Transforming IT into a Managed Service Provider

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Challenge

New technology and business drivers such as cloud computing, virtualization, mobility and business social networking are driving the increased “consumerization” of IT services. No longer restricted to just the internal IT organization, business users can now get whatever they want, often much faster and more cheaply, from a plethora of Managed Service Providers (MSPs), all delivered and governed through service level agreements. This affords them the ultimate consumer power of switching service providers if not entirely satisfied with the service provided. As a result internal IT is now in competition to be the partner of choice for the business. CIOs need to start transforming their organizations now to become Managed Service Providers themselves, or face a future where at best IT becomes increasingly marginalized and at worst is seen as irrelevant by the rest of the business.

Opportunity

The emphasis is now on CIOs to run IT as a competitive entity, ensuring the right services, whatever the sourcing model, are delivered to enable business success. Consequently CIOs need to act much more as “Business Service Portfolio Managers” making faster more informed investment decisions about the future shape of the services portfolio. By applying Project and Portfolio Management (PPM) best practices to IT transformation planning and execution, CIOs will not only have an holistic view of the entire services portfolio, but will also be able to put in place the appropriate controls to effectively drive both IT and business change.

Benefits

PPM brings greater control and insight into IT transformation initiatives, enabling CIOs to better determine how best to leverage new and existing technology platforms to deliver maximum business value. This will not only help to change the perception of IT from being seen as a cost center to a hub of business innovation, but will also bring CIOs closer to their overall strategic goals of driving business innovation and leading business change.
Section 1: Challenge
Addressing the next paradigm shift

IT is once again on the cusp of a new technology driven paradigm shift. These “technology evolutions” have typically occurred every 10 to 15 years, and can be traced from the move from mainframe to distributed computing, then to the Internet and through to cloud computing and virtualization, which are now at the vanguard of IT.

Whenever such a major paradigm shift occurs, it receives a tremendous focus from IT, which manifests itself in increased spending, time commitment and adoption of the new technology.

Take one catalyst for IT transformation: the Cloud. Independent analysis suggests that the marketplace for cloud-based services in the coming years, whether ‘Software-as-a-Service’ (SaaS), Platform as a Service (PaaS) or Infrastructure as a Service (IaaS), to be in the hundreds of billions of dollars.

However, every time there is a significant rise in IT expenditure on evolutionary technologies, history shows that bad investment decisions can be made and ROI targets are missed, the “dot.com” boom of the early 2000’s being a prime example. Experience also tells us that these paradigm shifts usually introduce an increased level of complexity that needs to be effectively managed in order to ensure a successful adoption. The same will be true for cloud computing and virtualization.

Business trends, as well as new technology, are driving IT transformation

Cloud computing and virtualization are key transformational technologies that can help accelerate the delivery of information and services to business users. However, it would be wrong to assume that it is just new technology that is acting as the catalyst for the transformative behaviour being witnessed today.

Business trends, including mobility, business social networking, as well as the impacts of globalization and merger and acquisitions, are also key issues CIOs must contend with today.

Together these new technology and business trends are effectively driving the “consumerization” of IT services. This will not only have a massive impact on business users (i.e. the service consumer) but will dramatically affect the roles of the IT organization and the CIO in particular.

No longer restricted to just the internal IT organization, the business, irrespective of size, now has access to a much wider services marketplace allowing it to take advantage of end-customer oriented cloud services, including SaaS/On-Demand applications such as Salesforce.com, CA Clarity™ PPM On Demand or NetSuite.

Business users can now get whatever they want, often much faster and less expensively, from Managed Service Providers (MSPs), governed by service level agreements that give them the ultimate power of switching providers if not entirely satisfied with the service provided.
This is an attractive proposition for business users, who often find it much more difficult to exercise this level of power and influence when “locked in” to working with internal IT alone.

**Transforming internal IT and the role of the CIO**

The internal IT organization is now in a competition to be the partner of choice for the business, especially now as self-provisioning effectively allows the business to bypass IT altogether.

The traditional cloud related objections of “How secure is it really?” or “But integrations will be much harder, won’t they?” have been addressed to such an extent that internal IT organizations will have a hard time using them as effective defense mechanisms in future.

Addressing this challenge requires transforming the role of CIO into becoming more of a “Business Service Portfolio Manager”, and transforming the CIO itself to become a Managed Service Provider with the agility to utilize the most appropriate IT sourcing models to deliver the services demanded by the business.

Otherwise IT faces an uncertain future, where at best it becomes increasingly marginalized and at worst it becomes seen as an irrelevance by the rest of the business.

**Defining the future face of IT**

Important trends they may be, but there are many more stimuli for enterprise-wide IT transformation than just cloud computing and virtualization, including software rationalization, data center consolidation, infrastructure centralization and vendor consolidation.

A real challenge facing CIOs, in the context of the wider transformation program, is to determine how to best apply these new technologies in terms of what makes sense from both a business strategy and risk perspective.

The tendency is always to come at this from a deep technical perspective, kicking off a series of pilot initiatives to see how the deployment of cloud-based technologies can solve specific business issues. It’s a start, but is this approach really going to deliver the step change in value creation the business is looking for?

Before embarking on any transformation program it is vital that CIOs define clear goals and targets that can be linked back to overall business strategy. After all if the transformation effort cannot be directly linked to business strategy where is the value to the business?

It is imperative, that before making decisions on the future state of IT, CIOs have a clear understanding at a business level on the current state of IT. Carrying out this assessment, however, is anything but straightforward.

In the case of software rationalization, an average enterprise can leverage hundreds or even thousands of applications to meet the diverse needs of the business. CIOs need to be able to decide the future need/usage/impact of each of these applications. Only some applications will be suitable for a cloud or virtual platform, while others might require modernization or be ready for retirement.

Making the wrong decisions not only risks security, service quality and user satisfaction, but could also have a profound effect on a company’s public image and ultimately its profits and market share.
Enabling a seamless transition
A successful IT transformation will be dependent on the delivery of multiple inter-related programs and projects, over an extended period of time.

For example, merger and acquisition activity can be a major stimulus for IT transformation. Merging two companies, each having their own data centers, may well result in a data center consolidation initiative. This may not sound complex at first, but there are many inter-relating factors that need to be managed to enable a successful consolidation.

Scenario 1: Executing a multi-year data center consolidation program

Transformation challenge: Organic growth and a series of acquisitions resulted in a financial services company managing four siloed data centers. To remove cost and complexity, the company decided to consolidate to a single facility and needed to effectively plan and execute the associated multi-year, multi-million dollar program of work.

Best practice solution: This financial services organization defined the IT transformation strategy, and selected CA Clarity PPM On Demand to manage the planning and execution of the program. The solution facilitated making the right strategic decisions about application rationalization, infrastructure virtualization and cloud migration. As a result, the company plans on utilizing the same solution to support numerous other transformation programs across the business.

Business benefit: The financial services firm is able to execute its IT data center transformation in a shorter timeframe and with fewer risks to the business. As a result, they are able to take earlier advantage of the associated benefits, including greater agility and lower costs to feed the organization for future growth and innovation.

One important component of such an exercise could be an application rationalization or modernization program, involving the centralization of ERP systems, migrating of existing applications to new platforms, replacing point solutions by best of breed applications or retiring duplicate or redundant applications.

Failure to deliver the program to plan can not only detrimentally impact the image of IT within the business, but could also have potentially damaging effects on overall business performance. CIOs, program directors and business stakeholders must therefore employ rigorous governance techniques in order to ensure the overall change program is not only being delivered on schedule and on budget, but also satisfies the requirements of the business.
Section 2: Opportunity

Faster and smarter business service portfolio decision-making

The emphasis is now on CIOs to run IT as a competitive business, ensuring the right services (however sourced) are delivered to enable business success, and to provide the business with greater levels transparency on how and where the value is being delivered.

As a “Business Service Portfolio Manager”, CIOs will be required to make faster, more informed decisions about the future shape of the services portfolio:

- What to keep in-house?
- What to outsource?
- When to provision cloud services via IT?
- When to support the business in provisioning services directly?
- What to prioritize?
- Where to assign resources?

Project and Portfolio Management (PPM) is the key to bringing visibility and control to the transformation process. Increasingly PPM solutions are being used to support the delivery of a variety of transformations – ranging from short-term system upgrades to longer-term vendor consolidation programs.
With the right PPM processes and solution, CIOs will not only have an holistic view of the entire service portfolio, including new service ideas and requests, current service development initiatives, provisioned service catalogue performance and retired service history, in order to support better decision making, but will also be able to centrally manage the entire transformation effort at every key stage, including:

- Defining the strategy and goals both in business and IT terms
- Mapping the current and target IT state post-transformation
- Establishing a transition plan and identifying the resources and costs involved
- Managing the execution of transformation projects
- Monitoring and reviewing progress both at a project and program level.

**Monitoring actual performance against target on an on-going basis**

With so many different factors contributing to the future state of IT, an organization must clearly define the parameters for its transformational journey – both in the short and long term.

Using a PPM solution, CIOs are able to collate current and future strategic goals and benchmark performance on an ongoing basis in real-time. Example targets may include:

- Target server consolidation
- Adoption of cloud software services
- Number of data centers
- Number of vendors
- Projected cost savings
- Planned employee reductions.

Importantly, as a PPM solution manages both the planning and execution of the transformation program in one place, it eradicates the need for multiple spreadsheets or databases to support the process. As a result stakeholders can immediately see any issues across the entire transformation portfolio and effectively manage the transformation by exception.

**Better understanding of the current and future states of IT**

Just as you would not start out on a journey without knowing the direction in which you were heading or what your final destination was going to be, CIOs as part of the transformation strategy definition process need to define the current and future states of IT within their organization.

With such high levels of risk and complexity associated with transformation programs, CIOs must establish a rigorous systematic methodology for assessing the current state of IT.
Utilizing a PPM solution will enable CIOs to put in place a standardized scorecard mechanism, enabling the fast and objective assessment of key assets, irrespective of whether they are business processes, services, applications, data centers or servers. The defined set of assessment criteria may include:

- Strategic fit and perceived value to the business
- Suitability for transition to the cloud
- Technical health and capability
- Resource overhead
- Risk
- Utilization levels
- Information security considerations
- Mission criticality.

PPM solutions enable CIOs to take a portfolio management approach to defining the future state of IT. This not only provides them with access to accurate and up-to-date business service and investment level information, but also provides the capability to model different transformation options and see the potential impacts on resource capacity, costs and ROI. For example, this may include evaluating different scenarios based on different risk profiles.

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**Scenario 2: Rationalizing applications to optimize innovation and efficiency**

**Transformation challenge:** After a number of mergers and takeovers a European manufacturer had accumulated more than 2,000 packaged and customized applications as part of its product development operation. This diverse portfolio was slowing down the decision-making and development process impacting both innovation and time-to-market. The company recognized the urgent need to streamline the application portfolio supporting the product development operation.

**Best practice solution:** To facilitate its application rationalization plans, the company deployed a CA Clarity PPM to support this process, helping it to define and deliver an appropriate strategy for the future of its application portfolio.

**Business benefit:** The manufacturer is able to make smarter and faster decisions about whether to refresh, retire or outsource its product development applications. With a rationalized portfolio, the company is able to enhance the process of getting products to market, reducing time to market and costs, in order to improve both competitive advantage and profitability.
Only by adopting a portfolio approach can both IT and business stakeholders quickly and objectively compare and contrast key assets using the same benchmarks, in order to determine which assets to eliminate, modernize, migrate or maintain.

As a result, CIOs will be better placed to prioritize those transformation and migration activities that will deliver the greatest business value whilst also ensuring that they have the resources available to manage the transition.

Managing the execution of IT transformation programs in real-time

Although having the strategy in place is important, being able to manage to that strategy is vital if the transformation program is to deliver the required ROI. Therefore, it is essential that CIOs put management controls in place to manage the process of moving from the current IT state to the target IT state.

Figure B

Centralized dashboard provides ‘at-a-glance’ view of transformation program progress

A PPM solution can provide CIOs with a complete roadmap for managing the transition, which will not only graphically depict the transformation plan and strategy, but will also serve as an interactive dynamic dashboard highlighting plan variances and providing fast drill down to the underlying detail of projects driving the transformation.

For optimum project execution, this visibility should be able to extend down to sprint and user story levels for those organizations that have adopted Agile development methods.
Reviewing progress and adapting to change

As with any other business change program, IT transformation does not happen overnight – it is not a one-off journey that you start and then three or five years later you arrive at your chosen destination. It is in fact a continuous journey. With technology and business models constantly evolving, the scope of an IT transformation will often evolve and change.

To be successful, CIOs need to manage the IT transformation as a cyclical iterative process that starts with a clear definition of strategy and goals, and has an inherent flexibility to easily adapt to the business environment around it, for example changes to business priorities, resource capacity or deadlines.

By bringing together transformation planning and execution, a PPM solution provides CIOs the requisite AGILITY, VISIBILITY and CONTROL to drive more effective transformation programs in a timely, consistent and predictable manner in order to maximize ROI and ultimately accelerate time to value for the business.

Section 3: Benefits

Accelerating business change and innovation through effective IT transformation

By adopting a PPM approach to IT transformation, organizations reduce the cost and complexity associated with managing the process. This results in faster adoption of the right new technologies, as well as the optimization of existing assets.

The increasing “consumerization” of IT services, through the application of new technology and business drivers such as cloud computing, virtualization, mobility and business social networking, means that IT governance becomes an even more critical business discipline. A PPM-based approach brings the necessary rigour to the transformation process, helping to ensure:

- IT investments (services, applications, servers etc) are objectively assessed on a like for like basis
- Projects are prioritized based on business value
- Resource constraints do not delay adoption or time to value
- Project costs do not escalate, safeguarding the overall ROI
- Results are measured against original targets and in the context of overall IT transformation plans.

Maximizing business return

Maximizing the value delivered to the business mandates IT to increasingly innovate around the service portfolio and focus on strategic initiatives.

But how can IT focus on innovation and strategic initiatives if 80% of the budget is already allocated to keeping the lights on? How can this necessary innovation effort be funded?
This shift will only be possible if CIOs can start to act as “Business Services Portfolio Managers”, making the right strategic decisions on which non-core, non-mission critical services can be easily transitioned to the cloud freeing up resources and budget to focus on innovation and strategic initiatives.

A PPM-based approach provides CIOs with the insight, control, and flexibility to turn IT transformation ideas into real value-added business services and the ability to adjust the service portfolio as market or business conditions change.

Whatever way you look at it, the Cloud and the other transformation drivers are certainly changing the status quo and mandating the need to innovate around the portfolio of IT services. PPM provides the platform for CIOs to deliver.

Proven PPM solutions from CA Technologies

Project & Portfolio Management (PPM) solutions from CA Technologies give IT business leaders the confidence to innovate and optimize every stage of the IT transformation process.

Delivered either as a ‘Software-as-a-Service’ or as an on-premise solution, CA Clarity PPM is used by more than 1,400 organizations around the world, including Debenhams, Grant Thornton, Robeco and Finansbank.

This integrated solution enables you to capture ideas, collaborate with your customers to scope requirements, determine the right portfolio mix, deliver while using traditional and Agile development methods together, and manage the Business Services portfolio holistically.

Throughout the transformation lifecycle, costs are tracked, schedules are managed, and resources are optimized. Project and Portfolio Management solutions from CA Technologies help IT organizations deliver innovation to the business, optimize IT resources, and improved return on investment, giving you the confidence to select the RIGHT ideas and make the RIGHT decisions to deliver the RIGHT services at the RIGHT time.

Find out more at www.ca.com/ppm