

The future of business: technology-led or soon-to-be-dead

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The future of business is in the cloud. That is the message from global analysts as the latest IT sales figures show a marked shift away from hardware. The shift to cloud services and other Digital Business solutions has slashed Gartner's global IT spending growth forecasts by half: a cut of \$67bn for this year alone, with data centre growth predicted at a modest 0.3% in 2017.

This is not necessarily bad news, depending on where you are with your digital transformation journey. The same Gartner report expects growth in enterprise software spending of 5.5%. This was echoed by SAP's Q1 2017 revenue figures: cloud subscriptions and support revenue in the EMEA region grew 43%, with an overall revenue growth of 10% for cloud and software revenue across the region. In South Africa, the results were even more indicative, with triple-digit software growth recorded.

From Capex to Opex

The shift to widespread adoption of cloud services in essence turns traditional IT Capex into Opex. This is how it works:

Take a data centre as example. From the rebar in the foundations to the halon extinguishers in the ceiling and everything in between, it all sits on your balance sheet as an asset. As CEO, you have to create a return on your capital employed. That becomes hard to do when your scale is sub-optimal, and you need to keep in mind the added costs of development, testing and quality assurance systems. Often, you end up with systems sprawl that becomes ever more complex to manage, and makes those positive returns all the more elusive.

Cloud computing takes those assets off your balance sheet and turns them into opex: this makes it far easier to predict and extract positive returns on capital employed, especially when working with the leading global cloud vendors such as SAP. Because they're operating at a scale that most businesses are unlikely to ever reach, they are able to determine best-practice processes quicker and transfer these learnings on to their clients. In addition, they can provide cloud solutions at lower costs and offer clients the flexibility of a subscription model that scales with the business - this is highly impractical when you've invested huge sums into physical data centres.

Every CEO needs a business strategy for the Digital Economy

The ubiquitous and constant generation, processing and consumption of information and content is an inescapable part of life for all but the most marginalised. The latest global statistics show that there are currently more than 3.7 billion Internet users, of which 2.7 billion use one or more social media. In Africa, Internet penetration is still low at around 29%, but rapid urbanisation and continent-wide investment in especially mobile Internet infrastructure is driving web usage growth.

All of this would point to the need for a digital strategy for every organisation doing business on the continent.

But the modern business does not need a digital strategy. The modern CEO needs a business strategy for the Digital Economy.

CEOs today are tasked to improve shareholder returns, help the business become more profitable, ensure the business survives and grows, attract and retain scarce talent, reduce risks to the business, and drive innovation.

This last point - innovation - is critical. More than half of the Fortune 500 from 2000 are gone. In their place are a highly innovative new breed of digital business: think Netflix, Amazon, Facebook, Tesla and more. These companies leverage technology to become more competitive and create new profit

pools, upending entire industries seemingly overnight.

Levelling the playing field

Cloud computing enables innovation by levelling the playing field. All modern innovation requires a solid technology backbone to achieve the type of scale that would help translate innovative ideas into commercial drivers. By eliminating the complexity and managerial burden associated with running on premise IT, businesses can direct their IT to address tomorrow's business problems instead of maintaining yesterday's landscape.

By virtue of their size and scale, leading global cloud services providers such as SAP get the benefit of feedback from hundreds of millions of users, giving them unique insights into the types of innovations and improvements they have to make to ensure their cloud services are delivering optimum value. This ensures that the cloud technology supporting modern businesses is constantly improved and remains ahead of the innovation curve.

Leveraging the power of cloud solutions brings every aspect of the business together, seamlessly integrating customers, operations, devices, and business partners. It allows you to focus on innovation, freeing you up to reimagine your future in a Digital Economy.