

Why every CEO wants to lead a Service Defined Enterprise – and why the CIO needs to make it happen

How the CIO will make the journey from the Head of Information Technology to the leader of an internal Enterprise Service Provider

Table of Contents

The IT department: wanted dead or alive?3

Is there a future for the CIO and their IT department?3

Logicalis sees a new dawn and an evolving role for the CIO and the IT department4

The Services Defined Enterprise5

Fresh opportunities emerge for the CIO7

The IT department will need to adapt and work to the SDE agenda8

The SDE agenda explained9

Conclusion12

About Logicalis12

The IT department: wanted dead or alive?

The demise of the CIO and the IT Department has been predicted for some time. Now, the emergence and rapid adoption of cloud technologies has added new weight to the assertion that many IT operations have become too slow to respond to the demands of new agile business models.

Around 80% of the average IT department's budget is now spent servicing technology buying decisions that were made five or ten years ago

According to industry analysts, around 80% of the average IT department's budget is now spent servicing technology buying decisions that were made five or ten years ago. This suggests that the gap between the demand for business innovation and the CIO's ability to find the funds and resources needed to deliver it is likely to become ever wider.

There is also a growing recognition that unburdened by legacy decisions and historical investments, organisations would be free to buy whatever application or infrastructure they need from any number of service providers via a flexible choice of consumption models.

Is there a future for the CIO and their IT department?

Could the average CIO and the IT department compete realistically in an open market against an array of 'new model' service providers offering cloud as the 'only viable option' for survival? Will they ever be able to keep pace with the demand for business innovation when they are so heavily burdened with the obligation to fund and maintain up to a ten year legacy of technology decisions and investments?

Some commentators suggest that the cloud is to the CIO what the huge meteor was to the dinosaurs. That may be a rather extreme analogy. But if it rings true, it should serve more as an alarm bell than a death knell.

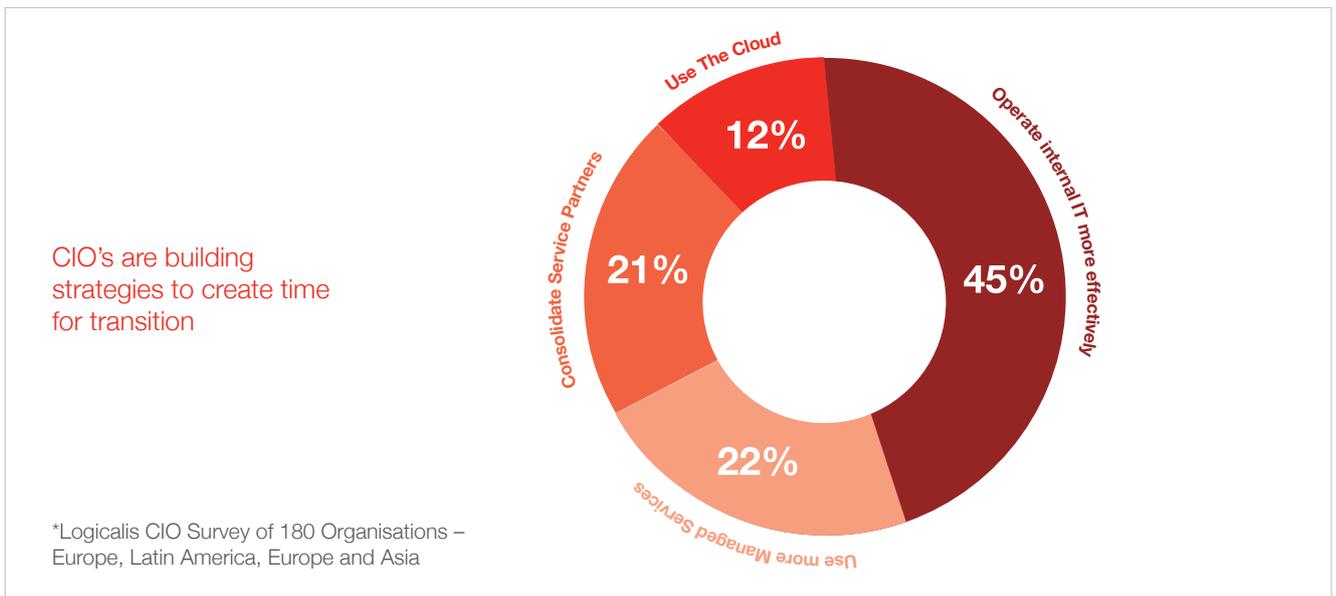
In a new 'cloud' world where every facet of technology is available on-demand, as a service, from specialist providers who are perceived as being faster, cheaper and more innovative, most CIO's will struggle to remain relevant. However, there's a huge difference between facing a struggle and facing extinction. After all, the dinosaurs had no alternative path when the meteor hit, the CIO does.

Logicalis sees a new dawn and an evolving role for the CIO and the IT department

Logicalis predicts that the role of the CIO and the IT department is set to become even more important to their organisations and line of business colleagues. However, the CIO and IT will not maintain and increase its relevance by standing still.

In the coming years, a new kind of IT department will need to evolve; one that becomes the critical conduit between the business and a select portfolio of specialist technology and service providers. It will be the CIO's role to perfectly align the needs and ambitions of the business with the technology and services that are required to fulfil them.

The position of the CIO will become comparable, in the minds of their business customers, to the expanding number of managed and cloud service providers who offer everything the IT department does today. However, the CIO will gain the freedom and flexibility to create an impressive portfolio of user services and experiences, an agile and responsive operation, and more affordable and sustainable consumption models. In some organisations this transformation has already begun.



The Services Defined Enterprise

The accelerated growth of technology consumerism means that the average citizen has more applications available on their smart phone than most business users could hope for. This type of technology consumerism is now being mirrored in the world of business IT.

Of course, IT departments have always worked with a range of different service partners to help them design, build, or operate their IT infrastructure, applications and services. However, the growth in cloud-based infrastructure and application services during the last three years means that business consumers are now being presented with massive choice of functionality and capability directly from external services providers.

For example, a consumer who enters a retail store in order to acquire a new smartphone is seeking to walk away with the very latest and greatest device, delivered within a price and service plan that best meets their lifestyle and financial needs. When they leave the store, they assume that everything that is needed is in place to enable their new handset to deliver the experience they have been promised. That's because, in their mind, they have bought a service, not bought a piece of equipment.

The consumer has no wish to specify the underlying technology and software platform that will enable them to make a call, receive a text, or access an app. They want to consume a service and today's consumers have become experts in identifying, selecting, and sourcing a range of technology-based services. In many ways, the average digital citizen defines themselves by the services they consume.

As well as being the most flexible and efficient way to consume technology, buying services is also widely regarded to be the best way to achieve an almost instant realisation of investment benefit. That's because their new handset works as soon as they leave the store. Within seconds of signing up to their service provider, they can send an email and launch a fully working Windows environment to connect with their world via the cloud. It's instant consumer gratification and it's achieved by buying technology as a service. It's hardly surprising, therefore, that business leaders are increasingly seeking to adopt the same approach.

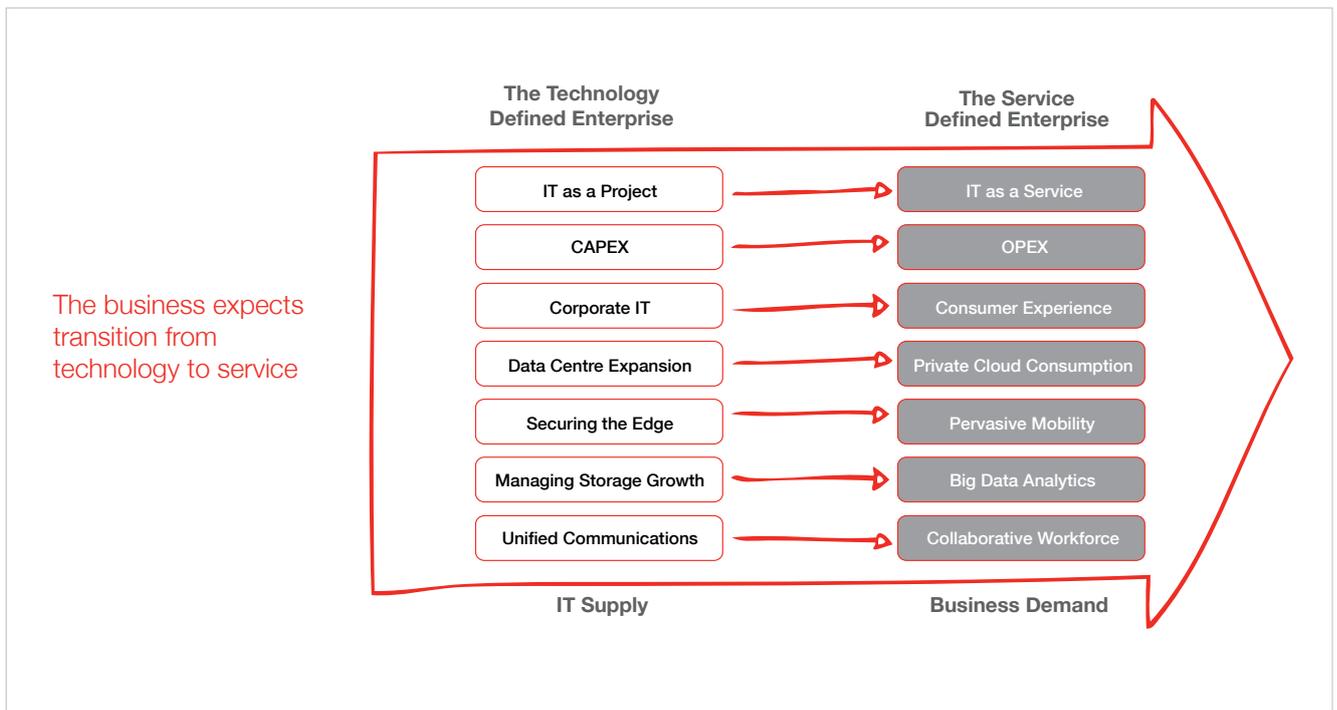
Software as a Service (SaaS) usage has exploded because providers are offering something that business users can purchase and start using almost as soon as the contract is signed.

Buying services is also widely regarded to be the best way to achieve an almost instant realisation of investment benefit

As more and more services are being offered directly to business users by specialist providers, the opportunity to contrast and compare their offerings with what the IT department has to offer is increasing.

For example, the sales director who wants to improve customer relationship management (CRM) can now go straight to Salesforce.com and buy a complete suite of mature CRM processes as a service. If that sales director approached the IT department for the same solution the time frame for delivery and realising the business benefit would be considerably longer. The overall cost would also be much higher and the complexity far greater.

Just like the consumer, business leaders are thinking more about the service they need and less about the underlying technology required to deliver it. And just like consumers, organisations are increasingly defining themselves by the services they use. They are transforming themselves into a Service Defined Enterprise (SDE).



The Services Defined Enterprise has to be more agile because it is able to consume the services it needs from the most efficient and appropriate source. That source will be the provider, internal or external, that can deliver the most appropriate service to the organisation or line of business at the most acceptable cost, speed and risk.

The Service Defined Enterprise will view technology as a powerful tool in delivering the capability it needs. And that capability will not be delivered via a complex underlying infrastructure within, say, the organisation's data centre. It will be delivered without the organisation even knowing or caring that it has a data centre.

Fresh opportunities emerge for the CIO

The SDE will have the freedom to consider services from any source. This heralds a fundamental shift in the IT acquisition process and creates two significant opportunities for the CIO.

Firstly, to transform how the IT department builds and operates the IT infrastructure and systems under its control so it becomes as agile and cost-efficient as an external services provider. This will enable the department to maintain its position as one of the primary providers of internal IT services.

Secondly, for IT to establish itself as the trusted advisor to define, source, engage with and manage external service providers in order to maintain and develop the organisation's portfolio of IT services and capabilities.

Logicalis believes that the IT department will need to adapt in order to assume the identity of a pseudo service provider. The aim is not simply to become comparable to external service rivals, but to become the arbitrator of what service standards and capabilities are most needed and which provider is best positioned to deliver them.

In the Service Defined Enterprise, IT will continue to own and operate enterprise architectures, business process and productivity applications, its primary focus will shift from technology management to the delivery of business relevant IT related services.

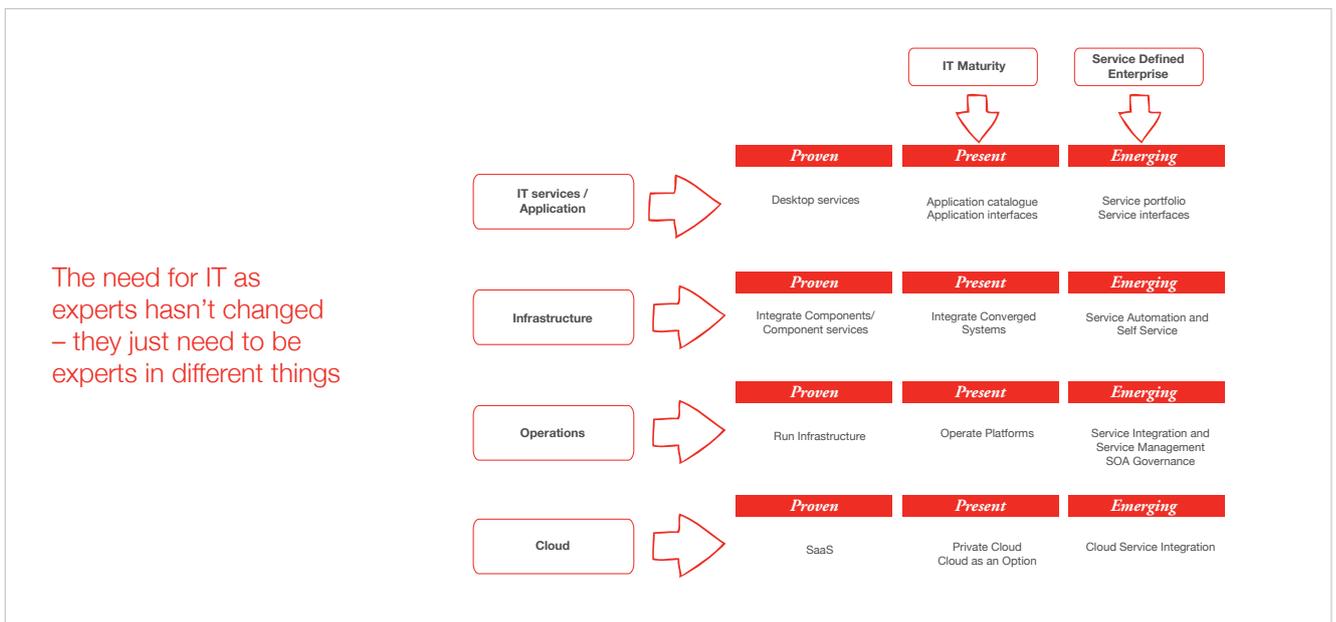
It will not, however, abandon its expertise in running business technology. Instead it will confine its remit to building and managing those technologies and activities that the business wants or trusts only it to deliver. While the SDE will still build and operate many key IT assets; networks, servers, storage, ERP systems, it will do this in the style of a service provider.

Focus will shift from technology management to the delivery of business relevant IT related services

The IT department will need to adapt and work to the SDE agenda:

1. Focus on delivering a 360° user experience – IT Experience Management
2. Move from managing technology to offering a well-defined service portfolio
3. Sell itself to the organisation based on service, value and business case differentiation
4. Adopt pre-validated architectures as the first choice for internal IT architectures
5. Embrace IT automation to drive IT and business agility
6. Transition staff from being experts in technology management to best practice exponents of service delivery and user experience
7. Focus on KPI's that demonstrate delivery of business agility and improved user experiences
8. Be confident to look externally-first for solutions and services providers for the majority of their business IT needs

The SDE will transform itself into an organisation that recognises that the business has multiple options when sourcing business IT services, from core server and storage capacity to the business applications and data used throughout the organisation.



Like the ISP, ESP or SaaS provider, the SDE will recognise that customer experience is everything. Like the Managed Service Provider, the SDE will understand that adopting best practice architectures and operating processes is the only way to adopt and operate technology that make great experiences deliverable at a price point the business is willing to fund. And like the major outsourcer, the SDE will realise that doing everything themselves is simply not an option. It will recognise that to identify, integrate and manage a number of service providers into one unified service is the only way to make the business believe that 'one contract' with the 'IT' department is a practical and sustainable long-term option.

This service centric approach will help the CIO focus every action on delivering what the business wants most: a transformative user-centric experience built using services from the most appropriate source.

The SDE will embrace IT services portfolio management as the most effective way to engage with, and serve, the organisation

The SDE agenda explained

1) Focus on delivering a 360° user experience - IT Experience

Management: recognising that the organisation is being bombarded with external sourcing options for all of their IT needs. Each one promises to bring the organisation something unique, compelling or transformative. The SDE will recognise that all of its services will need to be compared with those available externally. It must proactively evaluate all relevant options that are able to deliver the user experience that the organisation is able to fund.

2) Move from managing technology for the business to offering a well-defined service portfolio:

the growth in consumer IT gives users a distorted sense of how 'easy' it is to access IT-based services. Consumers buying a SaaS service are never exposed to the underlying technology platforms, complexity or operational challenges that the SaaS operator deals with every day. All they see is a product offered at a monthly pay-per-user rate and available virtually immediately. The SDE will embrace IT services portfolio management as the most effective way to engage with, and serve, the organisation. The portfolio will comprise internally built and operated services, and a variety of external service partners. The SDE will ensure that the organisation will not be able to differentiate between services delivered internally and those delivered via external partnerships.

3) Sell itself to the organisation based on service, value and business-case differentiation:

the ability to respond to and fix a failed piece of equipment, or being able to implement a new server platform is no longer of 'value' to the organisation. While every external service provider is selling the value of their offering to the CEO, CFO or a line of business head, IT will continue to have to consume budget simply to run and maintain the technologies and services that are already in place, i.e. today's budget funding yesterday's decisions and investments. This puts the IT department at a serious disadvantage in delivering what is perceived to be business value and innovation. Therefore the SDE will take on the characteristics of the service provider. It will

communicate the full value of its portfolio and its ability to deliver innovative services, and it will do so passionately and persuasively. In the past, IT might talk about the dangers and risks associated with BYOD, whereas the SDE will communicate how effective mobility policies and services will improve the productivity and experience of executives, the workforce and customers.

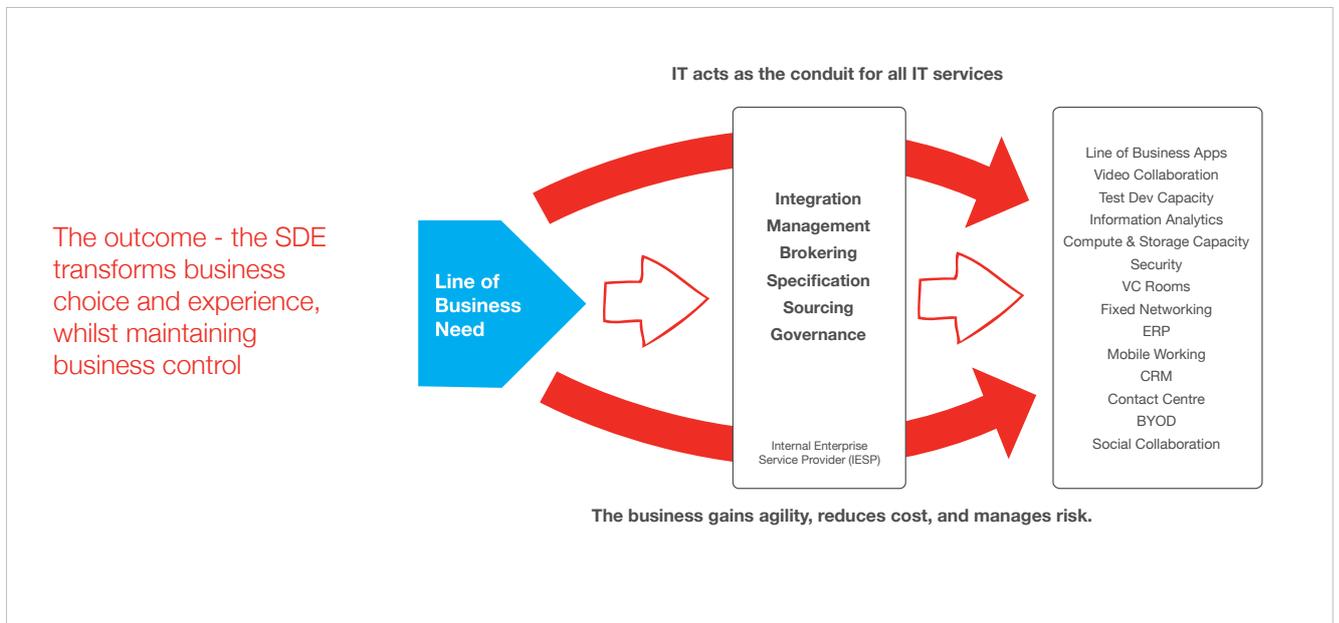
The SDE will strive to put people into roles that deliver new business innovation, and remove them from areas, such as process and technology, where people add little value and significant cost

- 4) Adopt pre-validated architectures as the first choice for internal IT architectures:** all major vendors are now producing pre-packaged or pre-architected infrastructures for use within organisations of all sizes and in all sectors. These off-the-shelf systems come with many thousands of hours of pre-flight testing and the warranty and support of single or multiple industry leading vendors. Traditionally the IT department would have seen its role to choose the best-in-class component technologies and then build, integrate and validate their choice for the business. The SDE will see already validated architectures, primarily Data Centre Converged Infrastructures, as a fast-track and highly cost-efficient way to build out the higher layer services their organisation is willing to fund.
- 5) Embrace operational automation as the de-facto standard for running IT and IT Services:** most IT departments comprise people, technology and process. In operational terms, it is people who provide the effort and expertise and, therefore, represent the highest cost element within an IT department. Unnecessary human intervention in the process of provisioning, managing and responding to systems failures in a service provider adds only one thing; cost. The SDE will systematically move people into process - automated process - and build-out the user interfaces and back-end systems to enable it to deliver service as close to 100% efficiency as is achievable. The SDE will strive to put people into roles that deliver new business innovation, and remove them from areas, such as process and technology, where people add little value and significant cost.
- 6) Transition staff from being experts in technology management to best practice exponents of service delivery and user experience:** the converged infrastructure has been pre-validated by the vendor. Its implementation has been undertaken by a certified partner. The management platform has been automated to respond to all known incidents or faults and the user requests its provision through a full automated portal. So who needs to manage technology anymore? IT staff are regarded as the experts in running technology. The SDE will train its staff to be experts in engaging with the organisation, its departments and its users. Their role will be to help ensure near perfect service definition and to engage with service partners and providers on best practice service management. Most importantly, when the organisation no longer cares about technology management, but cares deeply about user experience, the SDE will concern itself with how well it has met the expectations of its users. It will understand that these users now have a choice and can buy any IT service from any source they chose.

7) Focus on KPI's that demonstrate delivery of business agility and improved user experiences: according to a recent Gartner report, 90% of all IT Service Management programmes (ITSM) have not delivered the results expected. ITSM will be at the heart of the SDE's operating model. Best Practice ITSM process, systems and platforms will transform the IT department from expert managers of products and technology into best practice practitioners of service management.

8) Be unafraid to look externally-first for all new business IT service adoption: many companies are now adopting the motto of 'digital-first', the SDE will adopt the motto 'externally-first'. The leader of the SDE will expect their colleagues to always investigate and evaluate the offerings of external service providers that are able to meet the needs of their users before deciding to build the service themselves. By looking externally-first the SDE will ensure that anything it decides to build and operate itself will deliver a comparable user experience, be equal or superior to the standards of an external service provider, and will be delivered at a competitive cost.

In adopting this SDE agenda, the delivery of services becomes paramount. And in a new world where the SDE is only building and operating a fraction of the services the business uses, it must position itself as the trusted conduit for all technology-based service delivery.



The SDE will gain greater influence and control over the services and sources the organisation chooses to develop its technology-based services portfolio

Once this transformation is complete, the SDE will gain greater influence and control over the services and sources the organisation chooses to develop its technology-based services portfolio. And it will work with more and more service providers, and be responsible for managing more service layers and contracts than ever before. This will make the SDE considerably more relevant and valuable to the business than the IT department was perceived to be before the transformation had begun.

Conclusion

The route towards a Service Defined Enterprise is one that every CIO will follow, and some will lead. It's a journey of transformation that leads to a more responsive and cost-efficient IT department, greater agility, a more competitive business model, and a richer user experience.

Ultimately, for the CIO and the IT department, the Service Defined Enterprise could be more than a plan for the future. It could be a plan for survival.

About Logicalis

Logicalis is an international IT solutions and managed services provider with a breadth of knowledge and expertise in communications and collaboration; business analytics; data centre and cloud services; and managed services.

Logicalis employs nearly 3,500 people worldwide, including highly trained service specialists who design, specify, deploy and manage complex ICT infrastructures to meet the needs of almost 6,000 corporate and public sector customers. To achieve this, Logicalis maintains strong partnerships with technology leaders such as Cisco, HP, IBM, CA Technologies, NetApp, VMware and ServiceNow.

The Logicalis Group has annualised revenues of over \$1.4 billion, from operations in Europe, North America, South America and Asia Pacific, and is fast establishing itself as one of the leading IT and Communications solution integrators, specialising in the areas of advanced technologies and services.

The Logicalis Group is a division of Datatec Limited, listed on the Johannesburg and London AIM Stock Exchanges, with revenues of over \$5 billion.

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