

Digital Transformation in the Cloud

Executive Summary

Wherever you look, technology is transforming the world. We spend our time traveling across the globe, listening to policymakers and regulators, business and technology leaders, researchers and academics, and our customers. Yet they nearly all express the same high degree of both excitement and uncertainty about the social and economic impact of technological change.

In this moment of profound technology-driven change, people everywhere are inspired by the promise of a new generation of innovations unleashed by cloud computing, Artificial Intelligence, the Internet of Things, universal network connectivity, and a host of other developments. For organizations of every size and sector, the potential impact of digital transformation on strategy and operations is palpable.

But it's also apparent that the business leaders and decision makers we meet have many important concerns and questions about the new challenges they face. Privacy, security, trust, compliance with new regulations, corporate social responsibility—these deeply interrelated issues have all come to the fore as we move ahead in the cloud era. They are often anxious and unsure in the face of these complex issues, knowing that the choices they make as they explore the opportunities and risks of digital innovation will have a long-lasting impact on their ability to create value and thrive in an ever more competitive global market.

The future of the enterprise in a cloud-based economy is a partnership of equals where each participant is a champion of its own domain. The cloud computing revolution is driven by the realization among enterprise leaders—from Fortune 50 behemoths to agile startups—that information technology (IT) infrastructure and broad business software functions are no longer part of their core value-creating mission. But delegation inevitably raises questions of confidence and trust.

The cloud, therefore, demands a new foundation of trust between cloud service providers and their customers. This foundation stands on three pillars: security, privacy, and compliance.

- Data must be secure from deliberate and accidental disclosure or loss.
- The privacy of all individuals—customers, employees, patients, students, citizens—must be protected.
- National and international laws governing the use and protection of data must be complied with, as must regulations and standards applicable to specific industries.

We are lucky to live in a time when technology offers unprecedented opportunities for economic and social progress. But it is also a time of heightened risk. While cloud and other technologies such as machine learning surge forward, new dangers have arisen that threaten the stability and safety of our modern technological infrastructure and the better society we hope to build on it. Governments around the world are responding to these threats with new legislation designed to protect privacy and cybersecurity, including the European Union's (EU) upcoming General Data Protection Regulation (GDPR).

To help enterprise leaders and their legal and compliance advisors understand and feel at ease about challenges they must tackle thrive in today's economy, and prepare for tomorrow's, we believe it's critical to focus on the following areas:

- **How digital transformation inevitably leads to the cloud.** Today market forces demand—and technology permits—firms to delegate to partners activities where the partners can create more value than the firms themselves. Cloud computing, which offloads critical IT infrastructure and

information processing tasks to partners, offers a strategic opportunity for enterprises of all sizes to digitally transform themselves and drive their core value creation to new heights.

- **What enterprise leaders and the legal compliance community need to know about cybersecurity.** The speed of threats, and innovation, in security technology, can cause information fatigue in leaders charged with charting a safe course through the cyber-jungle. However, by making smart decisions and implementing several strategic practices, businesses can help ensure secure, safe control of data.
- **The right approach to compliance with the GDPR and privacy regulations.** In the 21st century we are witnessing the gradual emergence of a global, or at least multinational, legal framework to regulate transactions and trust on the Internet. The EU's sweeping GDPR rules will impact all those doing business with Europe, no matter what their location. And because legislators, regulators, and concerned citizens in other parts of the world often view the EU as a role model on privacy issues, we expect to see key concepts from the GDPR adopted in privacy laws and data protection regulations in many other regions in the coming years. Understanding how GDPR will impact your organization, and becoming compliant with its rules, are critical.
- **How standards help to achieve compliance in the cloud.** Privacy and security compliance is a foundational requirement for the cloud-first enterprise. It is also a vast and very technical subject, where the trees can easily block the view of the forest. Enterprise leaders should approach compliance firmly focused on essential general principles, while delegating critical execution tasks to their legal and compliance advisors. You must establish business processes that can reliably achieve and maintain compliance across your entire portfolio of IT applications. The key to using technology to solve compliance challenges is to leverage the intellectual capital that your providers have built into their products and services.
- **Ways to advocate and help build a trusted, responsible and inclusive cloud.** We live in an interdependent world. No organization is an island. Every business firm, government agency, and nonprofit entity depends on continual and fruitful interactions with others. As organizations, we must ensure that opportunities of technology are evenly shared, and that challenges facing society are identified.

The payoff of successful digital transformation can be life-changing for enterprises in numerous sectors, particularly those engaged in hyper-competitive global markets. At Microsoft, we're optimistic about the opportunities that digital transformation provides for businesses to adapt and thrive. By providing a strategic roadmap to secure, privacy-protecting and compliant cloud computing, enterprise leaders and legal and compliance advisors can have the confidence and trust needed to leverage the power of cloud computing.