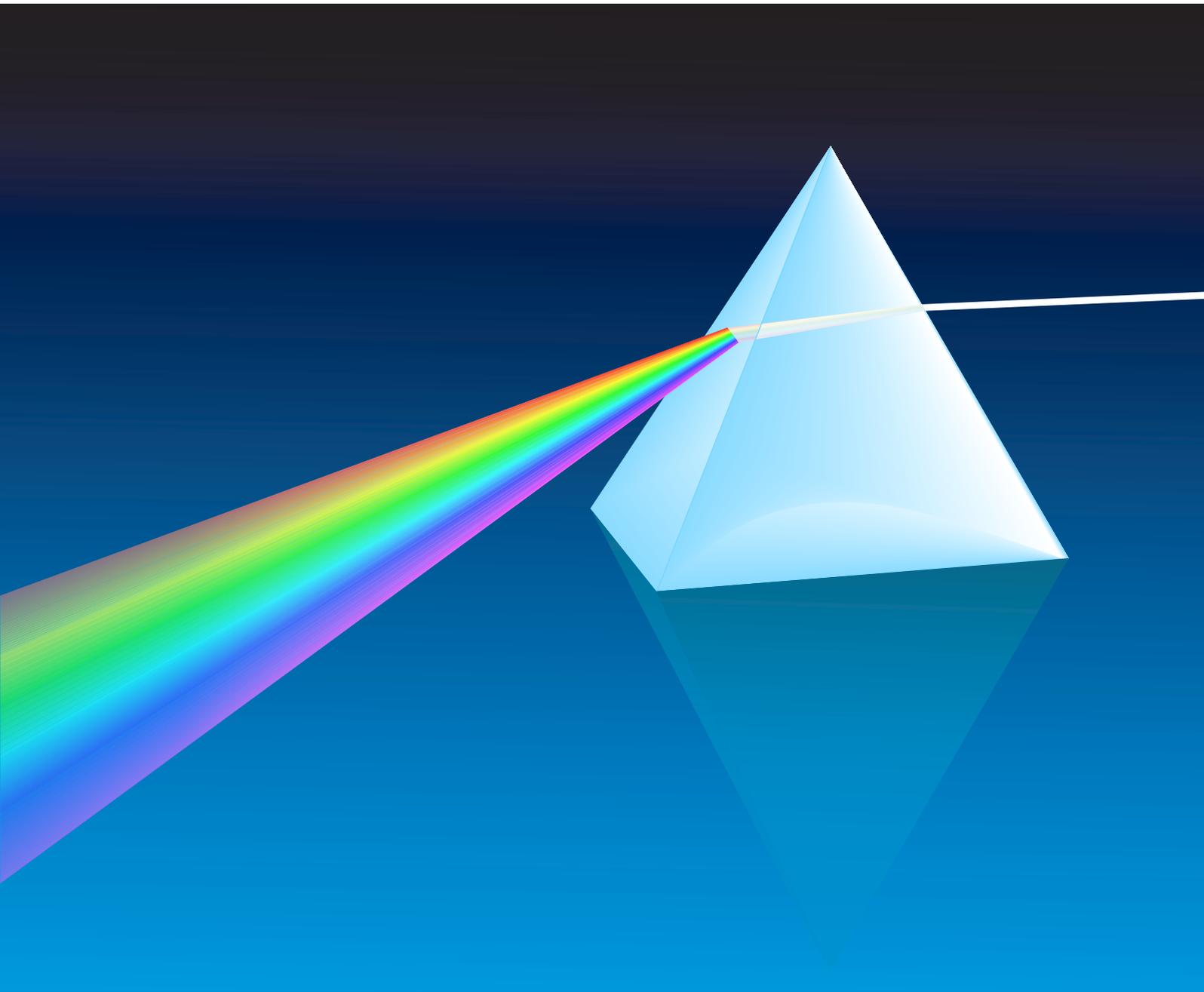


A blended future:

The changing mix of IT service delivery and consumption



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A new global survey of executives confirms a changing mix in how IT services are delivered and consumed. This trend is expected to continue over the next three years. The survey was conducted by The Economist Intelligence Unit (EIU) in December 2013 and sponsored by EMC. Respondents include CIOs and line-of-business executives (LOBs). The findings and insights complement an earlier EIU study that assessed the emergence of CIOs as strategic leaders in a setting of continuous business and technological change.

IT service delivery and consumption trends

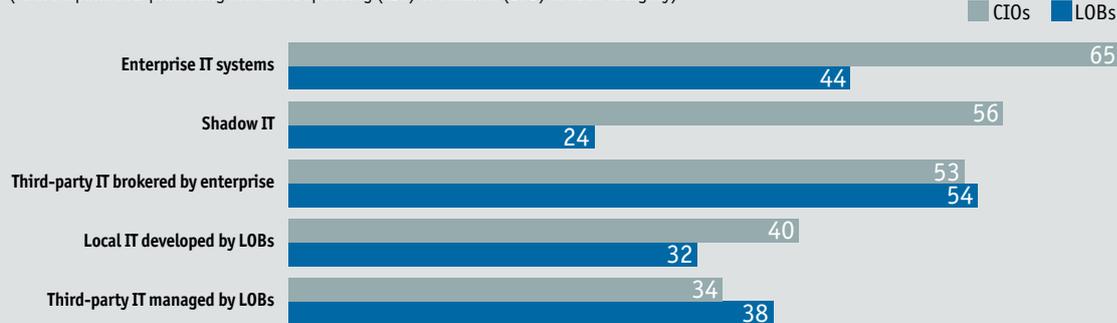
The survey found that business units are taking greater control over the IT solutions and services used in their operations and decision-making. About 85% of LOBs say they currently obtain IT services directly from third-party providers or develop them internally, and more than half do both. CIOs and LOBs agree that the growing availability of easy-to-use technology services from third parties, along with employee expectations for

greater control over the technology they use at work, is driving this trend towards supplementing enterprise IT services.

CIOs and LOBs speak to future changes from differing perspectives. While 65% of CIOs anticipate increased spending on enterprise IT services over the next three years, only 44% of LOBs say they will become more dependent on those services. These views are not necessarily contradictory, as increased spending on enterprise functions such as security and compliance may not be completely visible to LOBs. Moreover, the two groups agree

Change in IT delivery/consumption models over the next three years

(% of respondents predicting increased spending (CIO) or reliance (LOB) in each category)



Source: Economist Intelligence Unit survey, December 2013.

CIOs and LOBs see a strong continuing role for enterprise IT in managing solutions and services used by business units.

that enterprise-brokered third-party technology services will otherwise be the fastest-growing category. Notably, CIOs are nearly twice as likely as LOBs to predict the expansion of “shadow IT” over the next three years, although neither CIOs nor LOBs are in favour of applications and technologies being implemented without internal support.

The survey also revealed a significant gap in CIO and LOB perceptions of their relative responsibilities over technology decisions. For example, 54% of CIOs say that they have primary decision-making authority for allocating resources to integrate new technologies to support internal business infrastructure. Only 32% of LOBs agree, while 20% attribute this authority to heads of business units. Conversely, CIOs tend to describe the role of LOBs in managing IT within their own business operations as more extensive than LOBs do themselves.

The LOB perspective: Does corporate IT measure up?

The solutions and services that LOBs currently develop internally or acquire from third parties tend to be easily, inexpensively or quickly acquired, or to satisfy unique business-unit needs. To date LOBs have been more likely to go outside for infrastructure services than for basic business applications. The leading categories of technology services are communications (including e-mail and messaging), storage and backup, servers and computing, and web hosting. The leading business

application is customer relationship management (CRM), most likely reflecting salesforce.com’s continued strength in this space.

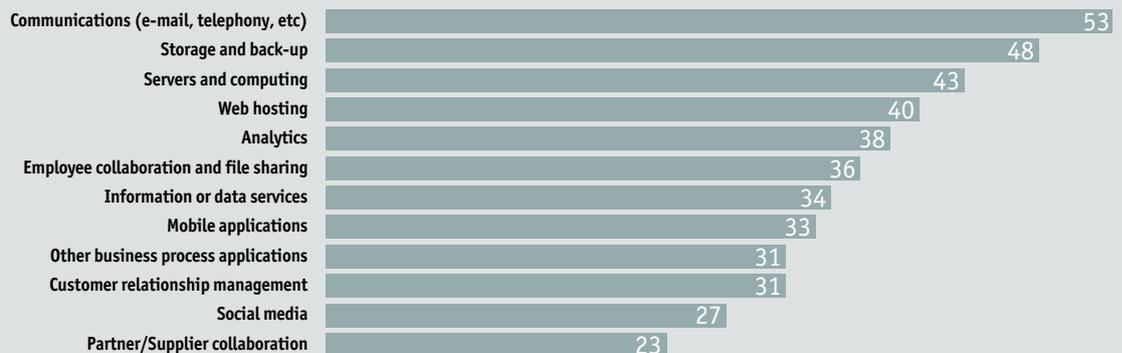
Some LOBs cite lack of timely delivery and high cost of enterprise IT among their motivations for seeking third-party solutions. And roughly one-quarter say that external providers are more client-centric or offer technologically superior solutions. But the most important motivation, according to 42% of respondents, is simply that corporate IT does not offer comparable services.

Both CIOs and LOBs see a strong continuing role for enterprise IT in managing solutions and services used by business units. LOBs do not seek to bypass corporate IT. But they clearly want to work with corporate IT in different ways. Both groups express a preference for IT’s brokering of third-party services rather than business units’ procuring them directly. And when asked about additional services they would like to receive from corporate IT, 41% of LOBs want an IT services catalogue that incorporates both internal and third-party applications, and 39% want more technical support and recommendations. In other words, LOBs want access to more effective IT solutions, but they also want to tap into corporate expertise to get them.

In many cases, this kind of support is already in place. According to LOBs, the current role of corporate IT in their acquisition of technology services from third-party providers is equally divided between brokering relationships with

IT services developed locally or acquired from third parties

(% of LOB respondents)



Source: Economist Intelligence Unit survey, December 2013.

About the survey

The survey, conducted in December 2013, included responses from 205 executives worldwide whose responsibilities involve the delivery and consumption of IT services. More than 40% of survey respondents hold CIO or equivalent positions, while the rest are line-of-business executives (LOBs). A large majority of respondents are personally located in Europe

(40%), North America (29%) or Asia-Pacific (23%). Nearly 50% of the companies represented in the survey have between US\$500m and US\$5bn in revenue, while about one-third have US\$5bn or more. Respondents hail from 19 different industries, with financial services (17%), manufacturing (15%) and IT/Technology (13%) accounting for the largest shares. ■

external providers (41%) and offering advice and assistance (40%). Of those with brokering services, about two-thirds say that corporate IT brokers all arrangements with external providers and the rest say this service is optional. Only 5% of LOBs say that corporate IT is not involved in either internal solutions development or acquisitions from third parties.

CIO response: Need for a blended model

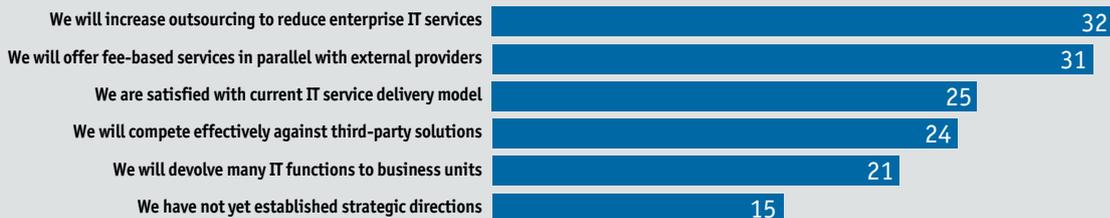
The majority of CIOs recognise the need for a new mix of IT delivery and consumption models. While they prefer that IT be centrally provided, they are also realistic about the inevitability of some local IT procurement. Their strategies for managing this trend are constructive. The majority say they will pursue some combination of transforming the IT function to offer fee-based services in parallel with

external providers, devolving IT functions to business units, or reducing enterprise IT through outsourcing. About one-quarter of respondents say that a primary strategy is to compete effectively against external providers.

CIOs recognise that these changes will involve shifts in roles and responsibilities. They point to increasing responsibilities in areas such as service management, vendor management and service brokering. But they anticipate even greater demands in areas that cut across delivery models. For example, about two-thirds say that their responsibilities for both information/analytics and security/compliance will increase, and one-quarter believe these will increase substantially. New responsibilities demand enriched skill sets for CIOs; the most important are broad business skills such as communications, innovation and change management rather than in technical areas.

CIO strategies to transform IT delivery model over next three years

(% of CIO respondents)



Source: Economist Intelligence Unit survey, December 2013.

A shared vision emerges

CIOs and LOBs view the outcomes of current IT delivery differently. For example, two-thirds of CIOs say that every business unit has timely access to the latest IT solutions, compared with less than half of LOBs. The gap in perceived performance is widest with respect to corporate IT's allowing flexibility to business units (71% vs. 35%) and narrowest for IT's ability to leverage new technologies (71% vs. 50%). These relatively negative LOB perceptions are aligned with their stated motivations for acquiring third-party services, which include a desire for more sophisticated solutions and more customer-centric service delivery.

The good news for CIOs is that these needs can

be effectively addressed as new service delivery models mature. For the most part, CIOs and LOBs point to the same solutions. About one-third (35% of CIOs and 31% of LOBs) say that the most important challenge is to promote partnerships among corporate IT, LOBs and third-party providers to develop innovative solutions to business needs. Most important, neither group tends to fault the other for lack of adequate skills.

Thus while the survey findings reveal many differing perspectives, they also suggest the emergence of a shared vision: an enterprise IT function that proactively markets its services to business-unit customers, with brokered third-party solutions among the options, bringing the full range of corporate IT expertise to bear on business-unit needs. ■

Key takeaways

The key findings of the survey suggest some pragmatic actions for CIOs, LOBs and their organisations:

- IT should provide business customers with a consolidated services catalogue and guidance on how to be efficient and effective consumers of technology services. Business organisations should embrace the day-to-day responsibility for managing their cost-effective consumption of those services.
- CIOs must be realistic about which services IT should offer and which it should broker. LOBs must be realistic about what IT management responsibilities they assume—and keep corporate IT in the loop when they procure outside services.
- Business and IT organisations should collaborate on services definition and performance metrics. CIOs and LOBs should clarify their respective roles and decision rights with mutual focus on value for the enterprise. ■

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