

The changing role of the IT department in a cloud-based world



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Introduction

With competitive pressures intensifying and the pace of innovation accelerating, recognising key trends, understanding their implications and, where appropriate, responding decisively is essential to remain successful. Vodafone has created five insight papers which discuss many significant business and technology trends shaping Enterprises today and into the future. We discuss their implications and make recommendations as to the steps businesses need to take.

- **The new customer relationship in the digital age**
- **The rise of the borderless enterprise**
- **Understanding the impact of the connected revolution**
- **The changing role of the IT department in a cloud-based world**
- **The importance of mobility for tomorrow's enterprise**

This paper describes our thinking relating to the changing role of the IT department in a cloud-based world. If you are interested in topics such as the evolution of the IT department, overcoming the barrier of legacy systems and the benefits of cloud, then you will find this of interest.

Executive Summary

For businesses to thrive in today's unpredictable and rapidly changing world, the role of IT departments needs to change.

As a result of the digital, social and mobile revolutions, technology is now strategically important for all businesses. Yet too much of IT's time, budget and resources is still being spent on building and maintaining systems. The focus of IT needs to shift to enabling innovation, and delivering the speed and agility that businesses need to compete. The performance of IT should be measured in terms of how much business value it creates.

Moving services to the cloud and simplifying IT estates will be vital in enabling this shift. The complex and fragmented nature of many IT estates is limiting the ability of companies to innovate and be agile. Managing these unwieldy infrastructures consumes vast amounts of IT's time and resources.

Simplifying and standardising IT estates is now essential and cloud-based platforms have an important role to play. In a cloud-based world, where everything is available 'as-a-service', the IT department will increasingly become a service manager rather than a system builder. It will then be able to spend more time advising the business how to use technology to innovate and adapt to new circumstances.

The changing role of IT

Design for an unpredictable future

Cloud computing benefits

From infrastructure to innovation

New KPIs for IT

Business relationships



System builder to service manager

Simplify, Standardise, Converge

Data insights create value

Open and accessible

Overcoming legacy system issues

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The changing role of IT

IT must be designed for an unpredictable future

Driven by the rapid evolution of digital, social and mobile technologies, businesses of all sizes and in all sectors are undergoing significant changes. Steady state industries no longer exist. In this new fluid landscape, the IT infrastructure of a business has to be designed for the unpredictable. Every business is now digital and most are heavily dependent on technology to function.

It is impossible to accurately predict how technology and its role in business will develop over the next five to ten years. The past is a good case in point: five years ago social media was considered an irrelevance for most businesses, tablets were deemed a failed technology and companies were experimenting with the cloud, rather than committing to it.

Cloud computing delivers flexibility and agility

Given the unpredictability of the technological landscape, IT infrastructures must be designed to deliver agility and flexibility. And with IT budgets frozen or shrinking, IT needs to get smarter to deliver more for less.

That's one reason why the significantly increased flexibility that cloud brings is so important. It enables businesses to introduce platforms or applications that support a new requirement within days, rather than months or years. And it enables them to close those systems down just as quickly if the requirement disappears. Companies no longer need to be tied to a long-term capital investment.

Indeed, worldwide enterprise spending on cloud services is forecast to grow from US\$18.3 billion in 2012 to US\$31.9 billion in 2017.¹ Gartner has forecast that cloud computing will become the bulk of new IT spend by 2016.²

Focus must shift from infrastructure to innovation and transformation

Currently, too much focus, budget and resources are being directed towards building and maintaining infrastructure. Too little is being channelled into helping businesses innovate and transform.

On average, 67% of IT budgets today are spent on running and maintaining existing systems, with only 14% devoted to transforming the business.³

With technology remaining the driving force of transformation across all industries, IT departments should be central to delivering business innovation. Yet a global survey conducted by Gartner found that, on average, CIOs felt their organisation only realised 43% of technology's business potential.⁴ Evaluating the potential impact of emerging technology – on the business and its markets – must become a core IT responsibility.

The performance of IT departments must be assessed in new ways

The performance of IT departments should be measured in two ways: their contribution to creating new value, and their ability to enable the business to rapidly execute new initiatives.

Instead of controlling and restricting change, IT should focus more on how they can accelerate it. IT projects will no longer be judged solely on their technical merits or whether they came in on time and budget, but by their contribution to enabling the business to adapt and create value.

IT departments should be central to delivering business innovation



Worldwide enterprise spending on cloud services is forecast to grow from US\$18.3 billion in 2012 to US\$31.9 billion in 2017.

Source: Analysys Mason, Enterprise cloud services: worldwide forecast, 2012–2017

¹ Analysys Mason, Enterprise cloud services: worldwide forecast, 2012–2017

² Gartner press release, Oct 2013

³ Gartner Key Enterprise IT Metrics, 2011

⁴ Gartner Report: Hunting and Harvesting in a Digital World: The 2013 CIO Agenda

IT leaders must build tighter relationships with lines of business

IT departments need to recognise that more technology spend will be driven and controlled by business owners. Gartner predicts that 90% of technology spending will be controlled outside the IT department by 2020.⁵ This has important implications for the role of IT and the way it works with the rest of the business.

Rather than fighting this process, IT departments should facilitate and support it. IT leaders need to ensure that common platforms and policies are in place that will deliver the most value from investments in technology. IT departments must become advisors on how IT can be used to meet business needs.

IT must evolve beyond building systems to managing services

In a cloud-based world, where everything is available 'as-a-service', the IT department will increasingly become a service manager rather than a system builder.

Building all IT platforms and applications in-house is unlikely to deliver the agility and speed that businesses require to compete. Instead of investing large amounts of resource and budget in building and maintaining customised in-house systems and platforms, the IT department should:

- help the business understand and define how technology can help them address emerging challenges and opportunities
- identify and manage the right services to meet these business needs

Simplify, Standardise, Converge

Today, many companies' IT estates are complex, fragmented and divided into silos. To increase agility, foster innovation and reduce costs, they need to be simplified and standardised. IT analysts have estimated that simplification, unification and integration of IT estates could reduce the costs of supporting existing applications by 39% over five years.⁶

Moving to converged communications networks has an important role to play in simplifying IT estates. Converged communications can not only reduce costs, but also improve agility and productivity by providing a platform for the introduction of new business applications.

Rationalising supplier relationships will also play a key part in reducing the complexity of IT and communications. Across European MNCs, 69% would prefer to buy communications from a single supplier.⁷

Data insights deliver innovation and transformation

Data is now a key driver of innovation and transformation across all aspects of a business – from product development to supply chain planning to sales and marketing. However a fragmented, siloed IT set-up makes it difficult to get a true picture of what's happening in a business. This limits the company's ability to gain new insights that can inform the innovation process.

IT has an important role to play in helping businesses identify new insights from data. This means breaking down data siloes within a company, and using communications technology to ensure that the right information is available to the right person (or machine) at the right time to inform decision-making.



90% of technology spending will be controlled outside of the IT department by 2020.

Source: "Gartner Says Every Budget is Becoming an IT Budget", Oct 2012

To increase agility, foster innovation and reduce costs, IT estates need to be simplified and standardised.

⁵ "Gartner Says Every Budget is Becoming an IT Budget", Oct 2012

⁶ Financial Impact of Simplification, Unification and Integration on IT Budgets, Wikibon, 2013

⁷ ECTA & INTUG Research – Business communications, economic growth and the competitive challenge, 2013

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The changing role of the IT department in a cloud-based world

The speed at which companies can introduce new products or services, collaborate with a new partner, or improve their customer experience, is limited by the inflexibility and inaccessibility of their IT platforms.

IT platforms must be more open and accessible

IT platforms need to be more open, flexible and accessible to enable businesses to respond quickly to marketplace changes, and take advantage of the opportunities arising from new technology.

Today, many companies find that the speed at which they can introduce new products or services, collaborate with a new partner, or improve their customer experience, is limited by the inflexibility and inaccessibility of their IT platforms.

More open and flexible IT platforms will become a critical dependency for businesses if they are to:

- improve their ability to collaborate – both internally, and externally with their suppliers, partners and customers
- place mobile at the heart of how they work and how they engage with their customers
- realise the potential of M2M and data analytics, delivering tangible business value
- give customers more seamless, innovative and rewarding experiences
- rapidly respond to changes in their markets
- take advantage of opportunities arising from new technology.

The move to more open platforms will enable easier and faster implementation and integration of new systems. To facilitate this process IT departments should consider:

- using standards-based rather than proprietary technologies
- ensuring that all their systems have open, standards-based APIs
- adopting common data structures and dictionaries across the organisation
- identifying opportunities to utilise cloud-based platforms which can be more easily shared with third-party collaborators.

Organisations must address the evolution of inhibiting legacy systems

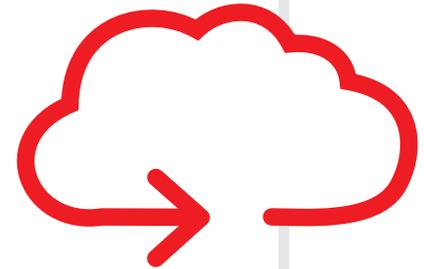
One of the most common reasons given for IT's inability to deliver the responsiveness and flexibility businesses now need is the constraints of legacy IT systems.

Legacy system issues clearly cannot be ignored when considering the changing role of IT. And few businesses can afford the cost of completely ripping out and replacing existing systems. But these issues can't be used as an excuse for inaction. The costs of inflexibility and lack of agility are likely to be far greater in the long run.

Businesses need to review legacy system constraints and put plans in place to transition over time to more flexible and open systems, taking advantage of cloud-based platforms and applications. This approach will enable companies to replace, enhance or supplement existing systems when appropriate.

Businesses must act now to stay ahead

With technology now at the heart of most businesses, it will only be possible to maintain – and sharpen – competitiveness if the role of IT is redefined. Businesses need to act now.



The first step is to review and refresh IT platforms in order to ensure they deliver agility and speed. The focus of IT needs to shift away from building and managing systems, and concentrate instead on identifying opportunities for using technology to drive innovation.

Businesses must explore how they can use cloud-based systems to improve flexibility and free up resources. They must also investigate how IT departments can work more closely with business leaders to deliver the insights that enable better decisions and inspire greater innovation.

There needs to be a new emphasis on fostering the skills which enable IT departments to act as effective, expert advisors to the business.

Fragmented IT estates must be simplified and standardised to reduce costs and improve agility. This will involve moving to converged communications networks, which will also improve productivity. It will also mean rationalising supplier relationships.

The next generation enterprise will be forward-looking and future-proofed. It will have identified, and acted on, the constraints that prevent it from adopting increased collaboration, achieving greater agility and creating value from new technology. It will sustain competitiveness by moving to more open and flexible platforms.

Why Vodafone?

Better Operational Agility

To make your business more agile, we make the way you communicate more flexible, more resilient and more secure. We ensure all your different ways and means of communicating work together seamlessly. And we make sure all this combines to make your business more efficient and more profitable.

Better Customer Engagement

We help you grow by enabling you to give your customers a consistent, better experience across all contact channels – an experience that increases satisfaction and loyalty. We also help you take full advantage of the latest communications technology so that you can develop attractive and rewarding new products, services, routes to market and business models.

Better Connected Employees

We help you be more productive, improve employee engagement and get to market faster by enabling your employees to work how, when and where they need to, whilst ensuring you keep control of usage, costs and security.

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