Introducing Service-led IT for Infrastructure Design and Management

- The key to maturity

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Executive Summary

The enterprise IT infrastructure landscape is witnessing an inflexion point as enterprise CIOs look to drive efficiency and keep up with the relentless pace of technology innovation. As CIOs look to make their IT infrastructure more agile, responsive, and cost effective, there is increasing adoption of disruptive technologies and delivery models – cloud, automation, software-defined infrastructure, operations analytics, to name a few.

~80% of enterprises believe that technology adoption is not an issue; making the disparate technologies work together is the real challenge

However, while enterprises are witnessing incremental benefits by adopting next-generation concepts, Everest Group observes that fundamental business challenges continue to persist.

Traditional concerns around operational continuity, lack of meaningful business-IT alignment, and poor user experience in spite of SLA adherence (watermelon effect) are pushing businesses to question the value of technology investments being made, and rightly so. Evidently, enterprise IT's ability to showcase "business value" is not just a function of technology adoption, but something beyond.

~90% of enterprises acknowledge that improved service architecture is the first step for deriving more value out of IT infrastructure

To understand this phenomenon, Everest Group conducted a detailed survey[1] to identify the characteristics of enterprise IT infrastructure organizations that outperform their peers in terms of "truly" addressing fundamental business challenges – i.e. discovering what drives IT infrastructure service maturity.

The survey results offer some interesting and critical insights:

- *IT infrastructure service maturity is a definitive concept and reflects the ability of the IT infrastructure setup to offer tangible benefits that drive business value*
- *While technology is important, it is the services delivered (and corresponding benefits realized by business) that truly define maturity – i.e. adopting a "Service-led" methodology holds the key to improving IT infrastructure services maturity*
- *There are four key drivers that define IT infrastructure services maturity – predictability, business agility, user experience, and cost effectiveness*
- *The adoption roadmap for achieving a higher state of IT infrastructure services maturity needs to be anchored to the desired progress along all four drivers*
- *Adopting a "Service-led" approach can help drive progression across all four drivers simultaneously, without significant trade-offs*

IT infrastructure services maturity is more than just a function of technology adoption – it is about delivering business value across stakeholder groups. Adopting a Service-led approach helps drive tangible business value by abstracting the underlying IT infrastructure technology

[1] The Everest Group survey covered 206 CIOs / IT infrastructure heads working with global enterprises (headquartered across different regions) to understand the drivers for, and current levels of maturity within enterprise IT environments, technology adoption patterns, and challenges faced

What is Service-led IT?

Why Service-led IT

Our research shows that:

- *over 65% of enterprises* are struggling to balance Service Effectiveness and Cost Effectiveness objectives
- *over 75% of enterprises* cannot transform their environments because they are locked into existing licenses and contracts

The single-most important challenge for enterprise CIOs lies in the need to meet cost efficiency and service effectiveness objectives on continuous and simultaneous basis.

Our research suggests that high-maturity IT organizations are successful in meeting these seemingly conflicting objectives without facing significant trade-offs. *The key lies in disciplined prioritization and sequencing of projects, based on continuous improvement of the services delivered to business stakeholders, not merely advancement of the technology adoption agenda.*

By allowing service design and service outcomes to guide technology adoption roadmaps, enterprises can circumvent some of the efficiency-innovation trade-offs. Accordingly, we define Service-led IT as *"a methodology of delivering IT infrastructure services that focuses on driving Service Effectiveness, and Cost Effectiveness on a simultaneous basis"*

Exhibit 1

Service-led IT: What is it and what is it not

Source: Everest Group

Service-led approach is about...	Service-led approach is not about...
• Delivering IT services that are independent of the underlying technology	• Having an IT infrastructure service architecture that is primarily driven by the existing technology stack
• Having seamless integration of new technologies (predictable behavior)	• Constraining latest technology adoption due to integration challenges
• Transparent and consumption-linked IT infrastructure services cost metrics	• Having locked-in, opaque economic models
• Having a federated, evolving service catalog	• Having user experience constrained by existing technology investments
• Abstracting user experience from technology	• Making do with existing infrastructure setup

Why Service-led IT

Our research shows that:

- *over 70% of business leaders* raise strong questions on the CIO's investment agenda
- *However, over 80% of enterprise IT organizations* struggle to demonstrate tangible business benefits of IT investments

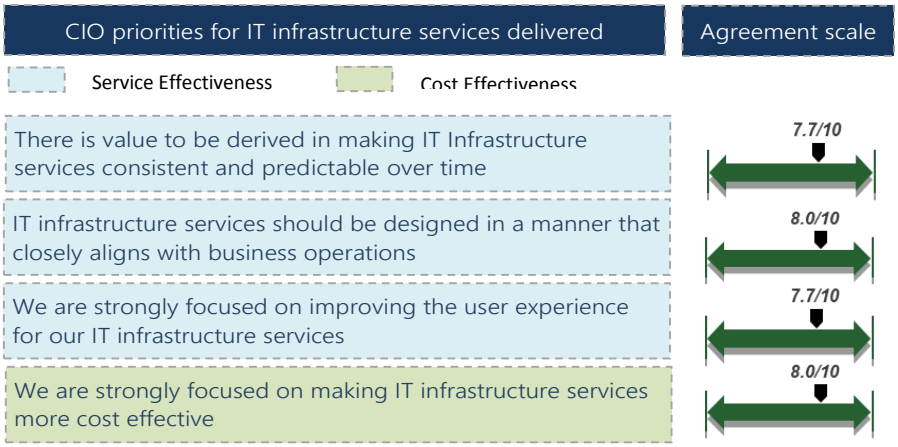
Service Effectiveness is defined as a combinations of three dimensions rated by enterprise CIOs to be "top priority" (Exhibit 2):

- Predictability: Ability to provide well-defined services (both service functionality as well as service guarantee) on a consistent basis independent of changes in technology and/or operational or performance challenges
- Business Agility: Ability to deliver services rapidly, at scale, and create new services when required
- User Experience: Ability to offer a seamless and consistent user experience irrespective of access points and changes in underlying technology / operational enablers

Exhibit 2

Survey results: Key CIO priorities for IT infrastructure services

Source: Everest Group IT Infrastructure Services Survey 2015



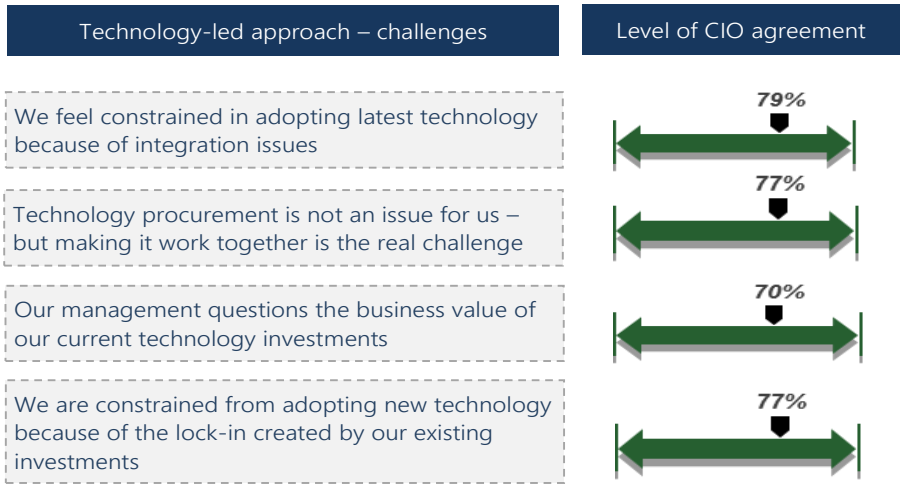
Why is "Service-led" IT important?

While technology (and its adoption state) undoubtedly play a key role in driving favorable business outcomes, Everest Group research indicates that technology procurement-led approaches significantly constrain service delivery & design, investment priorities, and user experience.

Exhibit 3

Survey results: Challenges associated with a "technology-led" IT infrastructure services approach

Source: Everest Group IT Infrastructure Services Survey 2015

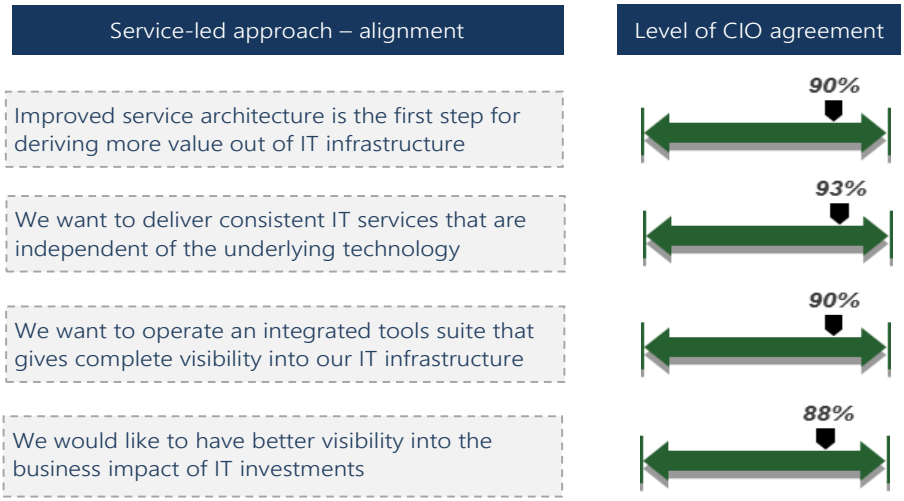


On the other hand, adopting a "Service-led" approach, wherein the underlying technology used to deliver services is abstracted to offer a standardized and centrally governed IT infrastructure setup, alleviates concerns around technology lock-in and provides the flexibility of leveraging and seamlessly integrating new technologies.

Exhibit 4

Survey results: Alignment of CIOs with a "Service-led" IT infrastructure services approach

Source: Everest Group IT Infrastructure Services Survey 2015



The survey results validate the definition and importance of the Service-led approach through three critical findings.

Service-led IT: Top 3 research insights

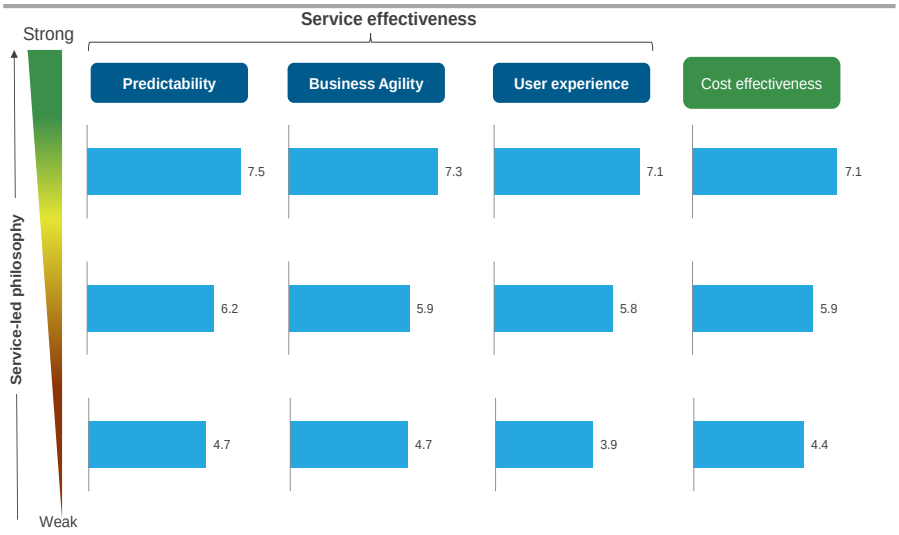
- *Service-led IT organizations are more successful than their peers in managing trade-offs across Service Effectiveness and Cost Effectiveness*

Enterprises following a Service-led approach are more mature than their counterparts on all four core drivers (Predictability, Business Agility, User Experience, and Cost Effectiveness).

Exhibit 5[1]

Survey results: Service-led organizations perform better across Service effectiveness and Cost effectiveness metrics

Source: Everest Group IT Infrastructure Services Survey 2015



[1] Alignment with the Service-led methodology was measured on a 10-point rating scale using a series of statements (see Exhibit 4 for examples). Maturity scores were assessed using a series of descriptive statements on a 10-point scale

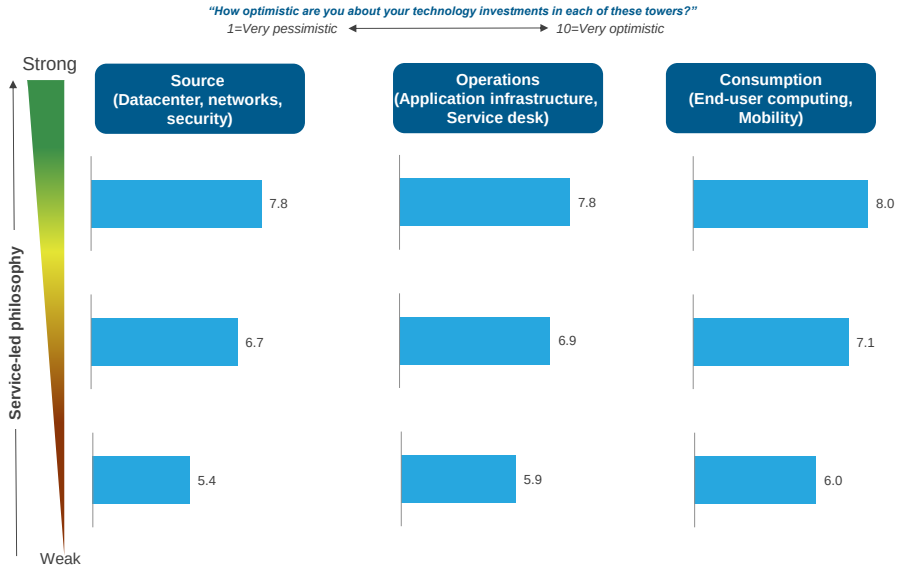
- *Service-led organizations are more likely to succeed with their technology and service improvement initiatives*

While staying ahead of the technology adoption curve remains a universal imperative, enterprises following a Service-led approach report significantly greater optimism on technology transformation outcomes across all major infrastructure service segments.

Exhibit 6[1]

Survey results: Service-led organizations are more likely to succeed with their technology and service improvement initiatives

Source: Everest Group IT Infrastructure Services Survey 2015



- *Service-led organizations are likely to be more sophisticated and selective about designing their adoption roadmaps*

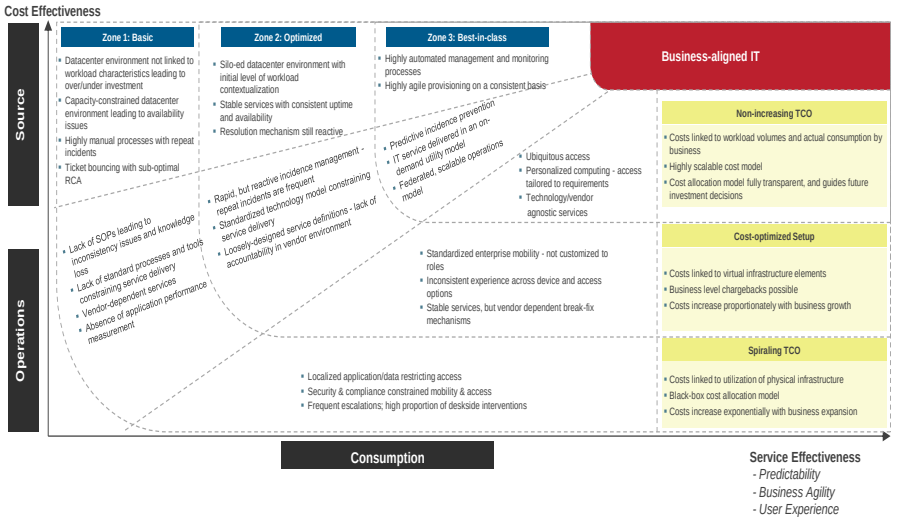
The service-led approach does not preclude progressively higher levels of adoption of technology/service improvement initiatives. The trick lies in using a consistent framework to guide adoption – one that is based on the core drivers of maturity. *Our research indicates that service-led IT organizations go through selective cycles of adoption with targeted initiatives synced across the major IT infrastructure service segments. Progression on core drivers at each stage are used to determine adoption pathways (Exhibit 8), rather than the other way around.*

[2] Alignment with the Service-led methodology was measured on a 10-point rating scale using a series of statements (see Exhibit 4 for examples). Optimism on technology investments was assessed using a 10-point rating scale across each infrastructure service segment

Exhibit 8

Illustrative adoption framework using the service-led approach

Source: Everest Group IT Infrastructure Services Survey 2015



Clearly, there is much to learn from a Service-led IT organization:

- Service-led IT organizations are able to allocate investments more wisely, choosing adoption paths that are likely to meet both efficiency and effectiveness goals
- Service-led IT organizations focus on services that businesses consume, rather than the underlying technology
- By justifying investment plans in business-speak, they face fewer buy-in challenges
- Lastly, by focusing on services, organizations are able to reduce dependencies on technology providers

Infrastructure Services Maturity: What should be done?

By linking every aspect of the IT Infrastructure environment to the services provided to business it is possible to overcome the typical challenges of predictability, agility, user experience, and cost effectiveness.

However, enterprises should not mistake equating the adoption of a Service-led approach with a "Big Bang transformation", involving a complete revamp of the existing IT infrastructure environment. Such an approach poses inherent risks in today's world – such as technology lock-in and digression from the core objective of delivering tangible benefits to the business.

The roadmap formulation should involve identifying and defining initiatives that are tightly mapped to the enterprise's business priorities – and the corresponding value drivers of predictability, business agility, user experience, and cost effectiveness.

This allows IT organizations to create focused metrics to measure success and return on investments, and benchmark themselves against best-in-class peers.

Based on our research, IT organizations with successful service-led transformations typically adopt the following best practices:

- Successful service-led transformations start by benchmarking their performance on predictability, agility, user experience, and cost effectiveness of IT infrastructure services
- By identifying gaps in each of the four maturity drivers, IT organizations are able to conceive of a series of quick-win initiatives
- Each such initiative needs to be designed for improvement on the a set of metrics that can measure improvement in the corresponding maturity driver (e.g., reduction in downtime as a metric for initiatives linked to "predictability")
- Usually, such initiatives progress along a continuum (e.g., datacenter consolidation programs leading to complex cloud initiatives). Depending on urgency and risks, IT organizations may leapfrog some initiatives as they progress directly to a more advanced level of maturity
- The process needs to be iterated on a periodic basis, by measuring improvements on metrics for each of the value drivers, leading to the next set of initiatives. Therefore, the service-led approach can become truly adaptive to changing business requirements, instead of diverging from them by following a rigid agenda of technology adoption

About Everest Group

Everest Group is an advisor to business leaders on next generation global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

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