Creating an effective hybrid IT model

What CIOs need to know about combining proprietary infrastructure with new services and systems

The velocity of change in technology – from cloud computing and virtualization to social media – has elevated the role of the CIO within many organizations. No longer viewed as just a cost center or support function, IT now plays a critical role in the successful implementation and delivery of business strategy.

CIOs have become more sophisticated to keep pace with advancing technology. However, they will need to evolve their role further to meet the new expectations. More than supporting the implementation and delivery of business strategy, CIOs are now needed to work with the business to develop the strategy.

This is becoming increasingly important as many organizations evolve from IT infrastructure that has traditionally been developed and managed in-house, to a more hybrid model. The new model involves new and more sophisticated arrangements with multiple vendors and service providers with the capabilities to provide more flexible, specialized services that exploit new technology. The benefits of moving to the hybrid model can offer more advantages than many internal IT organizations can provide, including:

- Cost savings
- Improved functionality
- Higher service-level agreements

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What’s the issue?

In the past, CIOs were the gatekeepers of infrastructure, controlling end-to-end IT decision-making. Now, within many organizations, large portions of IT’s infrastructure are being operated by multiple external service providers. As a result, CIOs are having to manage and monitor a much more complicated IT environment.

Some CIOs may see this evolution as a threat to their ability to control the IT environment. Others, however, will see it as an opportunity to become better aligned to the business. With less of a role to play at a tactical level, CIOs can elevate their visibility and their effectiveness within the organization. They can turn information into insights, driving the broader strategy that impacts overall business performance and serve as valued advisors to the business.

The CIO now needs to be a part of allocation and prioritization discussions and decisions (such as when to expense versus when to capitalize IT investments). The CIO also needs to determine which parts of an organization’s IT infrastructure should remain in-house and which pieces can be managed by external vendors or service providers. This new paradigm can maximize the advantages new technology, pricing models and service-level agreements bring to organizations – without compromising the stability, security or integrity upon which the business relies to achieve performance and growth objectives.

The new hybrid model introduces a different vendor landscape. In many cases, CIOs have yet to completely retire legacy mainframe systems and are now required to deal with a new landscape of smaller vendors that are implementing new technical architecture and provide a different value set to the CIO. The onset of pervasive technologies is accelerating this shift.

Why now?

The rapid introduction of evolved and pervasive technology is fundamentally changing how organizations go to market with products and services, interact with their customers, innovate and achieve competitive advantage. CIOs need to be increasingly proactive in identifying infrastructure needs and recommend appropriate approaches that adequately support the business.

In such a fast-moving environment, CIOs will never be able to change their IT organizations fast enough to keep pace with technology evolutions – nor should that be the expectation. CIOs can take advantage of hybrid infrastructure models that effectively combine the old proprietary infrastructure (and the significant investment they can represent) with new services and systems that include cloud computing, mobility and social networks.
How does it affect you?

In the past, IT functions had to create elaborate, expensive and resource intensive frameworks to deliver services that were primarily delivered in-house – although some organizations would at times partner with large vendors.

Currently, IT functions deliver some essential services in-house, but partner with a large number of smaller, more specialized and more nimble vendors to provide other critical application functionality. This is a deviation from outsourcing applications, their technical infrastructure, and the associated support organizations. IT functions now also seamlessly outsource business applications in an “asset lite” model. This presents challenges, as not all IT organizations have the skills to manage procurement and outsourcing of IT services. Also, many of the issues associated with service delivery have shifted to outsourcers. IT must now ensure that vendors have the right tools and can provide appropriate levels of service.

Despite these challenges, there is now significant opportunity to maintain faster, more secure, more flexible and scalable infrastructure at a lower investment cost than in-house delivery.

Questions for the CIO

When considering a hybrid model, CIOs should ask themselves the following questions:

- How do I best manage a hybrid model, given that many organizations may take considerable time to adopt the latest technology innovations?
- Does my team have the right IT infrastructure to support the business? Or are we perceived as a bottleneck?
- What value will the new IT infrastructure deliver to the business? Will it lower costs? Improve efficiencies? Manage risk? Or all three?
- How can I help my organization stay current considering the velocity of change?
- Does the hybrid IT environment introduce new risk into the existing organization?
- At what pace should I move in migrating to this new hybrid model?
- Are my IT managers equipped to manage this new service model?
What’s the fix?

There are three elements CIOs need to consider when moving to the hybrid model:

1. **Operations.** IT functions should start by clearly defining their infrastructure (network, cloud computing and social media) as concisely as possible. With the infrastructure streamlined, IT is better positioned to improve alignment with the business and the overall strategic priorities. Implementing a decision-making framework that is interactive and flexible is often helpful for both parties. Finally, from an operations perspective, IT must review and adjust resource skills to match the new focus on service management rather than delivery. IT employees will need better managerial, analytical and risk management skills to evaluate and validate vendors.

2. **Controls.** IT functions will need to implement the right controls and audit processes to ensure that selected vendors are delivering as promised and that their services are secure. In the case of a vendor failure, CIOs need to be prepared to answer the following questions:
   - Will the business be financially affected?
   - Will we fail to meet the expectations of our key stakeholders?

3. **Sourcing.** IT will need to evolve its vendor sourcing model to address a constantly changing vendor landscape. In the past, the IT function would tend to have long-standing relationships with one or two large vendors. Today, it needs a rigorous sourcing program to manage significant relationships with smaller vendors that may need a different contractual arrangement and redefined service levels.
What’s the bottom line?

The pace at which technology is changing will not slow – it will only accelerate. Progressive CIOs will need to embrace disruptive technology, increasing opportunities to further develop hybrid IT infrastructure models that do much more than provide background support to the business. CIOs will now need to work with the business to develop an effective strategy that aligns to business needs and facilitates the organization’s growth trajectory.

CIOs need to take the following steps to maintain their seat at the table

- Initiate the conversation
- Deliver transformative, value-creation solutions to the business
- Give their key resources the skills and training to evolve from deliverers to managers
- Implement the right controls to maintain quality, security and performance levels

By taking these actions, CIOs can learn not only to survive but also to thrive in an ever-changing hybrid infrastructure model.
Despite an increase in investment, organizations continue to fail to deliver on large IT programs. Engaging independent program risk management (PRM) assistance is ultimately about building and sustaining confidence in the IT program and having the right information at the right time to make well-informed decisions throughout the program life cycle.

Security risks posed by mobile computing, cloud computing, virtualization, social media and online payments are a critical issue for investors, regulators, shareholders and executives.

Disruptive technologies present numerous opportunities for IT functions to provide more cost-effective, flexible and scalable infrastructure. But this change creates a new set of risks. In the move from providing tactical support for the business to becoming a strategic partner, CIOs need to not only align IT’s priorities to those of the business, but also provide sage counsel, turning information into insights when the business is seeking to implement new technology solutions.

The evolving IT risk landscape: the why and how of IT Risk Management today

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Cloud computing issues and impacts

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All signs point to the rapid adoption of cloud computing as a fundamental shift in the delivery model of information technology (IT) - but abundant challenges will make it a difficult adoption curve.

Building confidence in IT programs: facilitating success through program risk management

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5: Insights for executives

The velocity of change: how uncharted risks are redefining the role of the CIO

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