Executive Summary

Cloud computing, virtualization, mobility: Individually, these technology trends have brought sweeping changes to IT organizations for years. Together, they are driving the biggest disruptive force in IT today—the IT as a Service (ITaaS) revolution. IT organizations in every sector are feeling business and technology pressures to move to an ITaaS delivery model, where the focus is on business services more than technology products, and where IT brokers services as well as provides them. These changes have IT and business leaders working together in new ways. The rewards promise to be game-changing, but getting there will prove challenging.

IDG Research Services teamed up with EMC and VMware to survey more than 350 IT and business executives across the globe about various aspects of moving to ITaaS. And 20 of the IT executives agreed to be interviewed in depth about their journey. They share similar views on the benefits and challenges they face, including how ITaaS represents a significant change in service delivery, accounting and accountability from the traditional role of the in-house IT organization.

In the early stages, IT leaders will encounter many obstacles: resistance to change, increased pressure on the business-IT relationship, new skill sets needed and radical changes in the role of IT. Along the way, there will be victories and setbacks, but CIOs and IT executives from around the globe report significant progress.

To manage this level of change, IT leaders must work even more closely with their business counterparts. Communication is essential. Communicate early and often, CIOs say. They claim their goals of reducing costs, increasing the efficiency of service delivery and ensuring adequate skill sets are all attainable, but require careful planning and thoughtful execution.

In this paper, we’ll hear from IT leaders across the globe on how ITaaS is working for them—their biggest challenges, their progress and the payoff.
EMC VIEWPOINT:
ITaaS is a new operating model for the business consumption of technology services. It drives operational and financial improvements in people, processes and technology—while positioning the IT organization and technology platform to play more strategic business roles.

Cost Savings—Just the Beginning

Cost savings is the primary goal of most efforts to move toward ITaaS. But other benefits like hardware and server consolidation, more efficient business and IT processes, and more accurate cost models for IT services—while ultimately translating into cost savings—carry their own benefits. As it turns out, cost savings is just the gateway to a rich and deep slate of benefits.

While IT executives cite cost savings as the number one benefit of ITaaS, it ranks number six on the list of benefits anticipated by business executives. Business leaders take a broader view, seeing ITaaS as facilitating business-IT alignment, delivery efficiency and customer satisfaction.

“Cost was one of the biggest drivers,” says the VP of corporate IT for a U.S.-based entertainment enterprise, “but then it quickly became more about managing our processes to properly align with the business.”

Numerous other organizations started with cost savings at the top of the objectives list, but soon found other easily attainable and measureable benefits. “This new model will provide good cost savings and at the same time provide reliability,” says the IT manager for a U.K.-based retail organization. “This will let us focus more on emerging technologies, mobile as an example, which the business is very interested in seeing us roll out. By lowering our internal costs, we will be able to invest those budget dollars in new areas of technology. That will result in better business value.”

Starting with a focus on cost savings has also led to deeper examinations of where and how organizations can trim expenses from their IT operations. “We started off monitoring cost across the organization, but what it enabled us to do was look at where there is a high expense of IT costs and look at where we can make changes,” reports the IT manager of a French retail chain.

Consolidation and standardization of hardware and applications also rank high as opportunities, according to survey results and interviews. The head of divisional IT for a German engineering firm reports his organization’s original goal was “to centralize and standardize every application.” Those efforts led to a broader enterprise-wide initiative. “We have central applications for our compute components for our elevator, industrial and material services. What we need to do is make sure that the common areas for business have aligned IT and aligned systems. They have become global applications.”
services, and accounting for the costs of those services. Developing a pricing model is cited as the number one roadblock IT faces when implementing ITaaS. From a technology perspective, the resources freed up by moving to ITaaS can lead to deeper investments in current enabling technologies like virtualization, cloud computing, big data and IT service management (ITSM). These management and technology factors are changing the roles of IT staffers.

As the service portfolio expands, IT needs to be able to deliver and manage new and updated services. “We're trying to develop our service catalog in a better way,” says the infrastructure service manager of a U.S. manufacturer. “We're spending a lot of time looking at the services we have, mapping them and building a service catalog around that.”

Developing and delivering new services also means IT must account for those services. “The organizational changes included bringing in new software so that we could account for [the services we deliver],” says the IT director for a German auto manufacturer. “We now have to invoice and have a billing system for this. Previously we weren’t billing. Now we feel like a consultancy.”

The shift to IT operating more like an internal consultancy is happening in other organizations as well. “It’s all around specifically advising the business and communicating with them exactly what the costs are and how much it’s going to be per quarter for each particular service,” says the IT manager of a French retail chain.

ITaaS has not only changed the role of IT as a whole, but also individual roles within the IT organization. “It was a whole transformation that went along with this shift,” says the VP of corporate IT for a U.S. entertainment organization. “[We needed] a lot of change management, and better job descriptions to define people’s roles. There was definitely an outreach to the business to educate them because we were going to be interacting with them differently.”

Communication: Key to the Business-IT Relationship

The ITaaS revolution puts the business-IT relationship front and center. Today, cloud computing, virtualization and mobility have greatly expanded the traditional boundaries of IT. Workers, technology and information can reside anywhere and be available at anytime to anyone. IT services like networking, computing, storage and analytics can be sourced from outside vendors, often as easily as from the in-house IT organization.

IT leaders interviewed emphasize that communication is a key to success at any stage of a transition as significant as moving toward ITaaS. In fact, poor communication is cited by almost half of business executives as a major roadblock for an effective partnership with IT. And both IT and business leaders indicate communication and collaboration are essential skills within the IT organization.

IT leadership has to better quantify and promote the value of IT services, including their overall value to driving the business forward. This means more frequent and more direct communication throughout the process of planning and executing IT initiatives. “We recently went through a reorganization of the IT department where we tried to provide a central point that meets with internal customers to get their requirements,” says the infrastructure service manager of a U.S. automotive manufacturer. “The CIOs of the different businesses participate in a forum every two weeks or so.”

IT leaders in other industries have established formal processes for improving the working relationship and extent of communication between business and IT leadership. “Every year we follow processes to understand what is required from IT, what the service needs are and the IT strengths and weaknesses,” explains the head of divisional IT for a German engineering firm.

Facilitating the business-IT working relationship is an established job function in many organizations. “Every line of business has
their respective technology relationship managers. They are the go-between,” says the senior infrastructure architect for a U.S. banking firm. “They communicate with the business during project inception and do all the planning with them. They also work with us, the technologists, and they bring the application experts along to convey the business needs as well.”

Better planning and execution accelerate progress toward ITaaS. “We don’t just run off and do something if [business executives] give us an idea,” says the CIO of a U.S. local government agency. “They are involved in planning for it. Then they sign off on it if that’s what they want. Then we continue to communicate and work with them throughout the process.”

Regular and comprehensive communication also reduces costly misunderstandings and helps ensure that business and IT leaders are truly working in concert as their organizations adapt to ITaaS. “We work together closely to plan the architecture and have regular reviews,” says the CIO of a U.K.-based insurance company. “What’s important to us is that the stakeholders are involved throughout the process, from planning, budgeting and conceptualizing to implementation and upgrades. We keep regular channels for communication, and we constantly get feedback from the business units on what they require or what’s working well for the business.”

At this time, such an established communication protocol or discipline still remains a work in progress at some organizations. “It’s not as easy as you would hope,” says the senior manager of IT operations for a Canadian automotive manufacturer. “We try to get their input on things like future growth to understand how marketing and engineering will be affecting the technology back end.”

The Pricing Challenge

Arriving at the most effective approach for costing and charging for IT services has always been problematic, but doing so simply and accurately is essential in the move toward ITaaS. Nearly every organization has its own way of managing costing and billing. The approaches range from broad allocation to usage-based chargeback, with many combinations and variations in between. None are perfect, these IT leaders report, and all will evolve as services mature.

Setting a value on IT services—and pricing them in clear business terms—is a huge challenge, and there are many strategies. “We had to provide education to help them understand that it is a service they have to use and have to buy. It’s not something that can just be expected. There is a value and a cost associated with everything that we do,” says the IT manager of a French retail chain.

“Within our company, we have a chargeback mechanism built in. Changing that approach to more of a service-costing model was the biggest obstacle for us,” says the IT director of a U.S. healthcare organization. “We’re still struggling with that because it’s difficult for us to really cost out the elements of a service and present that to the business.”

“Our pricing model now is all around blocks—blocks of how much you use IT,” says the IT director of a German automotive manufacturer. “It does not go down to a low enough level. That will be the biggest challenge in 2014.”

Even if the previous system was effective, moving to ITaaS necessitates a change. “In the past, because it was a fixed chargeback mechanism, [the business units] had fixed amounts...”

EMC VIEWPOINT:
Active participation by both IT and business leadership is required to make ITaaS a success. Treat it as a collaborative business change initiative, not an IT implementation project.

EMC VIEWPOINT:
When it comes to pricing and funding IT, most business units are just as eager as IT is to restart with a cleaner and simpler slate. ITaaS offers that opportunity.
allocated across their budget cycle,” says the IT director of a U.S. healthcare organization. “Now it’s based on demand and how often they use our service, so that changes the expectation of how the business should be budgeting for their IT services.”

Some organizations continue to struggle with this equation of applying a value to their services and how to account for that. “That’s something we’re not very good at,” reports the infrastructure service manager for a U.S. automotive manufacturer. “Since IT is mostly an internal service provider for the company, the business just expects things to run and expects that we will give services to them.” Even for this organization, however, things are changing. “We’re just starting to realize we need to [valuate our services],” he says. “They expect you to be able to talk about those things and make a business case.”

Whatever system is put into place must evolve as the portfolio of services evolves. “We will be tweaking as new services and new applications come through,” says the head of divisional IT for an engineering firm based in Germany. “What we will be doing is making sure that every application has a cost/benefit. When the business buys into that, they have some true value and true realization of what they are spending.”

**The Skills Challenge**

Moving to a services-based delivery model demands a significant shift in how IT organizations operate. Many IT professionals are accustomed to working independently. “The American IT professional is more of a single [operator] who can do a lot of cool things leveraging tools. ITaaS is not exactly that model,” says the VP of corporate IT for a U.S. entertainment enterprise.

Ensuring IT has the proper skills in the proper positions is essential for a successful transition to ITaaS. While some CIOs have reorganized IT to reallocate skill sets, others still need to shore up missing or inadequate capabilities within their ranks. Many are retraining and hiring as necessary to ensure the right mix and level of skills.

Most often missing or insufficient within the IT skill set for ITaaS are cost accounting, business analysis, account management and project management. IT leaders are most actively looking to increase or improve the business skills of the IT staff. Business executives would like IT to focus more on industry- and function-specific knowledge, such as marketing and sales.

“Going to this model has required some different skills because we now have a central accounting team and the business relationship managers,” says the IT manager for a French retail enterprise. “We have to segregate the environments to different areas of the business and different business units. We are electronically monitoring to ensure that we’re calculating properly to charge back to the business their use of our services.”

Other IT leaders have had difficulty retraining IT professionals to monitor and manage IT service usage. “We tried to take people who weren’t [experienced] and make them work in that role, but it’s really hard. It’s better to find people who have already had that experience. It’s hard to transform someone if they don’t have that background,” says the VP of corporate IT for a U.S.-based entertainment organization.

“Our [staffing challenge] is in the infrastructure and operations area. We need people who can deal with virtual storage and the virtual environment behind that. We need project managers who understand that we’re trying to put together a different delivery model,” says the infrastructure services manager for a U.S. automotive manufacturer.

“We went through an active recruitment drive to bring in the right people,” says the IT director of a northern European bank. “Some of them were on the technical side to understand how to implement ITaaS. Some were on the software side, and others were to understand how chargeback would work.”

**EMC VIEWPOINT:**

The best IT staff embrace the challenge of **learning new skills and the opportunity for adding new business value.** Capitalize on their enthusiasm and enable them to work with and learn from colleagues in customer service and other key disciplines.
The Payoff—Better Than Expected

Change is difficult, and cultural change is a particular challenge for many organizations. In fact, cultural resistance has been the biggest obstacle to moving to ITaaS, according to both survey respondents and interviewees. But overcoming all obstacles is worth the effort. All that hard work—communication, change management, new services, new skills and a strong consultancy stance for IT—is paying off.

It turns out that cost savings, consolidation and greater efficiency are only the beginning of the benefits of moving toward ITaaS. “The biggest benefit is the data we can gather about our operation and show people what we can do for them. People like to see that,” says the VP of corporate IT for a U.S.-based entertainment company.

“We have reduced the waste of IT and the requests for IT,” says the IT manager for a retail enterprise based in France. “Now things only come through if there is a real reason or a real need. It now has to have a business impact, a business requirement and business sign-off, because it will cost the business unit on their bottom line rather than coming out of a central pot.”

Communication and working relationships certainly improve with the move to ITaaS. “The other thing it is doing is making people recognize that the voices that are important aren’t always just the ones that are in the big office. It has enabled a lot more input and communication,” says the senior manager of IT operations from a Canadian automotive manufacturer.

The way a business views its new partner in IT also helps the cause. “Because we’ve moved to an ITaaS model,” says the VP of corporate IT for a U.S.-based entertainment company, “our credibility with our business leadership has gone pretty high.”

Are you running IT as a business? Take our assessment to find out how your organization compares to your peers in moving toward an ITaaS model. http://tools.en.idgresearch.com/itbusiness/

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