Grab ‘n Go: Session 8
Two-speed IT: It-organisering i en eksponentiel verden
7. juni 2016 #deloittegng
Who are we?

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Technology Strategy & Architecture, 3000+ practitioners globally

Tech-Enabled Innovation
Technology Strategy
IT Business Management
Enterprise & Solution Architecture
Cloud & Infrastructure
IT Sourcing
IT Mergers & Acquisitions

Technology practitioners in total 37,000+

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IT is an integrated part of the business and the product – running at multiple speeds
Some industries have been ahead of the game but others will quickly follow.
…this results in a new set of challenges for the IT organisations

An increasingly disruptive digital world which requires speed, innovation and collaboration…

1. Exponential changes in business environment or market conditions

2. New requirements of time to market

3. Innovation is becoming fundamental

4. The risk of shadow IT

5. New customer trends

...but also a need to keep it safe, scalable, sustainable…

6. Need to provide stable and reliable performance to run the day-to-day operations

7. Retain knowledge on known solutions and legacy IT
Agility and multi modes are emerging…but maturity is low

Increased agility delivered; but often
- At too high cost
- Everything on-shore
- Decoupled from operations
- Agile for everything
A good design is vital to ensure the right balance

How do you design your future IT organisation?

What is the best suited development model?

What role should IT play?

How can cloud computing be leveraged appropriately?

How do you adapt your sourcing model to new development models and cloud?
IT delivery models
Designing for speed requires a comprehensive approach…

A complex agenda…

- Change
- Speed
- Innovation
- Adoption of new technologies
- Stability
- Safety
- Day-to-day
…the first step is to define the delivery models that are right for you…

A complex agenda…

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Working styles, complexity and the nature of the applications drive the delivery modes…

Examples
- Customer apps, e.g. Mobile Pay
- End-user apps, e.g. Expense management
- Solutions with no clear goal
- …
- Robotics
- Analytics
- Intelligent processes
- Workflows
- …
- CRM Salesforce
- HR WorkDay/Success factors
- …
- SAP, Oracle ERP template roll-outs
- Core system replacements
- Customer core applications

….Big programmes would combine several modes…
…and must be fully integrated across your operational processes and interactions…

- ERP & Enterprise
- Cloud configuration
- Business embedded
- Innovation & Prototyping

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>How will the users interact with the service desk?</td>
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<tr>
<td>Who will take care of functional support?</td>
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<tr>
<td>How will the solutions be maintained?</td>
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<tr>
<td>How will the solution be operated?</td>
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…with a clear understanding of how demand and change are received and handled
The new speed of IT is rapidly increasing and governance and capabilities must mature…
…the right control requires IT to position itself in the context of the chief digital officer (CDO)

CIO domain
Traditional governance

- CIO
- PMO
- EA and strategy
- Change
- Operations
- New modes

Fast IT #1
(Not fast enough)

Adapted governance

CDO domain
Stand alone

- CDO
- New modes
- Fast IT #3
  (More shadow IT)

- Fast IT #2
  (Better option)
Cloud adoption
Cloud is a right-speed enabler giving users on-demand access to large scale, elastic and shared computing capabilities.

A complex agenda...

- Change
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Cloud is offered in many forms, shapes and sizes

<table>
<thead>
<tr>
<th>Cloud services</th>
<th>Cloud delivery models</th>
<th>Cloud characteristics</th>
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<tbody>
<tr>
<td>Application + supporting technology stack</td>
<td>Software (SaaS)</td>
<td>Scalable and elastic based on demand</td>
</tr>
<tr>
<td>Applications</td>
<td></td>
<td>Paid for based on consumption</td>
</tr>
<tr>
<td>Software-defined and rapidly configurable</td>
<td></td>
<td>Software-defined and rapidly configurable</td>
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<tr>
<td>Platform (PaaS)</td>
<td>Private cloud</td>
<td>A managed set of shared services</td>
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<tr>
<td>EXAMPLES Salesforce.com, Big Machines, Microsoft Office 360, SAP Business ByDesign</td>
<td>Hybrid cloud</td>
<td>An enabler for agile IT delivery</td>
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<tr>
<td>Infrastructure (IaaS)</td>
<td></td>
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<tr>
<td>EXAMPLES Amazon Web Services, Microsoft Azure, Heroku</td>
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Public cloud

Private cloud

Hybrid cloud
Cloud is a key accelerator for the new development modes...

Build Modes

- **Innovation & Prototyping**
- **Business embedded**
- **Cloud configuration**
- **ERP & Enterprise**

Key features

- Agility, enhanced control, compliance and operational efficiency
- Coherent connectivity between private and public
‘One-size-fits-all’ will not work for most enterprises
A holistic approach will drive the best outcomes – evaluate your IT portfolio against these 13 themes.
Balance is needed to reach the right destination

- Guiding Principles
- Agreed Vision
- Business Imperatives

Data
Workload
Resilience
Regulation
Cost
Commercia
Agility
Integration
Value
Architecture
Process
Security
Service Level

- Technical and Process Enablers
- Roadmap of Change and Migration

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Smoothing your path to hybrid cloud – the common themes

Start with an understanding of applications and data to clarify cloudy capabilities that deliver most value

Understand the differentiating capabilities that create value for your business/customer

Develop a clearly prioritised strategy and road map

Drive out integration and governance requirements to better understand likely costs to validate rationale and business case

Map cloudy requirements to public/private capabilities to understand delivery and service options

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Four capabilities you need to build in your organisation

- **Investment in developing advanced integration and data management capabilities** to support a cloud-to-cloud-to-core mode.

- **Flexibility in the IT cost model** to cater for both traditional on-premises service charge back and consumption-based cloud service charge back.

- **IT operations team with deep understanding of cloud technologies and with DevOps and agile expertise**.

- **Security architecture and cloud identity/access management skills** are critical as the cloud portfolio within the enterprise grows.
Right sourcing
Generating value and flexibility through new sourcing models is key to unpinning speed and maintaining cost control

A complex agenda…

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Evolution of outsourcing is moving towards 3.0….

**Outsourcing 1.0**
Past – The mega deal

- Sole source
- “1000 pager”
- Focus on “The Deal”
- Labour arbitrage
- Niche advisory

**Outsourcing 2.0**
Present – Strategic sourcing

- Multi-vendor
- Improved contractual basis
- Vendor management
- Enhanced capabilities
- Functional advisory

**Outsourcing 3.0**
Future – Convergence

- Integrated vendor models
- Focus on service integration
- Embrace the Cloud or die!
- Everything “as a service”
- Automate using robotics etc.
- Obligation to innovate
- More agile and flexible contracts
- Transformation enabled
- Embrace multiple speed delivery models

Smart sourcing focus
...driven by a multitude of trends across the sourcing landscape

**Fine-grained operating models**
- Unbundling and re-bundling
- From SIAM to Orchestration
- Limited insourcing
- Greater tool-process-enablement
- Role of CIO debate
- New capability requirements emerging

**“3rd generation” control and contract models**
- Ownership of process, tools and IP
- Exit rights and approaches
- Short Term and favourable terms
- Transparency and granularity

**Supplier market shifts**
- Increased Tier 1 competition
- Indian pure-plays dominate Infra
- Eco-system and niche partners emerging

**New Sourcing models**
- “Vertical slice” sourcing
- Emergence of Alliances, JVs and Utilities
- Evolution of ‘Ecosystem’ models
- Convergence of ITO, BPO and SS
- GBS, captive, co-source and mixed models
- Industry solutions

**Transformation wave**
- Ops tooling proliferation
- CyberSecurity
- Application Rationalization
- Infrastructure footprint reduction
- Cloud readiness drives
- Consumerization in EUC
- Indian vendor R&D focus
- RPA pilots

**Renewed risk focus**
- Regulatory and industry focus on third party risk
- Increased vendor management spend
- Data privacy regulation
Moving to right-speed IT increases requirements to outsourcing delivery models

<table>
<thead>
<tr>
<th>Traditional</th>
<th>+Right speed</th>
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<tr>
<td>- Competitive pricing</td>
<td>• Multiple implementation modes</td>
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<tr>
<td>- Fixed price/shared risk</td>
<td>• Increase use of onshore/landed resources</td>
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<td>- Better access to skills and talent</td>
<td>• Time to market reduced by near shore teams</td>
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<tr>
<td></td>
<td>• Distributed and duplicated SCRUM teams</td>
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<tr>
<td>- Low cost delivery</td>
<td>• Convergence of AD and AM for selected areas</td>
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<tr>
<td>- Managed services</td>
<td>• Otherwise still low cost as much as possible</td>
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<tr>
<td></td>
<td>• Cloud orchestration is essential</td>
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<tr>
<td></td>
<td>• Different pricing models in cloud must be defined</td>
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<tr>
<td></td>
<td>• Low cost still important</td>
</tr>
<tr>
<td>- Specialist skills directly available</td>
<td>• No major changes</td>
</tr>
<tr>
<td>- Low cost service desk</td>
<td>• Service Desk and Service Integration moving to independent 3'rd party or application provider</td>
</tr>
<tr>
<td>- Service integration</td>
<td>• Mobile device management</td>
</tr>
<tr>
<td>- Low cost delivery for software packaging and distribution</td>
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</table>
...and aligning delivery modes to achieve value and speed is key

<table>
<thead>
<tr>
<th>Build Modes</th>
<th>Requirements</th>
<th>Near/Offshore potential</th>
<th>Sourcing model</th>
<th>Commercial</th>
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</table>
| Innovation & Prototyping     | • Industry knowledge  
• Business insights  
• Innovation eco-system  
• End-to-end service teams | AD: 40%  
AM: 40%          | • Duplicated SCRUM teams across AD & AM  | Team- and value-based pricing model of end-to-end service teams |
| Business embedded            | • Business insights  
• Process/analytical skills                                           | AD: 0-10%  
AM: 50%                 | • Onsite SCRUM team working with super users  
• Possibility for AM split when stable | • Team-based pricing model  
• Value-based, time and material |
| Cloud configuration          | • Functional and application-specific knowledge                           | AD: 50-60%  
AM: 90%              | • Development through Duplicated or distributed SCRUM teams  
• Possibility for AM split when stable | Fixed price, risk sharing, managed services |
| ERP & Enterprise             | • Application and process knowledge                                      | AD: 65-75%  
AM: 90%               | • More traditional AD and AM split of team  
• Use of CoE for testing and assurance | Fixed price, risk sharing, managed services |
...however, the current supplier landscape is struggling to keep up

**Service integration is NOT working**
- Suppliers are struggling to deliver successful service integration
- Limited ability to work “outside” own domains
- Customers are introducing cloud services without respecting the service integration role of the SP
- Suppliers not organised to deliver SI from AM

**Delivering Cloud as flexible as promised seems difficult**
- Many suppliers describe how cloud services can be provisioned automatically – but struggle to deliver
- Few suppliers have models that really embraces public cloud models (amazon, google, azure etc)
- Pricing models are often not designed to handle cloud
- Customers are introducing cloud infrastructure components without defining responsibility for managing them

**Maturity in new delivery models is low**
- Waterfall and AD and AM split dominant
- New speeds at a high premium
- Only basic pricing models in place
- Innovation capabilities relatively low
What's next?
Good design is vital; successful deployment even more so

**Design considerations**

- How do you design your future IT organisation?
- What is the best suited development model?
- What role should IT play?
- How can cloud computing be leveraged appropriately?
- How do you adapt your sourcing model to new development models and cloud?

**Deployment considerations**

- How do we embed the new model? And instil different ways of working?
- How do we change behaviours? How do we get people to do things differently?
- How do we build the requisite skills and competencies to operate in the new world?
- How do we transition to the new model without degrading live service and project delivery?
- How do we educate and re-direct existing vendors and partners to the new model?
Enjoy the rest of the day and please consider:

Do you have clearly defined development models that enable right-speed? And are they well-aligned to operations and interactions across your organisation?

Do you have a clear strategy for where to use cloud and how to ensure connectivity across your landscape?

Does your current sourcing model differentiate between your different development models? And do they seamlessly embed cloud in terms of pricing and service management?