Industry Leader Q&A: Cloud Services
OI's Frank Casale Talks Cloud Services with Oracle's Steve McMillan

Frank Casale: Hi Steve. Thanks for joining us. So Steve, to give some context for this interview, can you give me a sense of the organization and then your role.

Steve McMillian: Yes, sure. I'm the Senior Vice President of Oracle's Managed Cloud Services business. Managed Cloud Services is part of Oracle's Cloud Solutions portfolio, which is focused on one key mission: to deliver Oracle's technology and applications software via the cloud or over the Internet to our customers.

So, the Cloud Solutions portfolio spans from Oracle cloud, or what we call "public cloud", where we deliver software-as-a-service subscription capability, all the way through to private cloud where we essentially enable organizations to develop clouds for themselves using Oracle products.

I am responsible for the piece in the middle, Managed Cloud Services, where we will operate and run Oracle technologies and applications in a flexible deployment model for our customers. By deployment model we mean we will run their technology and application portfolio -- either from an Oracle data center, using multi-tenant hardware and infrastructure, or run it at the customer's site or at a partner's site. So, we offer many options in terms of bringing organizations the capability to deploy Oracle's technologies in the most flexible and convenient way to fit into the organization's overall strategy.

Frank: And how about the Oracle Organization?

Steve: So the organization itself...it's had quite a long history inside Oracle. Oracle's actually been in managed services business for over 12 years. It started off as a hosting business, business online, and then went through many iterations in terms of having a brand called Oracle On Demand for several years, and so lots of experience and intellectual capital inside the organization.

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But just as our customers are transforming over the last, especially, 12 to 18 months, we've also transformed the organization and business, including the underlying infrastructures, architectures and processes which we use to manage our customers' systems.

We have developed a multi-tenant infrastructure capability with highly virtualized solutions for our customers. We've also transformed our service delivery processes, significantly increasing quality, while also providing transparency into that process execution by developing portals and technologies that manifest on tablets and smartphones to enable our customers to get an insight into how we're running their environments and systems for them.

Transforming the business has carried all the way through to our service catalogue, which we have modified over time to really deliver a modular capability, so that customers can pick and choose the services that they require, scaled and right-sized to their business needs.

Frank: Okay, wonderful. Obviously, you're deep into this industry. You're talking to people, certainly clients existing and perspective, on a daily basis. What do you see as some of the bigger and broader trends with regard to cloud?

Steve: So, I think we're seeing that there are a couple of intersection points. One is cloud and another is a continuing evolution of sourcing ability or requirement for an organization. Whereas before, organizations may have considered a complete end-to-end outsource of their infrastructure and applications or their IT organization, they are now thinking more and more about selective sourcing.

I think you would agree, we've seen much more selective outsourcing, so organizations just taking a piece of either their infrastructure or their capability and outsourcing that in some way. You see that from mostly a horizontal perspective: organizations outsourcing their compute to, as an example, IBM or HP, outsource their storage to EMC or IBM or another provider in that space. As organizations have developed selective sourcing strategies, cloud has started to play into that.

But cloud really changes the orientation of that sourcing, so that it's very much vertical inside the organization, rather than horizontal. The term that we utilize is "a desire for the selective sourcing of application through to disk" – meaning the entire technology stack and application that delivers a business process.

And then, really, if you look at how organizations are purchasing cloud solutions recently, it's really been with the perspective of "how do I eventually deliver that entire application functionality without being concerned with the underpinning infrastructure and capabilities?"

So Oracle's focus is to really enable that selection and that choice in the market to actually deliver from application all the way to disk, so that ultimately business processes can be effectively executed and delivered from a cloud platform for a customer's unique advantage.

That's essentially what we're seeing in the industry – the continuing transformation through selective sourcing, for all of benefits customers want when they decide to do that: It may be cost, it may be flexibility, it could be security or reliability of the current infrastructure.

We often see upgrades as being a key reason why organizations want to consider a cloud-based solution. As organizations want to upgrade their application versions or their application functionality, this creates a decision point for them, which enables them to really evaluate their selective sourcing strategy to say, "Should we source that and that functionality in a cloud-like way?"

I've been with Oracle for 18 months, and prior to that, I had 22 years with IBM, mostly in their services organization. I was the internal CIO for IBM Global Services, and one of my last roles in IBM was to run their largest outsourcing contract. I was attracted to Oracle because Oracle is one of the few organizations in the industry, as a result of multiple acquisitions and the acquisition strategy, that spans both application assets but also infrastructure assets with the acquisition of Sun Microsystems.

So, Oracle is one of the few organizations on the planet that can really do that level of integration from the application layer all the way down through to the lowest levels of the infrastructure – "applications to disk."

Frank: Okay, so obviously the cloud market space has been evolving and obviously will continue to evolve, but could you walk us through from your lens? What has happened in the past three, four, five years, as far as what people were doing what you were able to do, with regard to cloud, four or five years ago, as compared to what you are able to do now? And could you extrapolate that out maybe four or five years in, where you see it all going?

Steve: Yes, so I think that the road map that enables customers to adopt cloud within their organization is pretty much a standard transformational map that lots of organizations have been embarking on.

And that can be considered in terms of "Okay, we're going to try and simplify our infrastructure. We're going to try and standardize that infrastructure and realize that infrastructure and application capability, in some way, to get better utilization of infrastructure, to get more reliable, to be more flexible -- increase speed to market.

But once an organization has done that, then they start to get to a point of "Well, now, how can I optimize the entire stack?" and you see that in terms of the industry and the technology providers in the industry, optimizing from application all the way through the technology stack.

Oracle does that with things like engineered systems, where both the software and the hardware are engineered to work together. That kind of journey has led to a point where organizations are thinking about sourcing a service, rather than sourcing component technology pieces.

One of the core thoughts that we have as an organization is that the role of the CIO and the role of the CTO are shifting -- and fundamentally shifting as a result of that transformation road map that organizations have executed.

What that shift has meant is that those CIOs and CTOs move from being integrators of technology to become integrators of service within their organization, and so they have to integrate, to weave together, services provided by multiple different vendors to essentially meet the business requirements that they are serving within their organization.

And now with that, you've seen the proliferation of the purchase of cloud-like services, so you've seen organizations then start to say, "Well, I can buy that entire application in business function delivery as an entire end-to-end service, I don't need to worry about all the component parts -- just buy an integrated service."

What we've started to see with the advent of that is the line of business executives are now, instead of demanding and buying service from internal IT organizations, they're actually going directly to the marketplace to make a purchasing decision.

And with that, we believe, can potentially come all the disadvantages of the client-server model from the '90s, where departmental IT solutions start to be rolled out in their customer organizations, and then the role of the CIO and the CTO has to become "How do I start to integrate all of those capabilities together so that I can essentially retain the benefit of having an integrated business delivery architecture?

"How can I insure that I have a viewpoint, or be able to execute business processes on an end-to-end basis? How do I make sure I can exchange my customer-related information with my manufacturing system, all the way through to my supply chain capability?"

And so that level of integration, we believe, will fall back into the hands of the CIO and CTO, as cloud more increasingly federates the data model of organizations into potentially different providers and different capabilities.

Oracle's viewpoint on that is that it's very important for an organization to have adopted a service integration framework and a service management framework that enables the reintegration of that federated data.

In such a way that the business can continue to gain insights from that data, and serve their organization

on an end-to-end basis, in terms of execution of the end-to-end business process, and our perspective is to enable our customers to do that, we must provide the underlying technologies that enable that integration.

And we do that through the continuing evolution of our technology and application set, our Enterprise Resource Planning solutions, our Fusion products, and our Middleware products with integrated development roadmaps and product roadmaps, for those particular applications.

Enabling customers -- when they make the choice to utilize Oracle as the underlying application, database and infrastructure -- the ability to essentially federate that data model.

And so what that moves to is we have positioned ourselves as the organization which can enable businesses to adopt a fully cloud-like solution portfolio while giving the ability to run a completely hybrid cloud, where we may have assets running inside a private cloud inside a customer's data center.

They may be managed by Oracle Managed Cloud Services, and then integrated with public cloud capability, to drive business solution success, and

what that ultimately leads to is an increasingly integrated hybrid cloud model and to a point that I made earlier, which is ultimately what we will enable an organization, to execute end-to-end business process execution in the cloud.

So that business process execution as you execute a sales order -- which may be done in Oracle CRM cloud -- automatically feeds an ERP system which we may be running in a managed cloud that we deliver and then feeding out to another public cloud capability, which may be a supply chain management capability which is purchased separately.

But the integration between all of those elements is provided as part of both the service we deliver and the products and technologies that we have.

Frank: Okay, so, you know we're The Outsourcing Institute, and for two decades we've been tracking the outsourcing industry, and low and behold, in recent years, cloud computing evolves as a megatrend. Many of our members are wrestling with how to balance the optimal strategy with regard to outsourcing and/or cloud.

What is your advice to those, whether it's from an infrastructure standpoint and application standpoint, or just an overall strategy of, in an outsourced world, where to leverage cloud, versus going a more traditional outsourcing route?

Steve: I think the perspective on whether or not a company should utilize cloud as a mechanism for delivering business functionality is very similar to, the decisions of whether organizations should outsource.

From my perspective, it's a similar sourcing decision. So customers need to determine, "Where are our core competencies? Where are our core capabilities that we want to focus on? What is the differentiated value, in terms of what we deliver, on a day-to-day basis?"

And then, for the elements of the portfolio, what is the ultimate way to source those capabilities, while still retaining the benefit and the advantage of being able to integrate those together?

So, all of the traditional sources and decisions, whether or not you want to have a capital structure, which is based in OpEx or CapEx, whether or not you want to have data center operations run by yourself or a third party.

Do you want to run hardware and infrastructure, or do you want to utilize third parties to do that? From a cloud perspective, some of the new dimensions are they'll want to run in single tennancy or multi-tennancy. With all of the security considerations, which may go with that.

And then, looking at, "Can I take the benefit from the expertise and capabilities in the market, so that I can essentially move up that value chain from infrastructure towards application management?"

Ultimately, "Do I want to continue leveraging the investment that I've made in my existing application and technology set, or do I want an opportunity to switch from a legacy technology set to a new technology set?"

I think all of those different criteria feed into the decision of, what the cloud strategy for an organization should be.

Frank: Okay, I have one more business-related question, and then what we're doing now -- just based on feedback from our members -- is to try to incorporate a little bit more about the person, so I have one more kind of collaborated question, and then I have two questions that are more, I would say, closer to People Magazine than they are to Fortune Magazine, so we'll get there.

So, I've seen cloud deals being done, or let's say, cloud relationships, that I would put into two categories. One is, just scratching the surface, if you will, of what cloud can truly deliver, and others, other relationships, are truly leveraging and exploiting what the cloud can deliver.

How would you differentiate a good relationship from a really good, cloud-centric relationship?

Steve: From my perspective, I think the differentiation is all about the service layer, and it's really looking at insuring that an organization can integrate their service into the existing IT organization and business organization in a very seamless manner.

And that may come from, what is the degree of configuration that a particular cloud provider enables in, say, their environment? What are the degrees of governance and management that can be put forward?

I think that level of service management and integration into the customer's existing environment provides a key, both decision point for our customers, but also the potential for significant differentiation and competitive advantage from an application and cloud provider perspective.

Frank: Okay, great. That's very helpful and this will be very informative and helpful to our members, so I appreciate that.

So now for the fun stuff...our goal here really is to not only showcase the company and the offerings, but just as much to showcase the executive and at the end of the day this industry, like others, it's about people, right? So the next two questions are more fun, and so, hopefully, you're comfortable, and you could bear with us here.

The first question has to do with sharing something about yourself that maybe is not that commonly known or on your bio. So for example, I asked this question of a CEO recently, and he mentioned that he was actually on the Olympic rowing team, right, so that's pretty impressive.

And then, other people share just about interests or accomplishments, or maybe non-business related goals. Is there something that may not be that commonly known about yourself, to those out there, that maybe worth noting in this interview?

Steve: Over the course of my career, I've lived on four continents and six different countries, and I actually met my wife in South Africa, and Africa remains one of my favorite continents to this date. How is that?

Frank: Okay, that's wonderful. I appreciate that, and then the second question -- maybe this will be a little easier... so, envision this Top Ten list you have of your favorite songs of all time. We don't need to hear all 10 of them, but if you had to think of one song that would definitely be on that list, what would the song be?

Steve: It would be "We Are the Champions" by Queen.

Frank: Great! That's a great song. So that's it, so I appreciate you sharing your insights and your experience with regard to this very important area, and I know this will make for a great piece for our members.

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