Transforming the Business with Outcome-Oriented IT Infrastructure Services Delivery

To enable IT to advance enterprise objectives, organizations must look holistically at IT infrastructure and transcend point solutions by mapping strategy with desired business results.

Executive Summary

Your IT infrastructure can no longer be considered a support function. There is increasing need for IT infrastructure to align with business objectives and deliver outcomes that help execute business strategy faster and more cost-efficiently. While IT organizations must assiduously focus on operational improvements and incremental changes to enable continuous cost efficiencies, they simultaneously must focus on transformation (step changes) to support more innovative ways of working.

This white paper discusses how elements of an outcome-based approach to business transformation can help IT deliver new business capabilities that drive outperformance and market differentiation. “Outcomes” are business objectives such as agility (for example, to open/close new branches, to launch new products in a short time, etc.), cost optimization, enhanced user experience and regulatory and societal mandates.

Changing Business View of IT Infrastructure Services

Over the years, organizations primarily viewed sourcing partnerships as a way to significantly reduce IT operating expenses. This quest inspired companies to adopt offshoring principles in low-cost locations based on conventional fixed or time and material (T&M) pricing. Over time, however, the labor-cost arbitrage benefits of offshoring became a supporting component of the sourcing relationship value proposition. Services companies now co-invest with their customers to create sustainable value by aligning IT function objectives with business goals – i.e., move from an SLA regime toward business level agreements (BLAs) along with cost reduction.

For example, consider a retailer that wants all of its stores to send in their replenishment requirements to the central office by 5 p.m. every day. This becomes a business level metric for all the underlying activities IT must accomplish to meet this timeline. SLA metrics – in this context, 99%
uptime and 95% availability — does not hold much meaning. All that matters to the business is whether all required IT processes helped the organization meet its 5 p.m. deadline. Moreover, services players seek to bring industry best practices, thought leadership and improved quality to their customers’ organizations.

For many years, IT infrastructure — comprising the bottommost layers in the IT stack — was underappreciated because it was viewed as having minimal direct impact on the business. Today, however, even infrastructure services are seen as key to delivering desired business outcomes. This means IT organizations must take end-to-end responsibility for enabling the enterprise to deliver both top- and bottom-line results.

The questions for IT leaders are how can infrastructure services be held accountable for end-to-end functional responsibility, align with fluctuating business requirements and provide outcome-based solutions. Not surprisingly, the answer does not lie in the deployed technologies. The answer is in the functions where infrastructure services are delivering impact. Information Technology Infrastructure Library (ITIL) V3 highlights and defines the criticality of each of these functions.

Figure 1 depicts how traditional IT infrastructure services players participate in the service operations area. However, the importance increases for infrastructure services players to move beyond the traditional functions of service operations if they want to deliver against desired business outcomes. Infrastructure services players should participate in functions such as service strategy design and service transition, enabling the IT function to provide services that are in line with organization objectives. While contributing to the service excellence of overall IT, infrastructure services are expected to align with business, contribute to the ability to run IT as a business and identify and mitigate IT-oriented business risks. Embracing an outcome-oriented approach enables all this to happen.

New Business Imperatives for IT

As Figure 2 (next page) illustrates, massive change is occurring in the IT landscape, driven by emerging technologies (such as cloud and virtualization technologies), millennials entering the workforce and new, more collaborative ways of working — all of which together is causing many organizations to revisit their operating models. These changes have positively impacted the way infrastructure technologies are consumed and provisioned. As a result, organizations need to substantially alter the ways in which customers, employees and others relate to and interact with each other via enterprise IT systems.
Millennial workers are demanding new capabilities from enterprise IT. The millennial mindset and its flexible, open and inclusive way of working can, if properly harnessed, deliver a business edge, provided employees are given the freedom to use tools that improve knowledge sharing and productivity. There are newer technologies out there awaiting adoption and promising greater variability and flexibility such as cloud, analytics, BYOD, etc. Virtual operating models are becoming mainstream, enabling more and more work to be done at home. A new world of business is taking hold, focused on user convenience and flexibility.

With evolving business environments, IT’s mandate comprises agility, innovation and enhanced user experience delivered at a lower cost. Getting there means embracing services that can be delivered at scale with cost variability (flexing with demand) without compromising on service quality.

Solutions exist built primarily on SMAC Stack™ (social/mobile/analytics/cloud) technologies, riding on an enterprise IT foundation. Ubiquitous mobile devices, cloud computing, predictive analytics, social networks and global commerce will impact virtually all levels of your business and IT architecture. As such, IT infrastructure management services that offer increased flexibility, reduced costs and decreased time-to-market are critical. IT infrastructure service providers, therefore, have a very important role to play in this evolution.

### Addressing the Dual Mandate

While change is the primary constant in IT infrastructure technologies and infrastructure services, organizations need not adopt everything that is available. IT functions should focus primarily on solutions that support strategic business objectives.

Given persistent economic volatility, most organizations are trying to manage the dual mandate of maximizing efficiencies in current operations while embracing new forms of IT that support emerging digital business capabilities and offer disruptive levels of performance.

While the operations teams traditionally focus only on improving cost efficiency, they need to also focus on transformation to bring about step change in the way IT powers new business capabilities that deliver long-term results. As such, transformation should be:

- A substantial and sustained value improvement.
- A fundamental shift in the operating model and/or structure.
- An integrated enterprise/organization-wide cross-functional program.
Driven top-down; top-down transformation is outcome-driven and not merely incremental capability enhancement.

A long-term focus with concrete and measurable plans and goals.

Organizations typically embrace continuous improvements to enhance operations and drive cost efficiencies. Efficiencies normally cannot be realized eternally; in fact, as operations mature extracting additional efficiencies is difficult to achieve. Figure 3 depicts the difference between transformation and continuous improvements. Consider the example of cost leadership as an outcome: Cost would typically increase linearly over time if the organization grows. Transformation brings in the step change to deliver the desired outcome if appropriate investments are made, which ideally is self-funded by a meaningful and measurable return on investment (ROI) that the step change produces.

**Outcome-Focused Transformation**

Over the past decade, IT has moved from function enabler to strategic asset for organizations focused on increasing their top and bottom lines and achieving competitive advantage. When selecting or implementing IT, organizations should not just obsess over adopting the latest technology for technology’s sake, as this approach is insufficient to achieve strategic objectives. C-level leaders must focus on the “outcomes” technologies provide to businesses and how IT can enable desired results.

Traditionally, IT service contracts have required providers to commit and deliver service levels while being paid either a fixed amount or based on the time worked. Service level constructs (e.g., 99% uptime, 95% availability, 99% resolution in less than four hours, etc.) provide siloed views of a service provider’s performance. The business view may not be the same as the integrated service levels of different components and may not align with desired values. Also, the focus on service levels alone does not incentivize the provider to bring in thought leadership and industry-specific knowledge.

IT organizations, therefore, should not solely examine labor cost arbitrage when selecting service providers. The ability to innovate and transform, industry-specific knowledge, etc. are vital partner selection criteria. Sourcing partners need to mutually invest and deliver the value aligned to business objectives while reducing costs. Otherwise, they cannot deliver business-critical outcomes.

In which areas can service providers deliver meaningful business outcomes? The first answer is technology. But technology is not the only area that can impact the business. There are other factors, such as cost, service and business, that should be considered to deliver outcomes that can be measured and have operational impact.

- **Technology**: As stated above, technology is not a means unto itself, but should be designed to

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**Explaining Transformation**

![Figure 3](image-url)
provide the appropriate outcomes that enable business process improvement. It is not about implementing cutting-edge technologies; it is all about how effectively IT can enable business to achieve its objectives. IT functions – be they internally delivered or enabled by service providers – should focus on technologies that align with the overall organization’s objectives. More than knowing what technologies have been implemented, the objective should be knowing:

- How much time it takes for customers to complete a transaction.
- How quickly can the IT systems scale to roll out a new product/service.
- How quickly can the services be restored in case of failure.
- How quickly can IT provision/de-provision systems.
- How technology can help in increasing variability in operational expenses.
- How technology can help in reducing Cap-Ex expenditures.

All of these questions may not be common to every business, but some generally are. Moreover, the answer to each question may not be a single technology. Answers to some questions may require implementation of cloud; others may require implementation of virtualization (database, operating system, storage, server, etc.). Technology answers always depend on what is relevant to business particulars. IT functions should factor in business objectives and current pain points while designing IT systems and choosing key underlying technologies.

- **Service:** The success or failure of IT depends on the effectiveness and efficiency of the services delivered. IT should drive efficiency improvements (doing things right) and effectiveness (doing the right things), while addressing the customized needs of different classes of users. More often than not, IT functions focus on improving operations and making operations more efficient. But this approach is focused internally and at times misses the organizational objective to deliver better services. IT functions should view the operations from a service perspective and adopt a service mindset and a clear understanding of what the business values most. This changed perspective would then allow IT to add more dimensions such as effectiveness and class of service to the existing dimension of efficiency.

- **Cost:** Amid pressure on IT budgets, total cost of ownership has remained a concern for most businesses. The cost dimension should not just be about cost reduction or procuring “cheap” services, but should also focus on cost avoidance and variability that flexes with business demand. It is about driving sustained competitive advantage through cost optimization. Facilitating unique business-aligned cost models, optimizing the mix in IT budget spend and ensuring effective use of existing investments will help organizations generate sustained competitive advantage.

As current economic uncertainties persist, organizations should focus on value creation by optimizing business-as-usual activities. Pulling optimization levers such as shared services, output/outcome-based pricing models, pay-per-use models and productivity improvements, etc. can enable cost reduction and can bring in cost variability that fuels value-enabling strategic IT initiatives while keeping the lights on for business.

- **Business:** One of the important outcomes expected from IT is enablement of business. And to achieve that, IT functions should be aligned with the organization’s broader goals and objectives, and the IT services and offerings should be effective and efficient in meeting organizational needs. Consider two businesses, one of which wants to grow through acquisitions over the next couple years while the other seeks growth through product optimization and new product launches. Knowing this, the IT department of business number one can design its infrastructure in such way that integration of the acquired business is performed faster and thereby helps the business accelerate time-to-value. The IT department of the second business can plan the IT infrastructure to enable business to more quickly launch new products.

Every organization wants to extract maximum value from its various business units to increase the bottom line, and IT is no exception. IT is also in a leadership role regarding green initiatives, not just in developing more energy-efficient computing infrastructures but also in applying that infrastructure to improve the sustainability of business processes. Environmental sustainability is climbing up the strategic agenda.
for most corporations. Green initiatives are driven by a combination of strategic goals such as enhancing the brand, complying with regulations, simply "doing the right thing" as a corporate citizen and bottom-up motivations such as saving money by reducing energy consumption.

The IT challenge is to proactively drive this, particularly when focus is often divided across multiple units as a result of resource and time constraints. It is absolutely essential for IT to understand:

- The needs of business in general to provision effective IT service delivery.
- Business expectations and satisfaction metrics.
- Key business drivers – i.e., the main revenue generators of business.
- Short- and long-term goals of the business and the business roadmap.
- How to communicate effectively with business to assimilate needs and translate those needs back into the IT strategy.
- The need to measure IT in business value and not by system uptime, which is the traditional IT-derived metric.
- How to market itself internally and educate business on technology and how it can enable the business to improve the bottom line by adopting IT as a business partner.
- How to become a champion/catalyst for improvement of the business's bottom line.

At many organizations, IT remains a cost center under the CFO. As a result, the performance of the CIO/IT function is measured more on budget versus actuals and not on the true value IT delivered to business. Given the charge-back mechanisms, CIOs must be able to justify what value IT delivered for the money spent.

Moving Forward

As depicted in Figure 4, technology, service, cost and business are the key tendrils of business transformation. Since these are often interlinked, an improvement in one could lead to improvement in others. For example, server consolidation that increases utilization and reduces operating costs could further lead to having the latest and most energy-efficient technologies. And while considering transformation to create new business capabilities, organizations should look at it as a holistic process that aims to deliver business outcomes rather than just a technology or a process solution.
Given ongoing global economic uncertainties, a new world of business has emerged with respect to IT delivery, including the need or desire to do the following:

- Reduce or eliminate capital expenditure.
- Streamline and develop more predictable operational expenditure.
- Comply with regulatory and/or business governance mandates.
- Deliver IT services to increasing numbers of internal and external users, including a growing base of mobile users.
- Leverage the inherent value of business data through increased analytics.
- Rapidly deploy new services to internal customers.

It is all about dealing with new workers, new ways of working, new technologies and the new world of business.

Footnote

1 Efficiency is about ensuring things are being done right; effectiveness is about doing the right things (providing services that user’s value); and class of service is about aligning to the unique needs of different users and geographies and aligning the services to the business.

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