



To manage the complexity of cloud-native transformation, simplify your strategy

Lessons from Raiffeisen Bank
International's cloud transformation

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The situation: The pandemic shock forced every enterprise to pursue the strategic imperative of becoming a cloud-based or even cloud-native organization. Yet, organizations struggle to envision and define an enterprise-wide strategy on the cloud. Too often, the journey starts with an infrastructure and cost mindset and fails when costs spiral out of control and value remains unrealized. We must learn from organizations that have successfully embarked on their cloud native transformation. Raiffeisen Bank International, supported by Hitachi Vantara, is such a case.

Raiffeisen Bank International had to tackle both organizational and operational complexity

Raiffeisen Bank International (RBI) is a leading international banking group headquartered in Vienna, Austria, with 12 subsidiaries across central and eastern Europe. These subsidiaries act with a high degree of local market-related autonomy, contributing to the program's complexity. In 2020, RBI defined its cloud strategy by selecting public cloud as the technology platform for the future. Then in 2021, the group launched its Cloud Acceleration Program to support all customers with an omnichannel strategy. RBI's biggest obstacle on its cloud journey, besides typical challenges related to the complexity of the technology landscape of the banking group and technical debt, was access to talent who could support the cloud transformation on the envisioned scale. Across central and eastern Europe, banks were already competing head-on for the best talent. The competition for cloud talent worsened during the pandemic's rush to digital.

Against this background, RBI initiated a cloud transformation program with ambitious goals:

- Build all new applications in the cloud, migrate at least 50% of legacy applications to the cloud, and train and certify a minimum of 300 employees per year on cloud-native capabilities. The strategic intent was to simultaneously transform the IT environment and the IT workforce.
- The mindset of the new IT organization should be that of an ecosystem blending startups, fintechs, hyperscalers, and management consultancies with the network of RBI banks.
- RBI wanted to create a group-wide knowledge base of cloud compliance and regulatory requirements. The strategic intent was to build communities and teams to drive cloud awareness and adoption across the organization and support the agile way of working. RBI realized it needed a robust cloud operating model and a governance structure to manage the cost of cloud migration and drive cloud adoption.

RBI partnered with Hitachi Vantara for its potent blend of consulting talent and specialized engineering expertise combined with access to eastern European and global engineering resources. Hitachi provided extensive team capacity to augment the cloud factories and RBI teams supporting the application migration toward an Agile organization. The bank is continuing its transformation journey with support from Hitachi, and crucial learnings are already apparent. In the first step (running from September 2021 to January 2022), Hitachi executed a detailed assessment of the application portfolios of a pilot group of network banks. Within this assessment, Hitachi applied a total cost of ownership (TCO) approach to help build the business case for moving the applications to the cloud. This approach was crucial because RBI executives had to communicate the benefits to their network banks to convince them to join the program. The business case allowed them to allocate a budget for the application migrations. Then, in the second step, the pilot banks built on earlier "Lighthouse" projects by migrating their applications. Here, the workforce transformation cuts in. The staffing approach was designed to enable an accelerated setup of a migration factory and simultaneously help RBI become self-sufficient over time without being dependent on technology partners. The critical value lever for this engagement was to blend technology transformation with skill transformation. Hitachi helped build RBI's foundation for driving innovation by enabling knowledge transfer and upskilling. The factory started with Hitachi teams and onboarded more RBI staff as they completed training. As the teams became self-sufficient, Hitachi gradually reduced its teams, fulfilling the goal of setting up an "RBI Migration Factory." So, what have the key learnings and insights of the journey been so far?

Cloud transformation should be about agility and velocity—not cost

Our discussion with RBI's Group IT Transformation Leader Michal Kurowski is a calming antidote to all the market noise around the cloud, which all too often focuses on capabilities rather than business outcomes. It is easy to get lost in all the complexity of cloud transformation as it is often muddled by engineering jargon around capabilities.

Michal's core belief system is as simple as it is compelling: At the beginning of the transformation, there were many discussions. At times it was an uphill struggle. Michal focused on condensing the strategy to a simple, succinct document.

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This [Cloud Transformation Strategy] is a very simple document. But I think this is exactly what is needed. Because if you have spent much time defining the strategy, all the nitty-gritty pieces, you will waste much time, and then you will still get it wrong. So, our strategy is fairly simple. It focuses on what is important: Why we want to go to the cloud and what our strategic aspirations are.

– Michal Kurowski, Group IT Transformation Leader, Raiffeisen Bank International (RBI)

To enable the transformation, RBI focuses on four areas—the transformation goal definition, governance setup outline, a mandatory cloud provider decision, and ambition level clarity—and found valuable lessons in each one:

Defining the goal for the transformation

Here, Michal's reflections were the most illuminating. This concept is not about describing the restructuring effort or cost

reduction. Instead, it explains why RBI is doing what it's doing: focusing on the business benefits and the change the transformation brings to the organization. He explained, “I think the motto we like to use is that the cloud is an agile technology for agile teams. Why? In the previous years, we went through a significant agile transformation. And you cannot be agile if you're not fully DevOps, and it's challenging to be fully DevOps without the cloud. So, it seems like a natural next step to utilize the capabilities of the cloud to automate everything.”

A simple outline of the governance setup

Setting up effective governance structures is central to capturing value from cloud transformations. “For the broader group, what is the structure of the cloud? How do you set up accounts? What is the role of the Cloud Center of Excellence (CCoE)? Is it located in each bank? Is it decentralized or centralized? What is the responsibility of the head office versus what is it for our banks? But all fairly simple,” Michal reflected.

Mandatory decision on cloud providers

To enable effective governance and assure that value can be captured, RBI's strategy was to define and set decisions on cloud setup. It focused on a hybrid and multi-cloud strategy with two external providers and led the negotiations around them. The strategy document explained the thought process behind this and how its private cloud environments would be treated. For Michal, it boiled down to the following point: “We cannot reopen this discussion for every workload.” It is about clarity of direction and clarity on cost.

Clarifying the ambition level

For RBI, the ambition level is both the level of progress and how you measure that progress. And again, the message here is simplicity. Michal suggested, "If you come up with a simple, even though imperfect measure as the North Star, it helps tremendously. It is something you can communicate, it is something that you can set up your approach towards, and it gives you the possibility of measuring the progress." Michal and his team focus on two critical KPIs (key performance indicators) supported by further KPIs.

The first KPI is the percentage of applications on the cloud; it promotes building new apps on the cloud and simplifying the existing portfolio (by decommissioning, etc.). The beauty of this approach lies in its simplicity. One can ask many questions, such as whether one application is equal to another or not. Why focus on applications rather than data workloads? What value does it bring? But this way, RBI knows where the applications are. As a result, all the remaining aspects of cloud adoption will move into place; for example, teams will have to rethink the data infrastructure strategy if most data consumers and producers (applications) are on the cloud.

The second KPI answers, "What percentage of IT staff must go through what training?" This question loops back to the idea of workforce transformation. The starting point is training 100 FTEs per year, but as RBI and Hitachi are already seeing even higher demand, they will revise this target for the future.

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We focus on the business benefits that changing to the cloud brings the organization. The motto we like to use is that the cloud is an agile technology for agile teams. In the previous years, we went through a successful agile transformation. And it's difficult to be agile; if you're not fully DevOps, you cannot be fully DevOps without cloud.

– Michal Kurowski, Group IT Transformation Leader,
Raiffeisen Bank International (RBI)

The Bottom Line: Focus on cultural change and operating model transformation to capture new value.

The journey of RBI with the support of Hitachi Vantara is a compelling example of capturing value by focusing on business outcomes and reshape of the entire technology platform rather than getting lost in a race to save cost. RBI and Hitachi Vantara achieved cost savings by addressing the right strategic levers—or in the words of RBI, as a nice byproduct. Becoming cloud native is more about cultural change than it is about capabilities. RBI's workforce transformation is referencing that strongly with the intent of achieving the agility that industrialized DevOps can bring. What organizations can further learn from RBI is simplifying the strategic objectives so that you can communicate effectively to all stakeholders while aiming to motivate rather than demotivate. HFS looks forward to learning about more experiences from this challenging yet illuminating journey.

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Tom Reuner is an Executive Research Leader at HFS. Tom is responsible for managing the HFS IT Services practice with coverage areas including cloud native, application modernization, and quality assurance. Furthermore, Tom covers the emerging ecosystems of ServiceNow, Salesforce, and Pega. Leveraging his long entrenchment in the automation community, Tom drives HFS' thought leadership on automation. A central theme of his research is the orchestration and increasing interdependency of approaches such as RPA, AIOps, Observability, and AI. He is also managing the Top 10 program to ascertain consistency and thought-leadership.



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