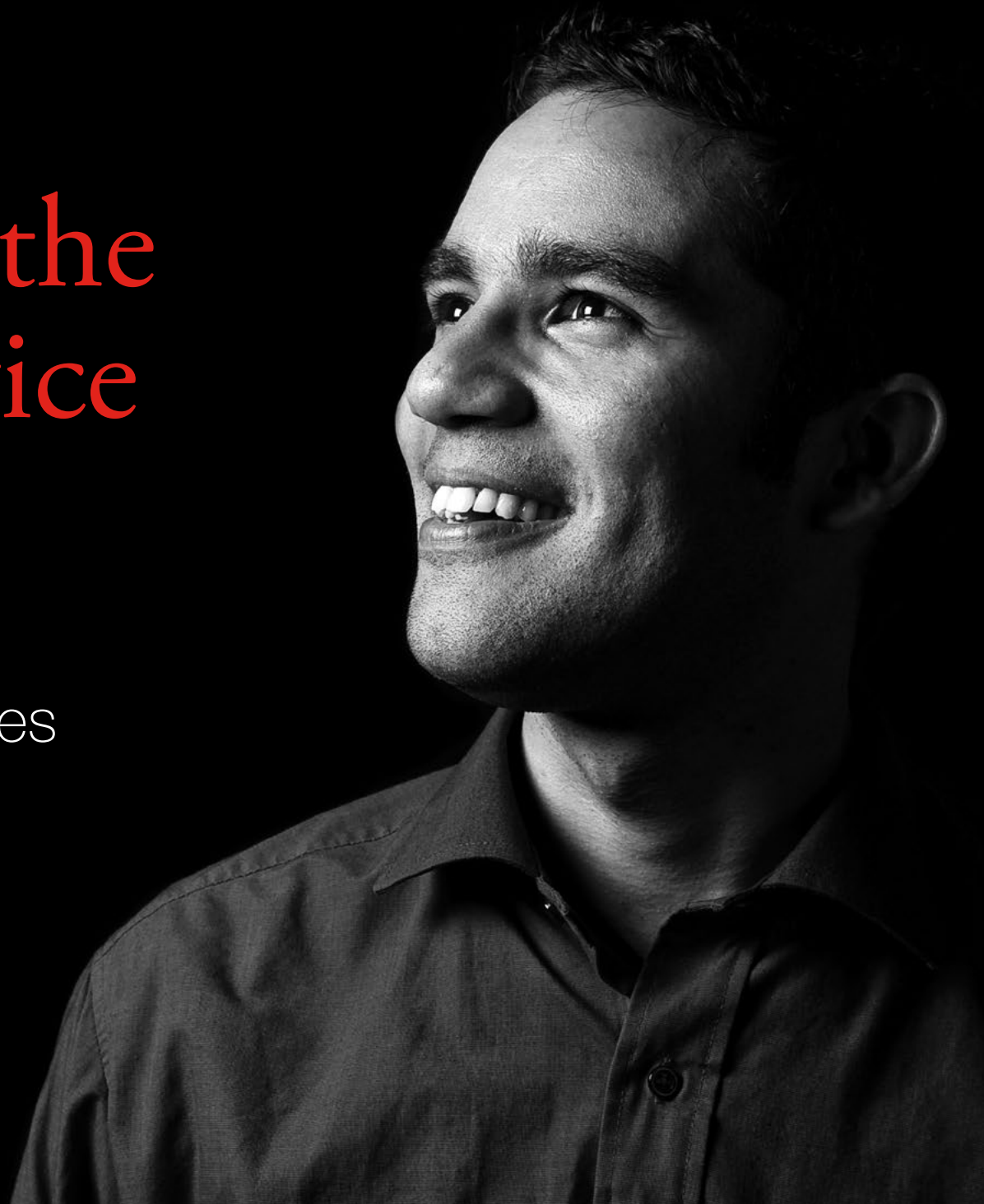




Establishing the Internal Service Provider

A global study of
CIO pressures and priorities

A research paper from Logicalis



In summary:

This report details key findings from the second annual Optimal Services Study, which seeks to assess the changing role of CIOs and IT departments as businesses worldwide increasingly view technology as a business enabler, rather than an essential cost centre.

Last year's report answered a series of questions, including:

- How is the role of the CIO changing?
- Are CIOs' priorities yet aligned with a reality in which IT decisions must reflect and directly support business imperatives?

This year, we revisit these questions, to assess what progress has been made as CIOs worldwide seek to redefine the role in the face of pressure from line of business colleagues and shadow IT.

We also look at what this means for IT departments and business technology in general.

Interestingly, we find that IT leaders worldwide are seeking to transform IT departments into internal service providers, and that this change demands a new focus across three core areas: skills and resourcing, infrastructure, and culture and perception. Here we ask:

- How does this transformation affect the skills CIOs look for when hiring new employees?
- To what extent do CIOs want to focus on services, rather than technologies?
- Who will deliver the services that make up business technology infrastructure in future?
- To what extent have CIOs succeeded in changing the culture of IT, to focus on strategy and business enablement, over and above day-to-day technology management?

Read on to find out what CIOs from Europe, North America, Latin America, and Asia Pacific have to say.



Key Findings

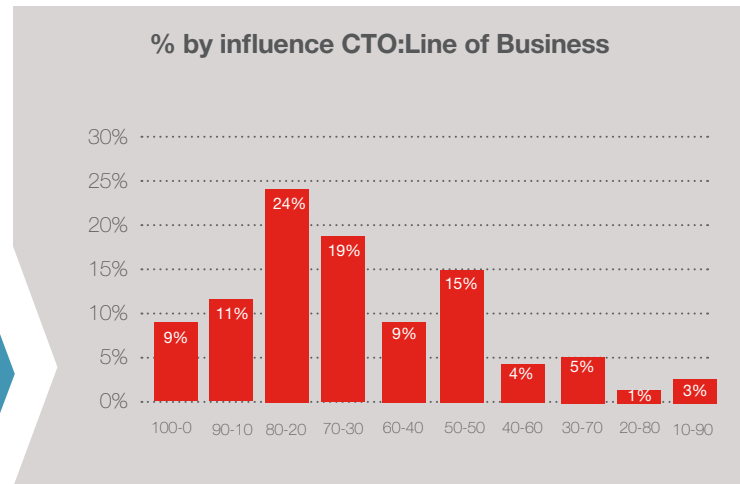


Balance of ICT power continues to shift

In 2013, CIOs and IT directors predicted that line of business colleagues would gain more power over IT spending over the next three to five years. It seems that trend has outstripped their expectations.

Just one year later, 57% say that the influence has increased and over a quarter (28%) report that the balance of power in ICT spending (50% of spend or more) now lies with line of business executives.

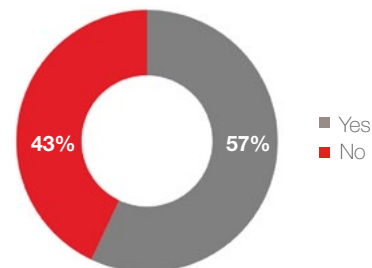
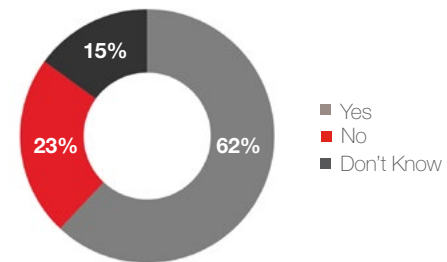
CIOs have noted the accelerated trend, and are more convinced than last year that the trend towards LOB power will continue—62% believe line of business will gain more power over the next 3-5 years, compared with 44% last year.



Q: What is the balance of ICT strategy and decision making in your organisation?

Q: Do you think line of business managers will gain more power in terms of ICT decisions over the next 3-5 years?

Q: Have line of business managers gained more power in the last 12-24 months?

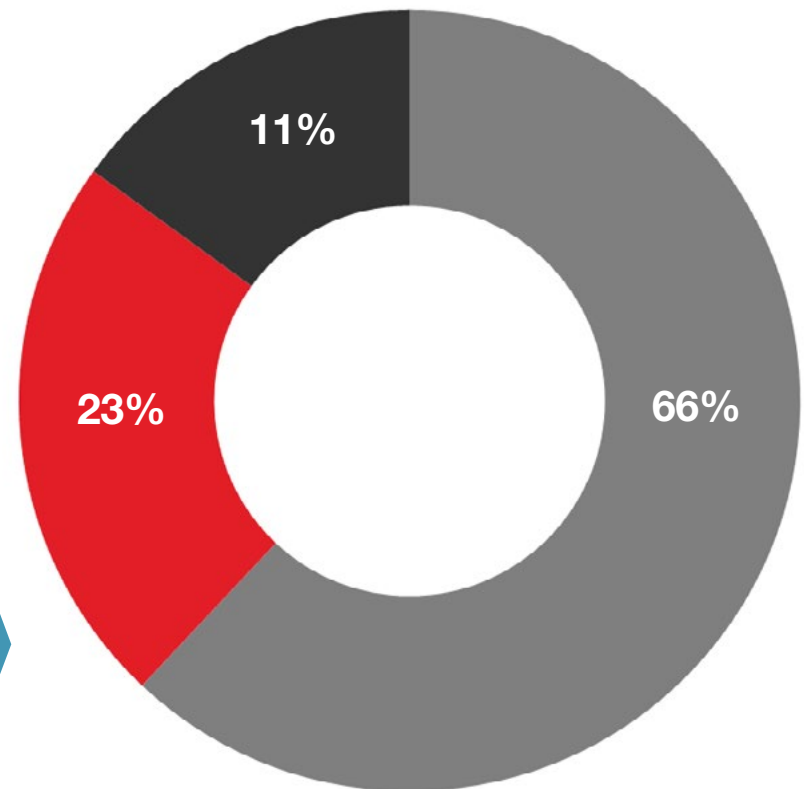


Line of business managers interested in technology outcomes not technology operations

Line of business manager may have more control over IT spend, but they continue to rely on IT departments to manage and maintain the technology they purchase.

- Two thirds (66%) of CIOs report that the IT department is responsible for supporting these technologies and managing the service.
- Just under a quarter use a third party (23%)
- By contrast, just 11% of these shadow services are supported and managed by LOB departments themselves.

Allowing this trend to continue unchecked is likely to pose increased resourcing challenges for CIOs and IT Directors – skills requirements will become harder to predict as the range of IT products and services requiring support grows, without reference to a central strategic plan.



■ IT ■ 3rd Party ■ LOB

Q When line of business managers procure IT services directly (such as cloud), who is mainly responsible for managing the service and providing technical support?

The CIO as chief services officer...

CIOs and IT directors are starting to respond to the challenges posed by shadow IT; reshaping IT functions to more closely reflect the business needs that are ultimately driving line of business procurement.

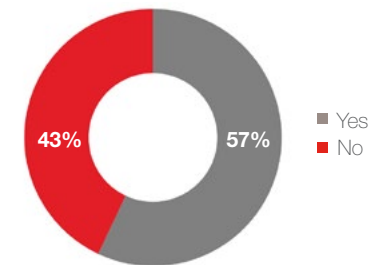
It appears their response is designed to both support LOB requirements, by refocusing IT as an internal service provider, and to retake control of IT infrastructure.

Indeed, 57% of respondents agree with IDC's prediction that 80% of IT budgets will be based on providing service integration for a broad portfolio of internal and externally sourced IT and business services.

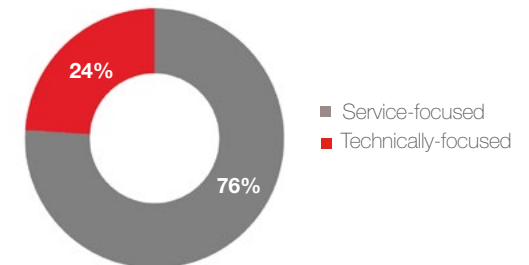
This transformation remains, however, a work in progress. According to this year's survey, IT departments are not yet 'service defined' or 'internal service providers', but are increasingly service focused—76% of respondents believe the IT function in their organisation is service rather than technology focused.

Truly delivering the internal service provider model will require significant **resourcing, infrastructure and cultural change.**

Q IDC predicts that by 2016, 80% of IT budgets will be based on providing service integration for a broad portfolio of internal and externally sourced IT and business services. Do you think that is going to be true of your organisation?



Q Do you consider the IT function in your organisation as: Technically-focused or Service-focused

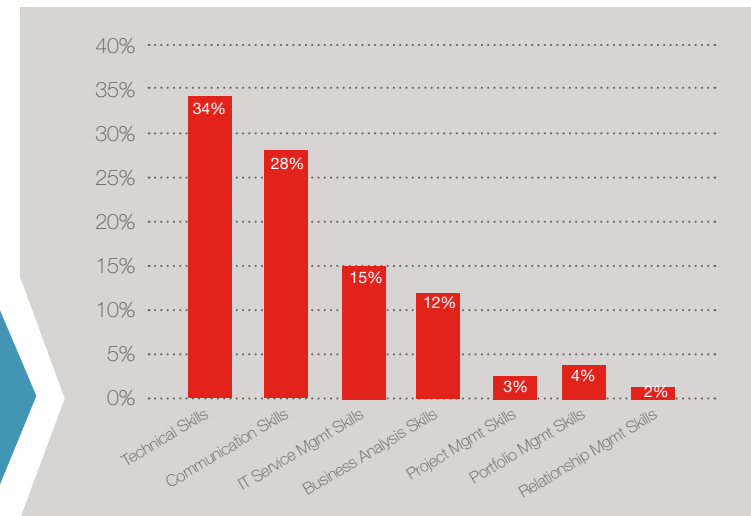


Resourcing: The Business IT professional

The reinvention of the IT department is already driving change in terms of demand for skills. When recruiting new staff there is a clear shift towards business-orientated skills:

- Just 34% cited technical skills as a top priority.
- 28% feel that communication skills are the primary concern.
- 15% see IT service management skills as a clear priority.
- 12% look first for business analysis skills.

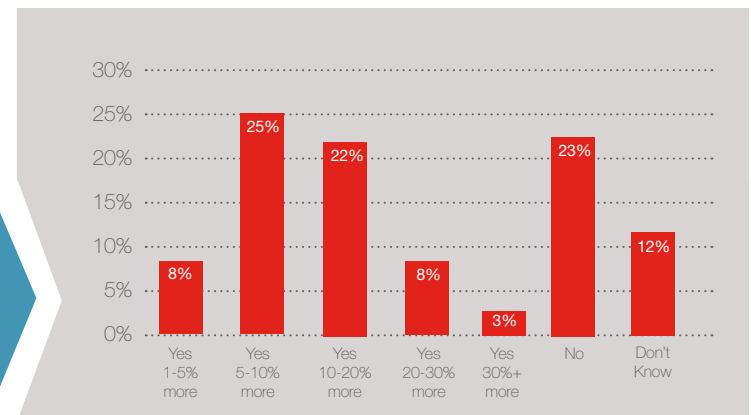
When recruiting IT staff, please rank the following in order of importance from 1 to 7 where 1 is the most important.



What's more, CIOs are prepared to pay more for these multi-skilled Business IT pros:

- 65% of those polled believe that they will have to pay more.
- A quarter believes this will be around 5-10% more.
- 22% between 10-20% more.

Do you expect to pay more (salary) for business IT professionals than traditional technical professionals?



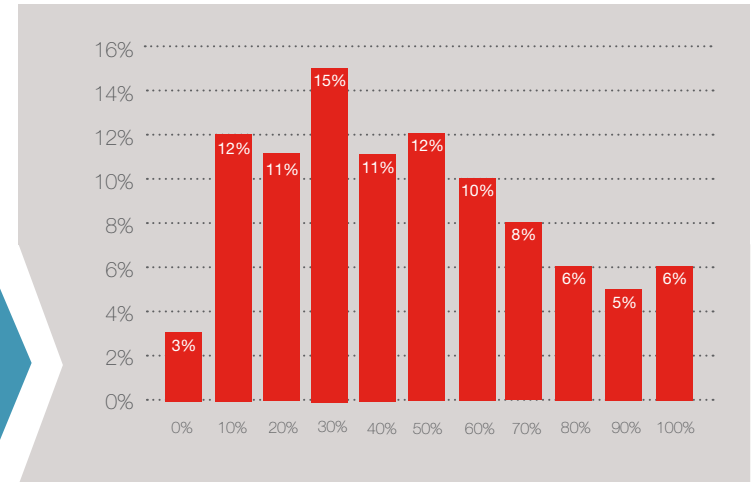
Infrastructure: The Services-Defined Enterprise

One of the key objectives for any CIO seeking to transform the IT function into an internal service provider is to reduce the time spent managing and maintaining existing infrastructure—and instead focus on strategic activities in support of business strategy and line of business needs.

It is clear from the survey that moving in this direction is very much part of CIOs' transformational plans:

- Almost half (47%) want the majority (50% or more) of their IT services to be provided or managed by external service providers, including cloud (IaaS/PaaS & SaaS).
- By contrast, just 3% want to all those services to be retained in-house.

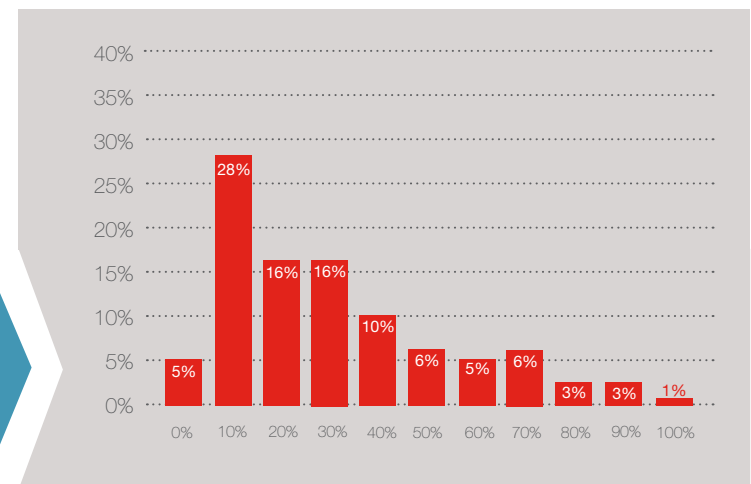
Q: Ideally what percentage of your IT would be provided or managed by external service providers?



There remains some way to go, however:

- Just 24% have managed to transfer the majority (50% or more) of their IT services to external providers.
- 70% report that between 10% and 40% of their IT services are currently provided or managed externally.

Q: Approximately what percentage of your IT services are provided or managed by external service providers, including cloud (IaaS/PaaS & SaaS)



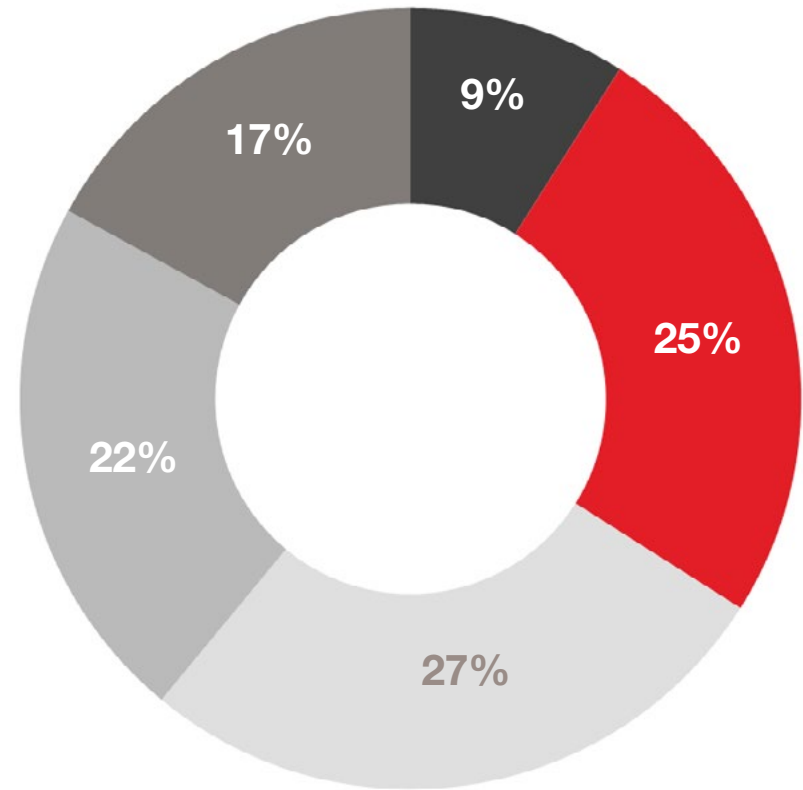
Infrastructure: The rise of SDx

The survey also assessed CIOs' views of SDx technologies—viewed by many as potential game changers that could transform the way businesses and their service providers define and provision agile IT services.

Innovations like SDN and SDDC have the potential to transform networks and data centres into dynamic service platforms—with centralised programmability making it easier for internal service providers to manage and provision multiple services across a single unified infrastructure

- CIOs seem to agree, with 83% reporting that SDx will impact their organisation's IT services and delivery strategy—many in the short to medium term:
- 61% of CIOs think that SDx will impact IT and service delivery in the next 36 months
- Over half of those stating it will be in the next 24 months.

Q There is much speculation about SDx (SDN, SDDC etc). Over what timeframe do you think it will impact your IT services and delivery strategy?



■ 6-12M ■ 12-24M ■ 24-36M ■ 36M+ ■ Not at all

Culture: The IT function reinvented

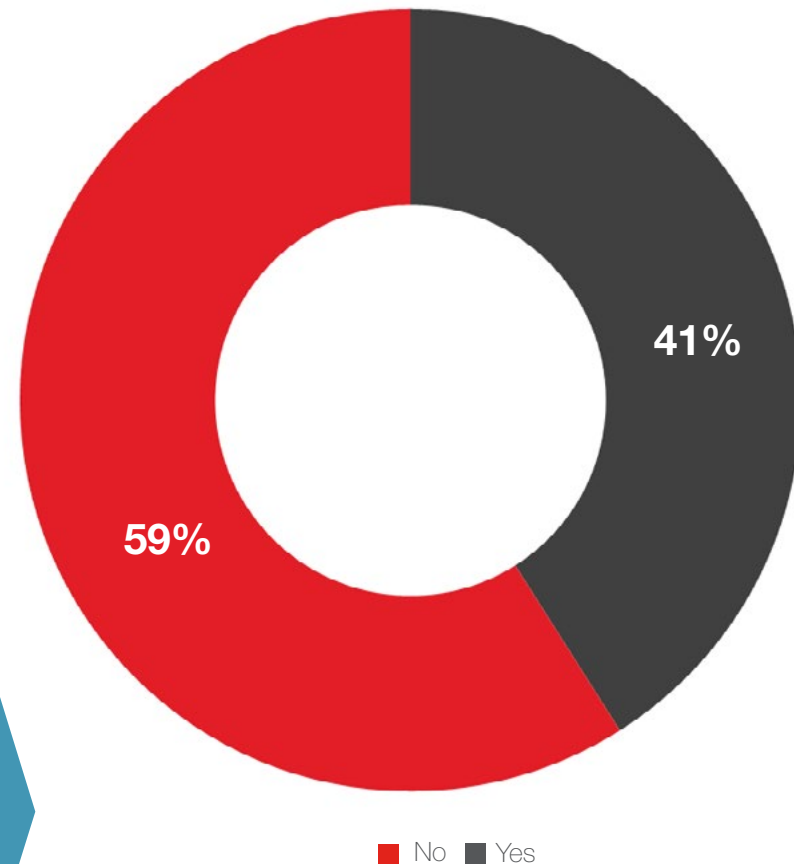
In many ways, the cultural changes required to deliver on the CIO's vision for an internal service provider will be the hardest to overcome—in terms of resistance to change amongst internal IT pros, and the wider perceptions of the IT department.

With this in mind, almost half of CIOs agreed that the term 'IT department' is becoming out of date, and expected the function to be renamed in the next two years—to reflect its 'service provider' status.

Interestingly, of the alternative names suggested, the majority referenced 'business' and 'services', while few referred to IT and technology:

- Business Enablement Centre
- Business Systems Support
- Digital Services
- Global Business Services
- Information Services
- Information Systems and Services department
- Infrastructure management Service Delivery Provider
- Integrated Technology Services Team
- Internal Service Provider
- Technology Enablement
- Technology Services

Q Observers suggest that the term "IT department" is becoming out-of-date in what the business expects from the CIO and their team. Do you foresee your IT department renaming itself in the coming 2 years?



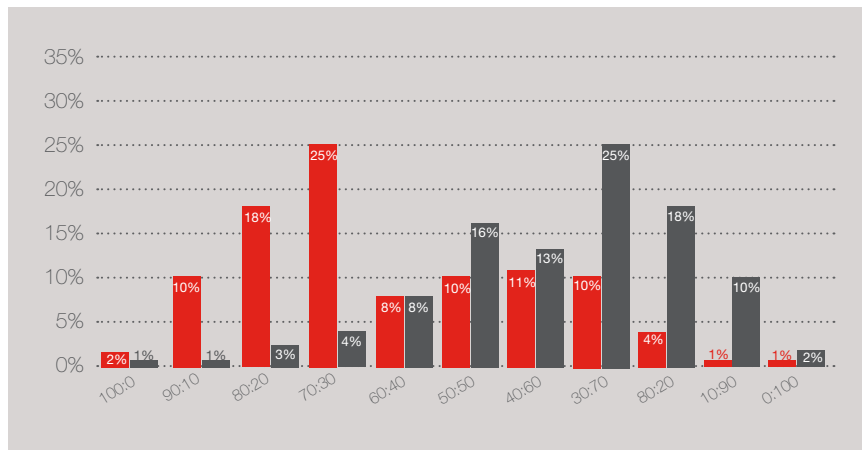
Culture: A strategy and services focus?

In terms of real cultural change, and a refocus on strategy over day to day technology management, progress remains slow, though the picture has improved over the last 12 months.

- 12 months ago, 79% of CIOs spent more than half their time on day to day technology management—this year that figures has fallen to 73%
- In 2013 33% dedicated 80% of their time or more on these low value activities—a figure that has now fallen to 30%

This slow progress is in stark contrast with a strengthened desire to change this situation, and spend more time on strategy—in keeping with the role of an internal service provider.

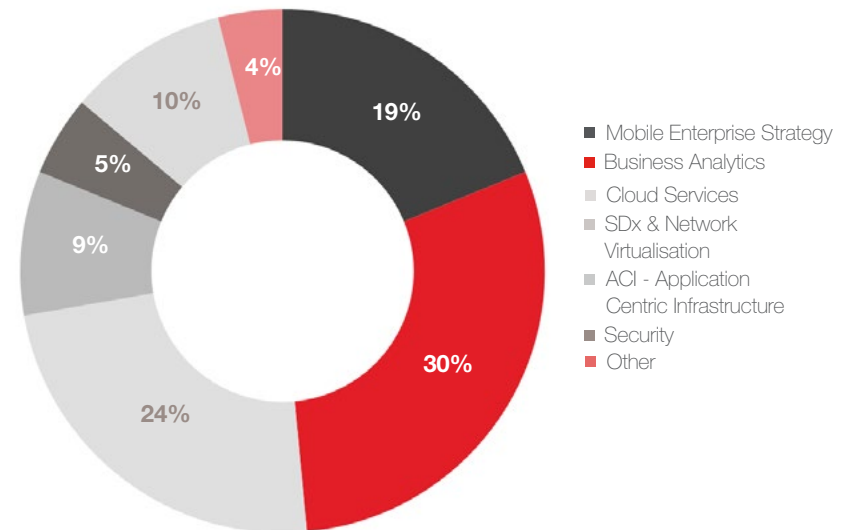
In this year’s survey, 84% of CIOs indicated a desire to spend 50% or more time on strategic initiatives—up from 74% 12 months ago.



Business enabler

The specific business and technologies areas CIOs would like spend more time on reflect a clear focus on business enablement and services, the top three being:

- Business Analytics (30%)
- Cloud services (24%)
- Mobile enterprise strategy (19%)



Conclusions



Chris Barnard
Associate Vice President
IDC



The Optimal Survey Results 2014 confirm major trends IDC observes within the industry with the shift to a new technology platform - the Third Platform, which is built on mobility, cloud, big data analytics, and social technologies.

This creates challenges to the CIO and IT organisations as they struggle to balance strategic and operational choices. With the IT function at the heart of business growth and innovation as we move to the Third Platform, it is clear that the CIO and IT organisation will have to adjust as business outcomes become the key metric of ICT projects. Discussions need to move from being technology focussed towards supporting business goals by acting as a services broker or provider.

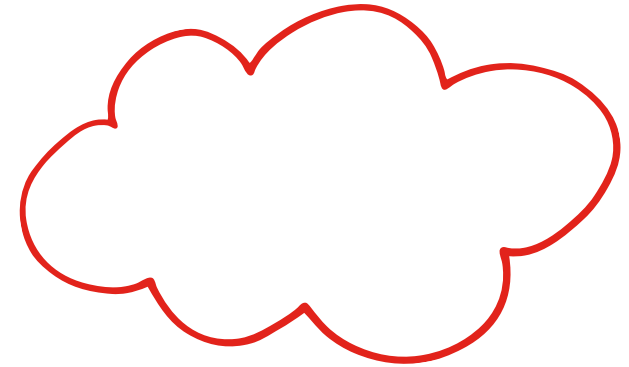
An external partner, such as Logicalis, should understand the key role of the network and provide complete enterprise platform lifecycle services, with a keen understanding of the IT estate and future business/technology evolution.”

“

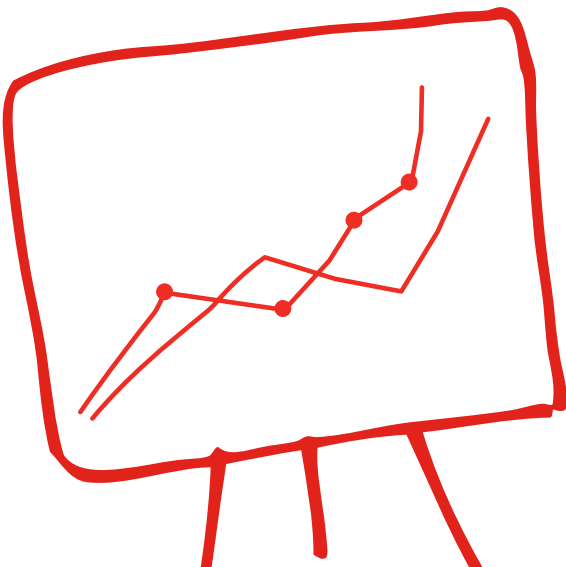
The survey bears out what we see on the ground in many businesses, that helping organisations to quickly respond to on-going business transformation requirements is now the CIO’s top priority.

Most importantly, the survey enables us to take a new look at the IT value decision making chain, and I think we can now confidentially position Shadow-IT as a term used to describe the first evolution of Line of Business influence. As we now enter the era of the business taking the prime role in defining IT requirements and outcomes, we cannot continue to describe this new dynamic as something subversive, but as the new way organisations will define and procure their IT needs.

All of this means that customers will require us to help them become even more service defined—this means we will not only have to help the CIO transition their organisations, but crucially we have to better capture and deliver this multi-sourced business driven agenda, but also more clearly demonstrate how new technologies or services translate into tangible business improvements and outcomes.

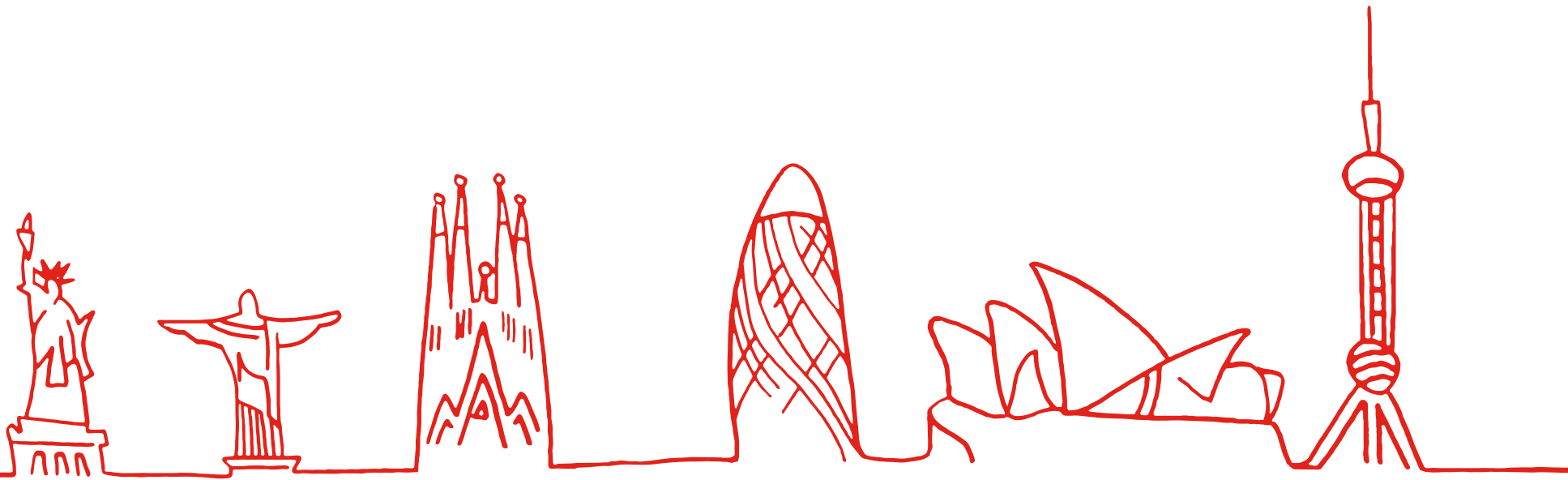


Mark Rogers
President and
Chief Operating Officer
Logicalis Group



About the research

All figures drawn from a survey of 177 CIOs and IT Directors from mid-market organisations in 24 countries spanning Europe, North America, Latin America and Asia-Pacific.



About Logicalis

Logicalis is an international IT solutions and managed services provider with a breadth of knowledge and expertise in communications and collaboration, data centre and cloud services, and managed services.

Logicalis employs nearly 3,700 people worldwide, including highly trained service specialists who design, specify, deploy and manage complex ICT infrastructures to meet the needs of almost 6,000 corporate and public sector customers. To achieve this, Logicalis maintains strong partnerships with technology leaders such as Cisco, HP, IBM, CA Technologies, NetApp, Microsoft, VMware and ServiceNow.

The Logicalis Group has annualised revenues of \$1.6 billion, from operations in Europe, North America, Latin America and Asia Pacific, and is fast establishing itself as one of the leading IT and Communications solution integrators, specialising in the areas of advanced technologies and services.

The Logicalis Group is a division of Datatec Limited, listed on the Johannesburg and London AIM Stock Exchanges, with revenues of over \$5 billion.

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