



CXO FOCUS

SOUND ECONOMICS RESHAPE THE CLOUD

A MULTICLOUD ENVIRONMENT IS AN ECONOMIC REALITY
AND ECONOMICALLY VIABLE

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NUTANIX



Utilizing cloud computing can no longer be viewed as part of business change.

H Effective organizations are using economic thinking to understand how enterprise cloud computing impacts business operating models, the state of data and workloads. This fosters a better understanding of what it means for team members, modernization journeys and the technology estate.

Digital business processes can only optimize the organization if they are cost-effective and simplify the delivery of business outcomes. As a result, uptime and technology resilience has an economic value. It is that economic value that is now reshaping how CIOs and the entire senior leadership team view cloud computing.

In turn, this leads organizations to rethink how they use public cloud providers like AWS, Google and Microsoft Azure. It is widely understood that cloud computing does not necessarily deliver cost-savings to organizations. Consequently, agility and other working benefits of the cloud can only be achieved through the lens of the entire business and its economic needs.



New operating model

Despite the challenges, business technology leaders and their boards still expect cloud computing to be the platform that enables their organizations to meet the needs of customers in the near future.

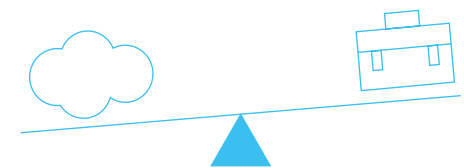
“If you are not engaged in building new business services in the cloud, then you are saying you are not going to engage with the future of application modernization,” Surre said.

The healthcare technology leader says this is why business technology leaders must have an enterprise cloud computing strategy. With a strategy in place, the entire organization is able to see and engage with the opportunity for the cloud to change the economics of the business.

“You have to balance your cloud strategy with good business reason,” Surre said. “We don’t have a strategy to move 12,000 virtual machines to Google, AWS or Azure, as it doesn’t make financial or operational sense.”

Surre explains that the cloud strategy is part of the business strategy and depicts where the cloud makes sense to the business and where it does not. With the strategy, business technology leaders can demonstrate that moving all workloads to the cloud will not improve the business.

“You have to balance your cloud strategy with good business reason”



We are looking to provide a consistent set of data services and enable these to be available natively on AWS and Azure.”

“Each one of the major cloud providers has their own virtualization and their own way to do services,” said Joshua Surre, assistant vice president of infrastructure and operations at HCA Healthcare. He added that organizations must always consider the overhead on people, processes and resilience when considering the economic value of cloud computing.

Nutanix CEO Rajiv Ramaswami agrees. “The issue with the public clouds is that they tend to be silos, and it is not easy for you to go from one to another,” he noted.

Ramaswami argues that this risks the value of moving to the cloud. “It is not easy for organizations to have the flexibility and to avoid lock-in,” he said. “We are looking to provide a consistent set of data services and enable these to be available natively on AWS and Azure.”



“The tough thing about a cloud strategy is that it has to be flexible,” he noted.

Ramaswami reveals that Nutanix learned its own lesson in economics and the cloud.

“During the COVID-19 pandemic, we started Nutanix Test Drive and we didn’t charge for it,” he explained. “Test drive ran in Google Cloud on a nested hypervisor, as there was no bare metal offering at that time. It has proved to be a popular tool and service. The usage has continued to grow, and our cloud bill from Google goes up every year.

“A year and a half ago, we decided we had to optimize test drive,” he continued. “So we moved back the steady state workloads to our datacenter, and we run that datacenter very cost-efficiently, and for burst capacity, we use the cloud.”

Ramaswami says this experience is typical of a digitally-oriented modern business. “It is tempting to use all the services and build an app and get it out there,” he said. “But then you realize during the scaling of the app that you are spending more than expected. You will see a lot of companies go through the same.”



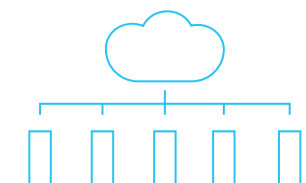
Ramaswami noted that “A well-run private cloud infrastructure can beat the public cloud in terms of cost. As a result, businesses are being much more circumspect about what will be in the public cloud and what is not.”

Surre at HCA Healthcare added that “We are looking at how we can move electronic health records to cloud services,” pointing

out that this is an example of breaking down the challenges and economic opportunities of the organization into realistic programs of change.

“You can’t consume it all at once,” Surre said. “Moving 12,000 workloads simultaneously to the cloud across multiple business units would ultimately fail, as you would not be able to focus.”

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Technology modernization

Although cloud computing is no longer a pure technology discussion, business leaders can only deliver economic value to their organizations through the modernization of the technology estate.

As a result, forward-thinking business technology leaders are modernizing the application estate where it makes economic sense, and in doing so, they are increasing connectivity between enterprise data and the application estate.

“When organizations think about hybrid multicloud, the reality is that most organizations have applications and data in multiple places,” Ramaswami explained. “For example, you have your on-premise estate, edge computing, public cloud A, and public cloud B.”

“For the most part, each of these are different, and they operate as silos,” he continued. “That means there is a different stack, and you have different processes for tooling and security, for example, and that means you have to manage each of these.”

Surre said business technology leaders must balance the organization’s legacy estate, and once again, an economic insight is helpful to guide decision-making. At HCA Healthcare, a finance system still runs on a mainframe, and Surre says there is little economic value in lifting and shifting that to the cloud. Refactoring the same system for the cloud is also of little economic value.

It is clear that organizations will continue to operate a multicloud environment due to its economic advantages. But there is no business advantage or differentiation to be gained from moving cost-effective business processes and technology to the cloud. Economics is about making well-informed and best decisions. And cloud computing has reached the point where the decision to adopt or not to adopt is based on sound economics.



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