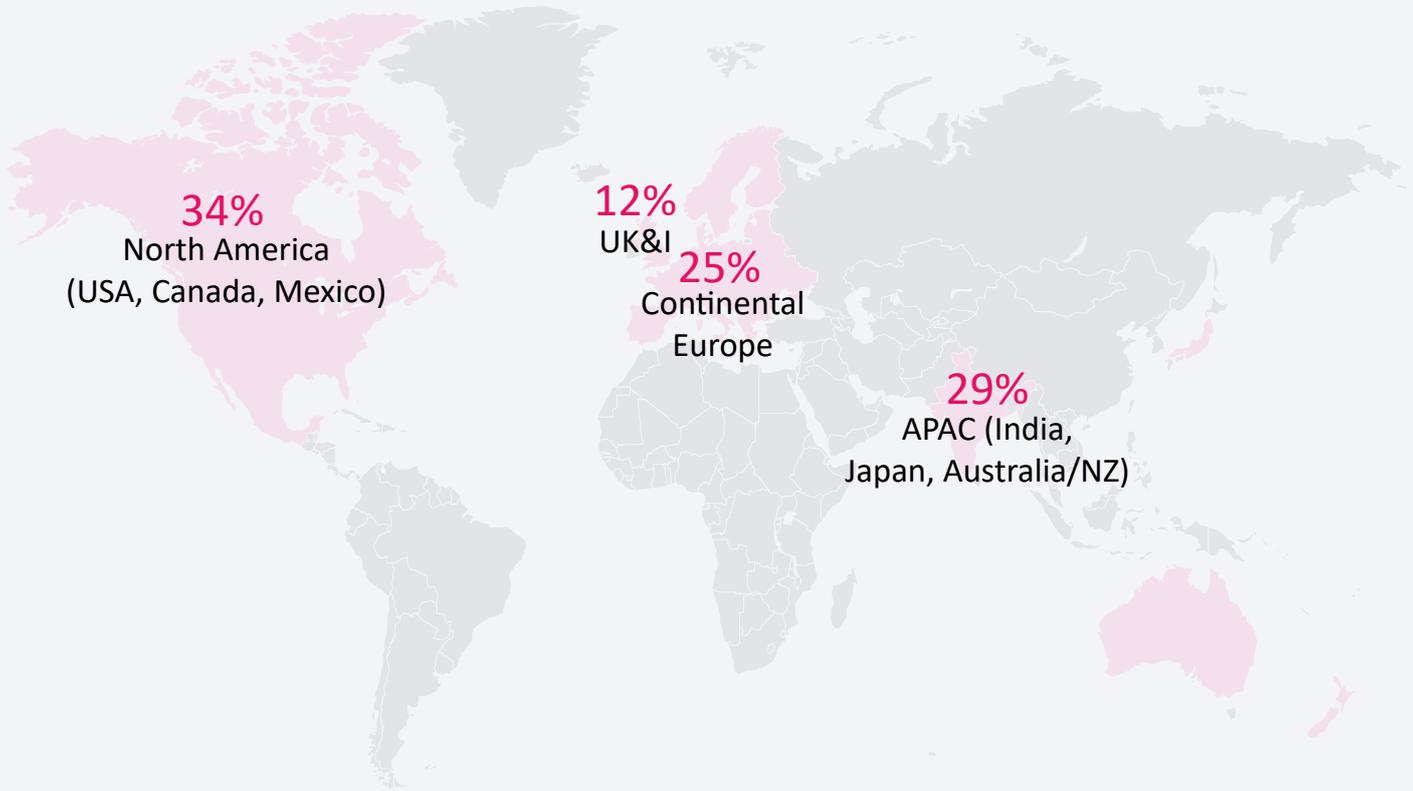
Take an integrated approach to cloud initiatives and align the responsibility and decision-making with both IT and business stakeholders. Ensure all technology initiatives are connected to high-level strategies complemented by very specific objectives and key results (OKRs) per function group. Having a strong business case will help remind every stakeholder what the gains (and tradeoffs) will be if they stay focused even in the face of setbacks.

In addition, IT and Finance will have to reconsider their cost allocation models for IT-related expenses as they move to cloud. The cost drivers of cloud, such as storage space, network connectivity and data management, are different from traditional on-premise cost drivers, such as buildings, hardware, and software fees. There is also an opportunity to reevaluate current allocation granularity vs. the value of driving detailed allocation models. Regardless of how you allocate the costs, transparency to the drivers will help enable better investment prioritization while ensuring future investments provide the expected benefits.

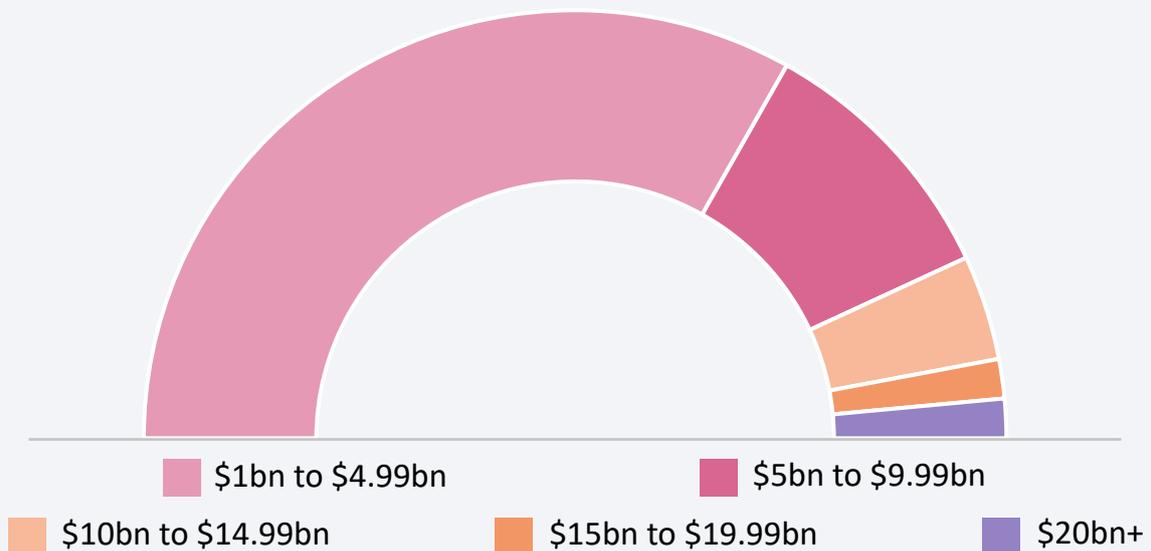


Study demographics

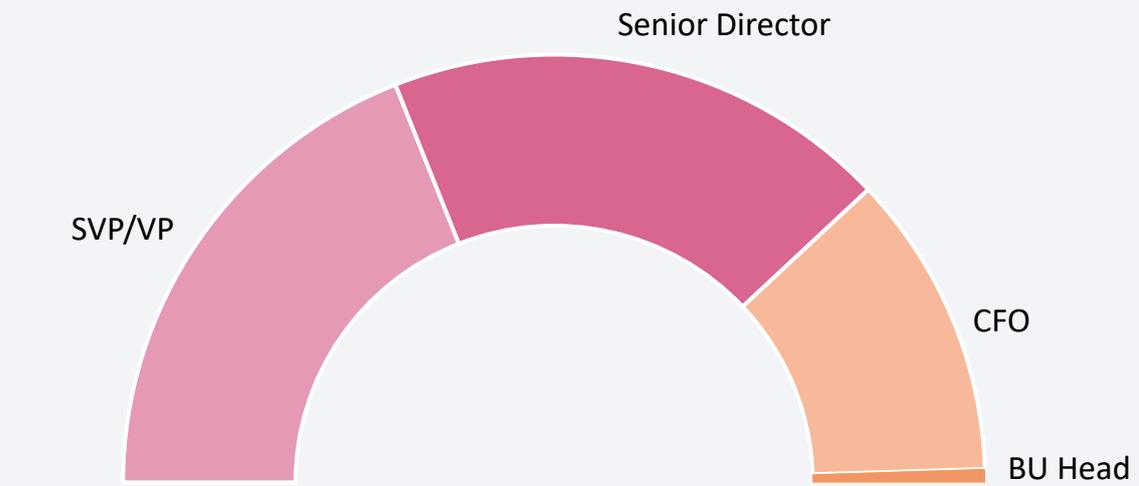
Regional representation by percentage



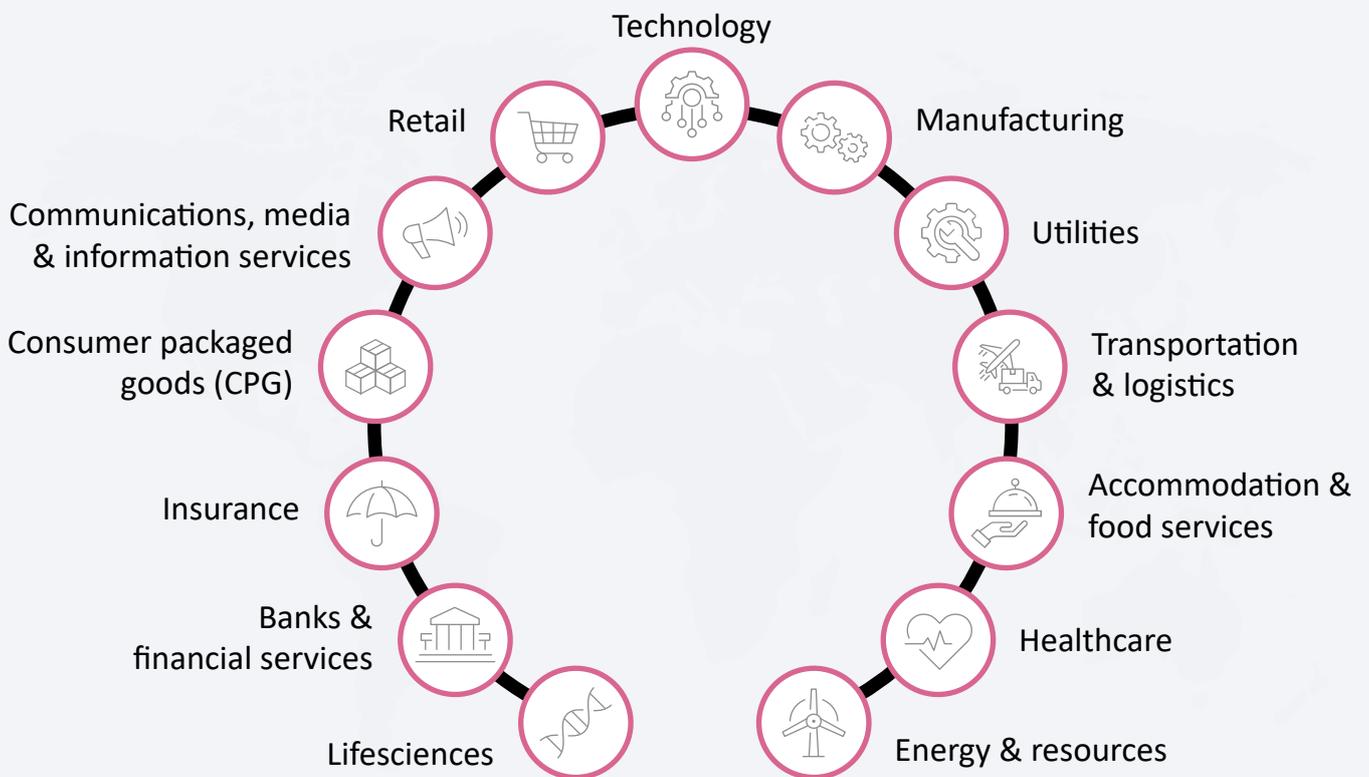
Revenue size representation



Role representation



Industry representation



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