From cost center to business provider

Changing the way that you change the IT function
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In 2013, EY commissioned a survey of cross-sector Fortune 1000 CIOs to learn how they view their challenges in increasingly complex environments. The survey also asked if they are using or would consider using IT as a service (ITaaS) to meet the demands of their company.

Our survey findings suggest that:

- The speed and complexity of technological change continues at a great pace, and it is a constant challenge for CIOs to keep up.
- CIOs believe that training and foresight offer a way for IT to keep pace with demand but are also open to a change in approach to the traditional IT cost-centric shop.
- CIOs see challenges related to rapid technological change in the adoption of cloud technologies and the increasing complexity and volume of technologies to support.
- IT functions face budget and staffing resource constraints that drive end user complaints surrounding outdated hardware and poor response time.
- In response to budget woes, IT departments are using cloud computing and renegotiating existing hardware and software contracts to cut costs and improve efficiency.
Introduction

CIOs know that the velocity of change in technology continues to add complexity to their role, function and environments. It affects organizational operations, marketing, sales, customer interactions, innovation and competitive advantage.

CIOs also know that the IT investment and transformational efforts made today are soon obsolete. To meet the current and future needs of the business, they need foresight and flexibility. They must predict challenges, respond with skilled resources, maintain critical business operations and meet end user demands. Adding to these perpetual challenges are the business and end user demands of new technologies. All have CIOs thinking about how to provide services that consider the ever-changing risk landscape, cost, operations and user needs.

Traditionally, the CIO role required a definite administrative effort. Now, the CIO must work as a strategic business advisor and lead a dynamic and value-driven IT function. In the last two years, many IT departments have undergone significant IT transformations, but they need to do more. However, an additional costly investment for in-house infrastructure is not an option for many IT departments.

To meet the business needs of today and tomorrow, CIOs need to adopt a more collaborative and encompassing approach that will enable IT departments to deliver “one-stop shop” services that achieve the organization’s strategic goals and satisfy increasing internal customer demands. They need to evolve from a cost center to the business to a profitable services provider, offering commoditized services that are scalable and responsive to real-time business needs.

For CIOs looking to take their IT function – and their role within the organization – to the next level, now is the time to consider ITaaS. Using the modular flexibility of the ITaaS framework, CIOs can change the way that they adjust the IT function to meet the demands of the business now and into the future.
From challenges to opportunities

Traditionally, CIOs led an asset-rich function complete with a team of in-house support professionals. The IT team managed purchased hardware and software with the sole purpose of supporting the business. This cost-centric approach is no longer a sustainable option for many companies that are working to stay current. Yet, as companies refocus their spending on IT infrastructure and support, the cost-centric label remains for the IT function.

The business often requires system changes that are time-consuming and expensive, leading to frustration and end user complaints that IT is not being responsive enough to their needs. User complaints range from insufficient computing or internet speed to outdated software and slow responsiveness by overextended IT staff. Technology and market demands are moving so quickly it is almost impossible for IT to keep up.

To meet business demands and deliver the right IT services, it takes a team effort between the business and the IT function to define the business needs. The business must standardize the processes that will work best for the business model. For example, to move the financial close process from a series of challenges to opportunities requires collaboration among the CIO, the business, end users and those within the function to work together to create a one-stop shop service provider.

CIOs must fundamentally shift their approaches. The demands are great, and the resources are limited. CIOs that are operating the most up-to-date IT functions express concern as to how they will meet the continuous and future change demands. In our survey, only 52% of respondents indicate that they can meet the changes coming in the near future. However, external factors create uneasiness about the sufficiency of their planned changes.

Survey finding

52% of those surveyed indicate that they can meet the changes coming in the near future. However, external factors create uneasiness about the sufficiency of the planned changes.

"The top complaint of end users is ‘IT is not keeping up with the change in the marketplace. It is not fast enough.’ They want quicker access to the tools and technology."

— A media company CIO
Shadow IT – making an unknown into an asset

The practice of business units acquiring IT capability without consulting the IT function for input or at a minimum to inform them is no longer the problem it once was. Security issues, integration and compatibility implications, increased costs and insufficient resources are only a few of the issues IT functions previously endured because of shadow IT.

However, as CIOs and the IT function gain organizational status, becoming enablers to the business rather than barriers against it, shadow IT decreased significantly.

Today, organizations see shadow IT as a proof of concept opportunity, a pilot or incubator through which the larger corporate IT function can determine whether the application or service can be useful across the enterprise.

Key research study findings

54% of the surveyed respondents experience business units not following company protocol and procuring IT services.

62% indicate that shadow IT services are either not very or not at all problematic.

72% say they have not experienced significant shadow IT spend.

One CIO indicates that a project team found a local service provider to complete the work quickly and install a unique mission-specific technology.

The CIO states, “This is not something where the business units need to go through IT. In cases like this, we can help with the contract or if there is a basic concept. We probably have hundreds and hundreds of integrations of unique systems that are going on all the time.”

In fact, with proper guidance, business units taking responsibility for IT procurement can improve agility. CIOs and their IT functions can assume more of a consultant role, resulting in a collaborative approach to decision-making and stronger partnerships between the IT function and the business.
Keeping up with ever-changing demand

Despite the best of efforts, maintaining a dynamic, up-to-date IT function is a challenge. For some industries, such as finance and health care, there are regulatory parameters to consider when deploying technology. But, for the businesses that need dynamic flexibility, ITaaS is a way to stay current.

An overwhelming majority of survey respondents – 82% – say that their IT department had already completed significant changes to their function in the last two years. Of them, 52% say that those changes were transformational. For many, the transformational change was a move toward cloud-based applications, services and solutions.

However, to maintain and continue to elevate their strategic role and function within the organization, CIOs must do more. To meet current and future business needs, CIOs must adopt a more holistic, planned and pragmatic framework.

Some companies have already begun integrating new technologies into their IT function. Others report using external IT services for certain back-office functions or certain mission-critical services.
Our survey findings suggest that some CIOs support business units directly. Others lead the function in an efficient and collaborative way, while innovating and acting as strategic business advisors.

Innovative CIOs provide the business with information and ideas. They lead functions that drive value. As CIOs are now filling the role of chief innovation officer, they must use technology to advance the overall business strategy and drive profit.

The strategic advisor CIO is someone who establishes his or her role as an innovator and not just an order taker. By offering mobile computing and cloud services to provide consistent customer touch points, access to new markets, and customer insights derived through big data analytics and other new technologies, the CIO adds tangible bottom-line value.

The CIOs surveyed who see themselves as strategic advisors have a shared accountability of the business goals and a shared responsibility in profits and sales targets. They work side-by-side with others in the C-suite.

**CIO as strategic advisor**

- **94%** of CIOs see themselves as enabling efficiency and collaboration.
- **72%** of CIOs see themselves as innovative strategic partners to the business.
- **28%** of CIOs see themselves as enabling efficiency and collaboration.

**Leading as an innovative CIO**

94% of CIOs indicate that IT has the primary function to directly support business units.
Making the shift to indispensable strategic advisor and service provider

Currently, many organizations have mobile capability integrated into their email system and are using and exploring cloud technologies. As big data and the information that it offers become more commonplace, there are more opportunities to use it and the complementary analytical methods offered to adjust and develop new business models.

- 90% have implemented mobile
- 70% have implemented cloud
- 60% have implemented social
- 34% have implemented big data

In the last two years, 82% of respondents say that their IT department has completed significant changes:

By moving their IT departments from cost centers to service providers, CIOs can feel confident that their functions are very current – and will remain so. However, to operate as a service provider, CIOs must fundamentally transform their functional capability as a whole.

An ITaaS model enables IT to offer one-stop shop services to the business that are scalable, responsive and current. The framework uses the following principles:

- The IT function should provide services that are comparable in terms of definition and support to what is available on the market – for example, email with five gigabytes of storage, meeting collaboration and a one-hour response time from the help desk. The service must be user-intuitive and similar to those commonly available.
- The services offered must have scalable capacity and functionality based on business demand.
- The IT function charges or prices services back to the business on a per unit of capacity and functionality basis.

ITaaS enables CIOs to measure the profitability of services provided, commoditize services, scale skilled resources to business needs and make value-driven decisions. ITaaS enables a continuum of services that quickly responds to the business, using in-house resources and external service providers.

Is the ITaaS framework right for my business?

Using the ITaaS model, CIOs can keep the IT function current, relevant and sustainable. To determine whether ITaaS is right for your business, ask:

- Does the IT function serve as a utility to protect, secure, enhance and promote steady growth, or is it an agent of dramatic change?
- Does the IT function develop solutions using software?
- Does the IT function maintain and manage relationships with vendors?
- Does the IT function play a role in implementing new technologies? If so, what is it?
- Have I determined and defined the role of the IT function to ease integration of the ITaaS framework?
To implement the ITaaS framework, first clearly define the offerings and mission of the IT function and determine how to deploy resources. To start, CIOs must champion flexible departments that are on a sustainable path. The following process can also help determine which services you can consider optimizing through an external cloud. To transform IT and move from a cost center to a one-stop shop, CIOs can take the following steps:

1. Determine how the IT function will serve the enterprise
   - Utility
   - Protector of data
   - Enabler of efficiency
   - Creator of business models or processes

2. Establish a baseline of capability and determine the needed and desired IT skills across the capabilities

3. Define and take action to establish your current state and desired future state

4. Set up an IT transformation plan that closes the gaps while you work on the future-state business solution map

5. Establish the overall IT function operating model and create the future-state operating model

Leading practices for a one-stop shop

In designing the services, focus on business needs and consider outsourcing decisions using a point-by-point strategy versus the old-school blanket approach.

Do not outsource functionality that requires institutional knowledge.

The lesser the need for institutional knowledge, the more easily you can provide functionality using an external source.

For more information about how to transform your IT function using outsourcing, while maintaining performance, security, compliance and securing cost savings visit http://www.ey.com/GlobalBusinessServices.
ITaaS offers measurability and flexibility. CIOs can accurately measure cost; provide end user customization for mobile devices; and maintain corporate governance, risk protocols and security levels based on strategic priorities.

ITaaS also drives efficiency and is a way to maximize investment and resources. When established, the ITaaS one-stop shop model creates immediate value for the enterprise.

According to the survey, nearly 60% of the respondents either currently use ITaaS or see a business case for switching to ITaaS. Additional benefits include:

- Measurability of profitability of services
- Reproducibility and commoditization
- Comparability of cost to external service provider
- Information-driven business decisions

Survey respondents that are currently using ITaaS report success. Outsourced cloud computing and renegotiated contracts prove to be an effective response to budget challenges.

“We’ve restructured contracts to get more out of the contract and put together different organizational structures that are much more effective and aligned with the business. We’ve done a lot of work around making sure that we are making our dollar last as much as we can.”

— A media CIO

Satisfying customers, streamlining processes and advising the business

ITaaS provides end users with clear and simplified approaches and generates cost savings by encouraging users to use only the services that they need. Further, when implemented through the corporate IT function using measured metrics, ITaaS facilitates greater operational and regulatory transparency.

When using ITaaS, leading innovative CIOs can transform the IT function from cost center to one-stop shop and lead the organization as an innovator and strategic advisor. The CIO who uses the modular flexibility of ITaaS can adjust the IT function to meet the demands of the business today and simplify managing change into the future.
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