

Research Insights

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Unlock the business value of hybrid cloud

How the Virtual Enterprise
drives revenue growth
and innovation

IBM Institute for
Business Value



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Key takeaways

Hybrid drives greater value

As organizations progress on their journey to cloud, the ability to integrate multiple cloud environments becomes essential. Hybrid cloud generates 2.5 times greater business value than a single cloud platform approach.

Full benefit is delivered through reinvention

The revenue impact of cloud investments can be amplified by up to 13 times when orchestrated as an end-to-end reinvention of the enterprise. And the more that hybrid and multicloud are tightly coupled with enterprise transformation, the greater the revenue impact of all technology investments to the business.

Reaching new heights with cloud

The ability to change and digitally adapt has been a defining feature of business success in the past 18 months. As early as September 2020, almost 60% of business leaders said they had already begun dramatically accelerating their companies' digital transformations during the pandemic.¹ With adversity serving as a catalyst for change, fully two-thirds of business leaders tell us the pandemic has allowed them to pursue specific transformation initiatives that, pre-pandemic, had encountered stiff resistance.²

In an earlier analysis, we found that high technology adopters had on average a 6 percentage-point revenue growth premium over their peers across 12 industries during the pandemic.³ With that kind of return, it should be no surprise that transformation continues to accelerate.

Across industries, enterprises are more likely than ever to build organizations that can pivot seamlessly between virtual and analog worlds. They also look to take advantage of the new possibilities offered by their investments in technology, which means extending and operating beyond traditional organizational boundaries.

They can achieve these more open strategies through an increased engagement in disruptive business platforms and ecosystem partnerships. By adopting these strategies, organizations can create and tap into new sources of value within a new type of organization—what we refer to as a Virtual Enterprise.⁴

Cloud technologies are central to this digital acceleration. And cloud is a fundamental enabler of successful transformation. But cloud adoption alone is insufficient to motivate significant gains in revenue and profitability. The ability to integrate functions and processes, and to enable intelligence and interoperability, is a key determinant in fully exploiting the potential value of cloud.



97%

of enterprises have either piloted, implemented, or integrated cloud into their operations.



92%

of the revenue potential from cloud is expected to be generated through its interaction with other transformation capabilities.



81%

of organizations indicate that culture makes a positive contribution to their digital transformation.

Recent analysis suggests that hybrid cloud—which provides the basis for interoperability and integrated capabilities—now generates 2.5 times more value than adoption of a single cloud platform.⁵ But even more significant, across industries, we have found that investment in cloud computing, when executed end-to-end in combination with other levers of business transformation, can generate up to 13 times greater benefits than cloud alone.

Cloud—or, more specifically, hybrid cloud—can support levels of openness and collaboration far beyond what was possible in the past. Hybrid cloud, coupled with digital and business transformation, can generate unprecedented strategic and financial benefits for an organization. In short, the democratization of data and the dramatically increased intelligence and insight brought about by open hybrid technology and architecture promise to redefine the economics of business.

Shifting to hybrid and multicloud

Most enterprises have been pursuing their cloud journey for more than a decade. 97% of enterprises in our most recent C-suite executive survey have either piloted, implemented, or integrated cloud technology in their operations. In 2020, cloud computing accounted for 27% of their overall IT spend. Surveyed organizations forecast cloud's share of IT spend to grow 5% over the next 3 years. Executives surveyed expect their organizations to operate more than 10 distinct clouds by 2023, up from 8 in 2020.

Despite this clear embrace, as many as 40% of organizations experience difficulty making the business case for cloud. And for good reason.

Many of the leading cloud-adopting organizations have already transitioned more than half of their existing applications and workloads to cloud. But because of the technical or operational fragmentation in cloud execution, the transformative potential of cloud remains largely untapped.

The ability to integrate clouds and shift data and workloads between them and other on-premises operating environments becomes ever more crucial. Establishing and maintaining interoperability and openness through hybrid cloud is a key to success. Changing investment patterns around cloud reflect the new reality.

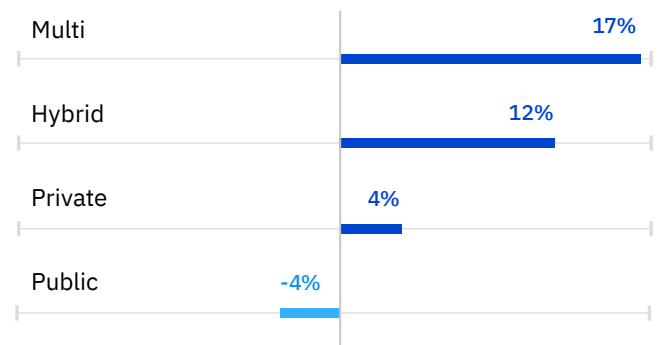
Figures 1 and 2 reveal that while the share of IT spend dedicated to public cloud is expected to decline by 4% between 2020 and 2023, hybrid and multicloud spend is expected to increase up to 17%.

The economics of this new pivot are significant. When applied to the projected global IT spend,⁶ these estimates translate into an annual hybrid cloud spend of more than \$275 billion by 2023. Meanwhile, the annual multi cloud spend is expected to reach approximately \$21.2 billion over the same period.

Figure 1

Hybrid and multicloud on the rise

Changes in the share of IT spending by type of cloud, 2020-2023



Source: IBM Institute for Business Value analysis

Hybrid and multicloud spend as a share of IT spending is expected to increase up to 17% by 2023.

Figure 2

An industry view

Changes in the share of IT spending by type of cloud and industry, 2020-2023

	Total cloud	Private	Public	Multi	Hybrid
Agriculture	2%	8%	-5%	9%	0%
Automotive OEMs	8%	-5%	-5%	45%	33%
Automotive suppliers	3%	10%	-10%	16%	4%
Chemicals	5%	11%	-11%	13%	16%
Consumer products	4%	0%	-5%	19%	13%
Electronics	6%	-1%	-6%	26%	17%
Energy and utilities	3%	-8%	-6%	25%	22%
Financial markets	6%	7%	-5%	14%	14%
Healthcare payer	11%	26%	-25%	33%	32%
Healthcare provider	7%	9%	-2%	15%	13%
Industrial products	5%	0%	3%	11%	12%
Information technology services	3%	12%	-9%	13%	-1%
Insurance	6%	17%	-13%	14%	13%
Life sciences/pharmaceutical	6%	2%	8%	14%	4%
Manufacturing	9%	-7%	1%	42%	34%
Media and entertainment	4%	-4%	8%	6%	8%
Mining	4%	-10%	7%	12%	12%
Petroleum	9%	2%	5%	19%	14%
Retail	2%	-11%	-3%	21%	22%
Retail/consumer banking	10%	-14%	34%	35%	26%
Telecommunications	9%	6%	-4%	22%	24%
Transportation	5%	-6%	15%	4%	6%
Wholesale/business banking	3%	-2%	3%	14%	2%
Total average	5%	4%	-4%	17%	12%

Source: IBM Institute for Business Value analysis