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Towards the
Services Techonomy:

An Executive Summary of the CompuCom Services Roundtable
Held in Atlantic Beach, Florida –
September 28-30, 2010

Defining the Services Techonomy:

The adoption of an integrated and inter-disciplinary approach to understanding and managing scarce access to technology, business operations, and human resources in response to micro- and macro-economic developments and events.

Towards the Services Techonomy
By
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Introduction:

The move to adopt IT Service Management paradigms for running increasingly complex enterprise infrastructures is causing CIOs and other senior executives to reassess a broad array of assumptions about how technologies can best be harnessed to achieve important organizational objectives. This is especially true in the context of a challenging economic environment that demands agility and insight, as well as rapid and effective execution, from organizations and industries that depend on optimum performance from IT investments.

This was one of the central conclusions of the ***CompuCom Services Roundtable*** held in Atlantic Beach, Florida on September 28-30, 2010. The gathering featured senior IT leaders from a broad array of industries – including retail, supply chain/logistics, electronics, communications, financial services, technology and manufacturing.

Leaders are questioning the ongoing viability of traditional approaches to IT management – those that focus mainly on the discrete performance of enterprise system components (such as network, application, or infrastructure).

The reason: organizations are finding that solid technical performance is a basic competitive requirement in today's hyper-competitive environment. The new frontier for extracting strategic economic value from technology investments (the techonomy) comes from designing service delivery models that integrate strategic priorities with constantly changing (dynamic) operational business processes in a cost-effective manner.

In short, we are seeing the rise of a "services techonomy" among leading players in the IT community who will do more than simply settle for "aligning" technology initiatives with business objectives. We are seeing the rapid evolution of business-driven IT leaders who are being asked to break down false distinctions (and conflicting priorities) between technology and line-of-business operations.

Instead, this new breed of IT leaders is harnessing IT Service Management to create a common language among sales teams, marketing departments, operations managers, finance executives and technologists to create agile and responsive business operations. The Services Techonomy may be a

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way to describe – or label – this new strategic direction, because the skills and resources needed to manage this new environment extend well beyond the management of technology.

Strategic Implications

Executives at the CompuCom Services Roundtable discussed how the strategic shift to IT Service Management across industries represents the latest disruptive development in a profession that has been among the most affected by the economic downturn of 2008. For instance, it is now clear that the economic recovery is unfolding at a very slow pace. This has two major implications:

- Because most organizations do not anticipate a sudden uptick in demand, they are choosing to preserve cash and be very careful (indeed reticent) about making new investments in people, technologies or any new CAPEX/OPEX intensive initiatives. Thus, the economic recovery – from an IT resources allocation perspective – is occurring in a highly resource constrained environment.

- On the other hand, enterprises across industries appear to be operating in a much more dynamic (perhaps even volatile) environment. This means that executives throughout the enterprise are being asked to respond quickly to new competitive (and/or regulatory) developments with effective decisions. Beyond making decisions, there is also an expectation that organizations will turn on a dime and respond immediately – and in some cases dramatically – to support new decisions.

- The IT departments of organizations that are adjusting to the "new normal" business climate must, in short, do more with less while being innovative and agile.

- The move toward adoption of a Services Techonomy perspective is not only being driven by external business pressure, but also by the rapid evolution and adoption of many interesting new technology developments (such as the emergence of Virtualization and the Cloud).

- This confluence of factors is fundamentally redefining the role of the CIO and that of the IT organization in general. This is because these converging elements (new technologies, constantly changing economic conditions, new competitive threats, unpredictable regulatory environments, for instance) have added a tremendous amount of complexity that can only be addressed with the skilled and effective application of technology. Thus, the profession is evolving rapidly.

- IT is moving beyond the imperative to automate and connect people processes and technologies, to a profession that must anticipate,

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The life-cycle of technologies and processes are shrinking…while technologies to support new processes are constantly being introduced.

adjust and constantly influence how the enterprise at large operates in today's environment. Thus, one way to describe the role of IT is as the ultimate enterprise "Complexity Managers" and "Problem Solvers."

- While much has been written and said about how IT should align with "the business," roundtable participants ultimately agreed that there is a significant difference between "Business Alignment" and "Engagement with the Business Planning Process."

    o The former (alignment) represents the role of IT as understanding what an enterprise needs and then addressing those requirements effectively.

    o The latter (engagement) suggests a much more intimate, proactive and interactive relationship with all of the enterprise disciplines (marketing, sales, operations, strategic planning, etc.). It may represent the next step in the level of influence that CIOs have within their enterprise organizations.

- To achieve this level of prominence within the enterprise, several roundtable participants pointed out that it is important to develop the skills, capabilities and relationships to "Communicate the Value of IT as an Enterprise-wide Change Agent."

    o The statement was made that trust is the key to synchronizing IT operations with Line of Business objectives.

    o Along those lines, it was also noted that leadership traits must build on technological competence – which are now viewed as table stakes – and establish a thought leadership position that transforms the CIO (and the IT organization) into a source of intelligence and insights that contribute to the strategic management of the enterprise…and not just a repository of technological capacity that supports the enterprise.

Operational Consequences

Roundtable participants observed that the strategic implications will have significant operational consequences that will render traditional approaches to IT management obsolete. For instance, it was noted that:

- The lifecycle of technologies and processes are shrinking. New technologies to support new processes are constantly being introduced. In the meantime, old processes and technologies are not being grandfathered out. This is leading to a steady rate of what might be called "complexity creep."

CIOs and the IT organization must figure out how to optimize senior level support while managing low-level friction and inertia for change

- Further complicating the day-to-day operations of the IT leadership as well as the rank-and-file is the fact that the "role of individuals" within organizations are constantly changing. In many cases, the role simply becomes more complex as new duties and responsibility are added to IT and LOB staffs that must "do-more-with-less."

- Traditional technology management practices cannot support the scope or the pace of change that is occurring. It is for this reason that IT Service Management has emerged as a way to harness best practices, standards and technology architectures to streamline the enterprise's technological response to industry-wide complexity trends.

- It was noted that these new trends are creating demands for new sets of skills and competencies that have not traditionally come part and parcel with the typical IT candidate. The ability to understand dollars and cents, the ability to communicate, along with the ability to anticipate – or at least quickly respond to – new demands are now important characteristics of employees hoping to have a successful career in the IT field.

- Expecting everything from everyone was deemed unreasonable. It was therefore suggested by many roundtable participants that organizations invest in developing discrete career tracks for those with a technical bent, and those with a broader management perspective.

- As important as developing an IT workforce of the future from-the-ground-up was the notion of senior technology executives managing up and laterally. This was established as particularly important for CIOs who believe that the success of organizations will be predicated on their role as change agents.

- CIOs and the IT organization must figure out how to "optimize senior level support while managing low-level friction and inertia for change," according to a roundtable participant in the retail industry. Indeed, the move to a service management model requires CIOs and IT organizations to lead an internal discussion within the enterprise about what is:
  - Core
  - Mission Critical
  - Differentiating
  - Commodity

- It was noted that the above terms are not mutually exclusive. However, having broad enterprise agreement on these issues is important so that effective and informed decisions can be made about what to move out to external providers (payroll, human resource, etc.), and in what format (off-shore, managed service, cloud, SaaS, etc.).

It is essential to have an honest and complete accounting of existing operations to capture all of the hidden costs of legacy technologies and incumbent processes.

- There was a general consensus that one operational objective for the optimization of internal employees may be to "move enterprise human resources up the value-chain in the context of shifting commodity services to cloud and outsourced environments."

- An extensive discussion was held about the relationships between standards and innovation. In general the roundtable participants agreed that standards:
  - Drive down costs;
  - Serve as building blocks of functionality that enable scale;
  - Prevent innovation activities from re-inventing the wheel;
  - Accelerate speed to market; and
  - Enable more effective long-term thinking.

Financial Justification

The move to a Services Techonomy has an immense impact on how the benefits of IT are calculated and the metrics that are used to determine its value. Among the observations from roundtable participants:

- Many organizations are moving beyond traditional ROI and TCO calculations to integrated risk-based and service-based investment justifications.

- CIOs should team up with procurement departments to redesign the way SLAs and contracts for service-based delivery models are developed (moving away from rigid structures to those that are more flexible, agile and in tune with the recognition that partnership relationships are more important than traditional vendor relationships). Beyond external relationships (with partners, service providers, cloud providers, etc.), significant energy and thought should be invested in redefining internal incentives (at both the employee and departmental levels). This should probably entail the development of a model for the joint management of risk (internally and externally).

- It is essential to have an honest and complete accounting of existing operations to capture all of the hidden costs of legacy technologies and incumbent processes.

Technological Complexity

The services roundtable participants noted that the technical complexity of their respective environments is growing at an exponential rate. Between the organic proliferation of technologies to support discrete operations, new regulations, and the complexity that is introduced among industries that are consolidating due to mergers and acquisitions (such as those occurring in the financial services sector, for instance) a common enterprise-wide approach must be developed to managing technology.

The more defined, standardized and mature key technologies and processes are, the more likely an organization is to reduce cost, facilitate innovation, and create internal as well as external partnership relationships that advance the enterprise agenda in the most effective and constructive manner possible.

This is especially true as enterprises wrestle with how to manage:

- Legacy environments;
- Outsourcing relationships (including off-shore and near-shore);
- Insourcing relationships;
- Cloud computing environments (including infrastructure-, platform-, and software-as-a-service); and
- Virtualized environments (at all levels, including: server, storage and desktop).

Managing technological complexity is precisely where IT Service Management principles and definitions can be harnessed to develop a rationalized and economically optimized way of managing today's hybrid enterprise infrastructures. In the diagram below, we see how IT Service Management can be used to not only define how the different elements of an IT infrastructure (and the various associated technical disciplines) can be managed to effectively control a complex hybrid enterprise system.
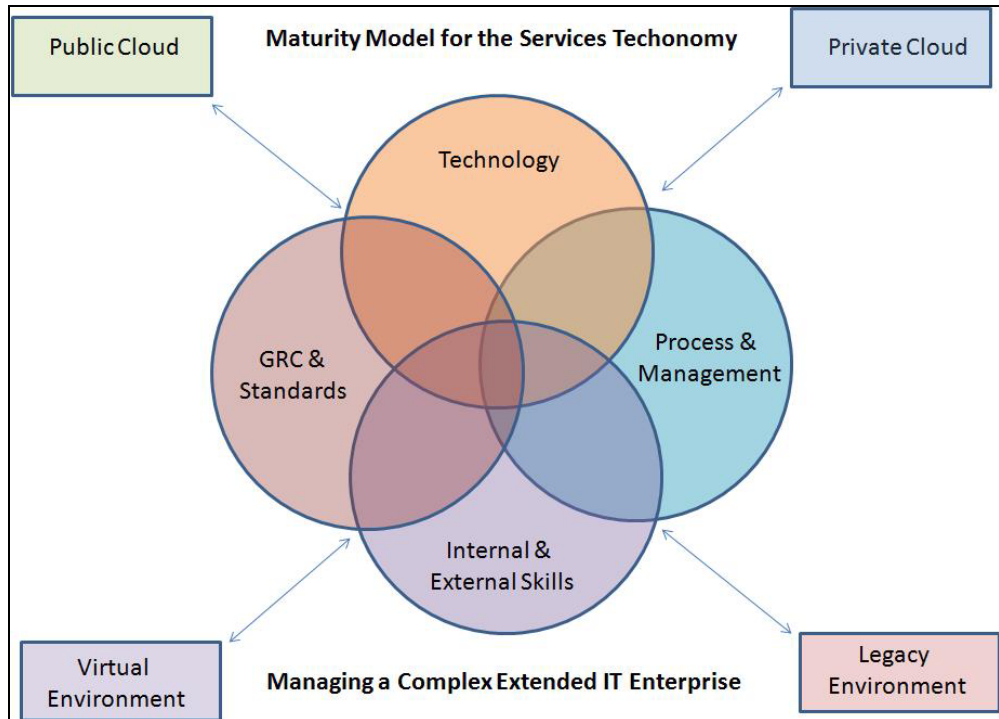
The diagram illustrates how gains can be made by defining technologies, processes, standards and skills that can work across the different environments. The more defined, standardized and mature these combination of factors are, the more likely an organization is to reduce cost, facilitate innovation, and create internal as well as external partnership relationships that advance the enterprise agenda in the most effective and constructive manner possible.

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