



LEADING CLOUD PROVIDER SPOTLIGHT

How Microsoft is Accelerating Enterprise Cloud Adoption

Scott Guthrie, Executive Vice President, Microsoft

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Microsoft came to the cloud through scaling its search engine. Bing was meant to compete with Google Search and required a scalable infrastructure on which to build. Satya Nadella, now Microsoft's CEO, launched Bing in 2009. In his book *Hit Refresh*, Nadella says Bing helped jump-start Microsoft's journey to the cloud. When he took over the Servers and Tools Business (STB) at Microsoft he sensed the cloud would be, in his words, "the biggest transformation of Microsoft in a generation."

Scott Guthrie shares Microsoft's journey to the cloud, in addition to having one of the fastest growing SaaS solutions on the planet, Office 365, which is driving cloud adoption in the enterprise.

In the words of Scott Guthrie:



Microsoft started its cloud journey nearly 15 years ago, when Ray Ozzie was one of the key people advocating for the cloud. At that time, we had two teams driving our cloud journey: The Office team and our Business Productivity Online Standard (BPOS) initiative.

Things really accelerated around 2010 and in the last eight years we have brought together the Microsoft Cloud, which includes platforms and services such as Azure, Office 365, and Dynamics 365. Today, we're thinking about the migration to the cloud in terms of productivity, and how the overall technology needs of SaaS, PaaS, and infrastructure bind together to deliver business solutions.

Like many other enterprises whose legacy extends far beyond the cloud era, cloud transformation is a journey that we're still on, and one we hope to continue indefinitely. Thankfully, it's one with which we're seeing tremendous customer success, which leads to success from a business perspective as well.

Classic dilemma

A decade ago, if you asked whether customers would rather have control or technology transition, they would choose control. This is a classic enterprise dilemma, but I would say a transition is too important. One of the problems leaders of enterprise companies historically have is not asking for transition like from command line to GUI. The future is going to happen, whether they are convinced or not, and in that case, you must act even though your best customers are saying they're not sure that's what they want.

If you don't transition, by the time customer demand develops, it's too late. Sometimes, if you act incorrectly, they never come—and in that case, you will also go out of business. Technology is a tricky thing; it's not just cloud specific. For all technology transitions, timing is difficult. Companies have to have the fortia there is a strong customer demand. In our case, we made the call in 2010 to transition in earnest to the cloud. We leaned into the cloud before there even was customer signal or demand. That meant that when the market really started shifting a couple of years ago we had already built out the infrastructure, data centers, and productivity software in the cloud-based environment. We were ready to ride that wave.

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We’ve worked to secure a strong position in the market in terms of both having the enterprise credibility, but more importantly, having the enterprise credibility in the cloud space. We have a cloud portfolio that isn’t just on the shelf and ready, but is integrated well. This is not a space where we are just doing lots of acquisitions, which leads to a very disjointed product set. While we do acquisitions, a lot of the cloud infrastructure and software that we have has been built up more organically and composes very well as a result. It is integrated in ways that provide differentiation that ultimately enables customers to be successful.

At Microsoft, we eat our own dog food

We are one of the biggest enterprise consumers of the cloud. Some of our customers have 400,000 employees that are using us, while we only have 130,000 employees. So, there are probably bigger companies now that use the cloud just because they are bigger in terms of employees. About 90% of our IT systems now run in Azure and in Office 365 and Dynamics 365. We drive a tremendous amount of consumption and with the savings we’ve been able to redeploy resources to other strategic investments.

We have always had this philosophy at Microsoft called “eat our own dog food,” which is: how do we run our own business on the software that we sell to end customers? Our email is all hosted in Office 365. Our SharePoint sites are in Office 365. Our SAP systems now run inside Azure. We do quarter end close in the cloud. We have one of the largest ERP backends in the world. All these complicated components run inside Azure, within our infrastructure. This includes our identity systems, management security systems, build systems, and dev-tech systems.

In addition, since we “eat our own dog food,” we harden our systems every time we talk to a customer. For example, if we are walking a customer through SAP migration, we are simultaneously walking through our own SAP migration. We can share our own experiences with migration, and the customers are therefore able to understand all the details in a large-scale infrastructure migration, from the perspective of our own IT team.

Our cloud is growing fast

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revenue has grown greater than 60% since we began disclosing it in the third quarter of fiscal year 2017. The combination of our products helps employees be more productive, connect with customers, run their operations, and use data intelligence better than ever before.

I think one of the reasons why our SaaS software has grown so fast is that, historically, deploying those types of large solutions on premises took time. Previously it would have taken organizations years of planning to upgrade SharePoint or a new search engine. Now, it's quick and easy.

Constantly making improvements

One of the biggest advantages with the cloud is the constant ability to make improvements.

It takes so much less time to safely bring value to customers at a much more rapid cadence. Even small changes can compound very quickly, and we are able to get them into the customer's hands. This lets them take advantage of focusing on innovation investments.

Sometimes those aren't massive changes, but the nice thing is that if you roll out features every month or every week, small features compound very quickly. Our ability to get those into customers' hands for them to actually be taking advantage of it allows us to take the telemetry and signal to understand what's working and what are people actually using.

Better aligning our field teams to support customers

In the last couple of years, we chose to realign our sales teams to industry verticals in order to understand our customer's business better. Our teams now only handle retail or they only handle banking or they only handle pharmaceuticals. Then, we focused our teams around consumption instead of license sales. We wanted to help our enterprise customers adopt and consume and use cloud services so we changed the incentive models.

We have customer success managers as well as cloud solution architects that can spend time with an enterprise to help them understand, get trained better, and to be more successful.

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We’ve tried to be very flexible around large customers who often have unique security needs or unique certification or indemnification or audit requirements. So we’ve also put together programs that can help with all of those. At the end of the day, we try to take the journey to the cloud through a technology approach, a knowledge approach, and an overall business approach. How do we really optimize that to enable our customers to be successful?

Automation improves security

The security benefits of moving to the cloud is perhaps one of the clearest for customers. Through the power of the cloud, Microsoft customers benefit from real-time detections and automations that are powered by the trillions of signals coming through the Microsoft Intelligent Security Graph. Through the insights and real-time data process and the power of the cloud can we protect customers in seconds when we see an attack.

The automation and homogeneous nature of the cloud also empowers customers to streamline their environments versus traditional on-premise data centers fraught with different networking gear, different servers, different operating systems, different firmware, and different patching levels—all contributing to exponentially more maintenance and complexity. The nice thing about having a cloud-based system or a cloud infrastructure provider or a SaaS provider is it drives customers toward automation that helps them scale better. Manual processes that are slower and plagued by the potential for human error are simply not an option in the cloud. On top of all of that, at Microsoft, we can and do invest more in the security of our cloud infrastructure than our customers could do on their own. In this way, our customers can leverage our investments to their benefit. Finally, security is constantly changing. Hackers continue to get more sophisticated and the defenders must constantly work to keep up or get ahead of them.

If you think about the investment that we’re making, there’s a core set of services and solutions that we’re building. Take, for example, with Azure Active Directory, we’re providing identity as a service as part of Microsoft Cloud. On the networking side, we provide to our telco partners what we call Express Route, which enables direct network pipes between their facilities and ours. We’re partnering with Zscaler to provide network as a service options that integrate with Azure and with Office 365 and the Microsoft Cloud more broadly.

Integrated offerings: Identity, Network, SaaS, and PaaS

I encourage CIOs to make the move to SaaS wherever possible. One of the benefits of SaaS is you constantly get innovations and updates and improvements. From a long-term ROI perspective, a SaaS solution that's always kept up to date, continuously improved, and which someone else can do the backup, the operations, and all the work-around, in the long run delivers much higher return on investment. That's partly why, when you look at Microsoft Cloud portfolio, all of those are delivered via SaaS.

Our goal with the Microsoft Cloud is to do both SaaS and infrastructure as a service, but more importantly, integrate the two. For instance, if you're doing custom data analytics you may have your users use a business intelligence SaaS solution like Power BI. You could then take data from your Office 365 systems and put it into a managed data warehouse on Azure. That in turn is delivered as a PaaS service, which uses custom AI and a custom set of platform services to make it richer. In that case, you have the benefits of both worlds, which is you're still heavily SaaS on a whole bunch of different dimensions, but you always have that flexibility to spin up a VM or to use a PaaS service to do something custom.

Data privacy, data residency, and GDPR compliance is a priority

We've done a couple things to help our enterprise customers with data privacy and compliance. We're committed to making sure our products and services are GDPR compliant and have made significant investments to redesign our systems and processes to meet its requirements at scale. We provide our customers with robust tools, backed up by contractual commitments, to help them with their compliance. Since this is a new regulation and we expect interpretations will change over time, we will constantly evaluate our products, services, and data uses as understanding of GDPR evolves.

GDPR has accelerated cloud migration in some cases as organizations realized it would simply be more efficient and less expensive to host their data in the Microsoft cloud where we can help them protect their customers' data and maintain GDPR compliance. We've been very clear about data residency and data sovereignty and guaranteeing when you move data into a Microsoft Cloud region, that data is stored in that region. You have control. From a contract perspective and from a legal

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perspective we guarantee your data residency and that when we move your data across borders it is done in compliance with applicable laws, and we are willing to put that in writing. That’s been critical for European customers as well as customers elsewhere around the world in terms of having the confidence that they can actually trust their businesses with us.

Hybrid Cloud

We believe in hybrid and have approached it as an optimized state for a customer. The easier you can make it for people to link to the systems they already have and get value on day one, the faster they’ll be successful and frankly the more they’ll want to work with you. Hybrid is not just about making existing applications work. Think about IoT and how a manufacturer or someone who operates oil drilling platforms may want to take advantage of the cloud but cannot risk losing connectivity. We help them do compute locally or on the edge to provide that uptime while they may still use the cloud for data analytics or backup.

Hybrid solutions are not just for the past and for systems that are already built. It is also going to be the design footprint for new applications.

Artificial intelligence leverages data to run your business effectively

In many ways data is going to be the new digital currency. Every business is looking to find ways that they can use AI and data more effectively to transform their operations. And so we’re on a path to build data and AI capabilities that can be used horizontally but also looking at how can I take my data inside Dynamics, my data inside Office, that’s my data as an enterprise, and how can I actually use the AI and data services inside Azure to reason over it and run my business more effectively?

Have a trusted partner

One of the most important things is to have a trusted partner that you can work with to go down the cloud path. There will always be more that you can do if you’re successful in your cloud journey, so having a trusted partner that can guide you along that path is essential.

The key is to just get started. Five years ago, cloud was still relatively new for a lot of enterprises, but we're now entering an adoption phase where the majority of new systems are now cloud based. Cloud has reached the mainstream and moving down that path is the right approach.



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About Zscaler Zscaler was founded in 2008 on a simple but powerful concept: as applications move to the cloud, security needs to move there as well. Today, we are helping thousands of global organizations transform into cloud-enabled operations.

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