Executive Summary

At a time where technology touches every part of the enterprise, it’s easy to understand why the business looks to IT to be innovative. Today’s CIOs are happy to answer the call. According to the year-over-year CIO Magazine “State of the CIO” results, IT has made significant progress in its quest to build the key connections and relationships within the line of business. With concrete relationships in tow, IT is now in a position to focus on executing and delivering results that drive the business forward.

This progressive group of IT leaders is demonstrating its unwavering focus on meeting business goals by strategically leveraging technology as a significant driver. While CIOs are investing in a range of key technologies to advance the goals of the business—from mobile environments to business analytics—they are also making strategic investments in infrastructure to advance both innovation and business growth. Research continues to show that proper infrastructure investments can liberate important IT resources and accelerate change within an IT organization.

Infrastructure advancements are delivering newfound efficiencies across all dimensions of the data center: computing, storage, networking and security. These innovations are helping to drive a new model for IT, one that shifts IT resources away from maintaining existing operations and instead reinvesting in building new applications, services and initiatives that advance key business goals. The effect on IT is to transform the organization from a reactive operations model, where IT is challenged to keep up with the demands of the business, to a more proactive model for efficiently managing existing operations while investing in new high-impact services.

This form of proactive IT goes beyond alignment with business goals—a proactive IT department is poised to drive business goals in an alliance with business leaders. Together they can foster growth, deliver innovation and solidify a competitive advantage.
As businesses continue through this evolution, IT begins to recognize increasingly significant benefits. In terms of value, the focus on management and automation yields a reduction of operating expenses, as automation of manual tasks enables the IT organization to operate more efficiently.

Understanding the Evolution

Given the connection between infrastructure and the ability of an IT organization to advance the goals of the business, it’s no surprise CIOs are pursuing a more agile infrastructure as one of their top initiatives for 2013. According to the “State of the CIO” report, this progression has been in the works for the past four-plus years, and the trajectory is only increasing. For instance, 53 percent of CIOs surveyed see themselves as driving business innovation during the next three years versus only 26 percent who are doing so today.

This increase in business relevance mirrors a shift in the role CIOs are playing within the enterprise. There is continuing movement away from CIOs serving as functional leaders and toward embracing the role of business strategist. What exactly does this evolution mean? Simply put, CIOs are distancing themselves from reactive behaviors of the past. Instead, they are intimately focused on using technology strategically to drive business innovation, develop and refine business strategy, and establish competitive differentiation through go-to-market strategies and technologies that address looming commercial opportunities.

Probably the most significant driving force for this evolution comes from line-of-business partners who are looking to IT to drive innovation and build services to make them more competitive and closer to customers. Of course, this is pushing IT to reexamine the way it operates and how it connects with the business.

Getting There

Understandably, for CIOs to make the shift from functional manager to business strategist IT must take a calculated journey toward what is becoming known as the IT-as-a-service mode of operation.

As IT embarks on the journey, it is the various disruptive technologies—including virtualization and cloud computing—that take center stage, with companies falling into three primary categories or phases of adoption. Each phase has clear patterns as to how businesses work with, understand and benefit from the technology. It’s also clear as the stages progress how IT leaders appreciate virtualization and cloud as more than just technologies.

Phase 1. The journey toward an IT-as-a-service model initially centers on the technology, with virtualization yielding server consolidation. This early stage sports a clear value proposition, with the concrete idea that virtualization translates into fewer servers, and the organization’s ability to take greater advantage of the processing power within each server. These initial investments can yield significant rewards for the organization, such as lower capital expenditures, a smaller hardware commitment and reduced data center operations.

Phase 2. During this second phase of adoption, elements of automation and management build upon the virtualized infrastructure and begin to change the processes within the environment. It’s during this phase that organizations begin to appreciate the effectiveness of bringing tier-one applications into the virtual environment. As businesses continue through this evolution, IT begins to recognize increasingly significant benefits. In terms of value, the focus on management and automation yields a reduction of operating expenses, as automation of manual tasks enables the IT organization to operate more efficiently. These efficiency gains are essential in helping IT shift from simply maintaining existing operations to driving new initiatives that generate growth and advance business goals.

Phase 3. This phase has consistently represented the most promising for the enterprise. With the vast majority of workloads in a virtual environment, it is here that businesses complete the evolution from rigid and inflexible legacy architectures to modern and agile infrastructures. More than just an architectural shift, this infrastructure sets up IT to establish a new model for delivering services to the business. With the vast majority of the data center virtualized and highly automated, IT can introduce new models such as on-demand and self-service that bring further efficiency to the organization and enable an IT-as-a-service model for how IT capabilities are delivered and consumed. IT organizations in this phase achieve the highest levels of agility, with the capability to deliver the greatest value for the business.
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leveraging this software-defined data center to create a new model for IT that returns significant business benefits back to the enterprise, explains Mike Hulme, director of enterprise marketing with VMware, a leading virtualization and cloud infrastructure provider. “A more efficient, more agile organization means IT can introduce new services into the organization in ways that were previously impossible. The evolution ultimately introduces IT as a service,” he says.

“When organizations embrace and empower the model,” Hulme continues, “we see IT work more effectively with their business partners, consistently delivering services that advance the goals of the business. It is not about cutting cost, it is about investing in transformational activities that can significantly impact business growth.”

While progressing through this journey, it becomes increasingly easier to see the connection between infrastructure and the primary business goals today’s CIO faces, explains Hulme. “Essentially, running a more efficient infrastructure enables you to reinvest for innovation and address these top CIO priorities,” he says. “The scarcest resource in any IT organization is people. The majority of organizations today still struggle to find the resources that can be allocated to high-impact applications and services that drive business growth and bring the business closer to their customers. Across this journey to IT as a service, we see IT more effectively shift resources away from maintaining existing operations to reinvest in these more strategic initiatives.”

By the Numbers

As organizations move toward IT as a service, it’s easy to see the true business value by looking at the numbers. For instance, IT environments that embrace virtualization as part of an IT-as-a-service strategy see a significant drop in overall IT costs, 27 percent on average, according to a study by VMware. These same organizations see maintenance requirements drop by an average of 50 percent. Furthermore, there is a strong value proposition in moving tier-one applications into a virtual environment considering these applications experience a 40 percent reduction in downtime when virtualized.

All of these metrics translate to reduced capex and opex for an IT organization, reducing the overall economic footprint of IT. Most impressive, however, is the fact that IT-as-a-service organizations can reduce the time required to build and provision new applications by 50 percent, a significant indicator of increased IT agility. An IT-as-a-service organization is therefore better able to build and deliver the new applications and services required to grow the business and make it more competitive in serving customers.

“When IT reaches this level of agility, it benefits from being able to get out from under the reactive mode of operation. It can also start digging out of the backlog of requests the line of business brings to IT,” says Hulme. “Ultimately, this is when IT can deliver applications and services that build revenue and improve business operations. Adopting this model of IT also helps to build stronger, more strategic relationships with the line of business. The ability of IT to consistently deliver resources that directly address the needs of the business makes for a very strong partner.”

In fact, this increased agility enables IT to focus on reinvesting resources rather than simply cost cutting. Organizations that reach Phase 3 are best equipped to shift budgets from existing operations to new initiatives, with 66 percent of customers translating resource savings into strategic applications and services. These new investments are directly benefiting top-line revenue growth for the business, with 85 percent of IT-as-a-service customers reporting an average of 22 percent new revenue as a result of these new IT investments. These organizations have been able to establish a direct line between infrastructure investments and top-line revenue benefits. It’s these same numbers that justify why market analysts estimate a 60 percent virtualization adoption rate within the marketplace.

After a decade of cost cutting, IT is now moving to a period of investment in productivity that is driving business growth, explains Hulme. “This evolution empowers IT to effectively work in step with lines of business and provide compelling solutions.”

Taking Back the Wheel

Historically, having to deal with legacy infrastructure, outdated processes, organizational politics and complexities has crippled IT’s ability to deliver on
The business’s requests for innovation. Consumed by supporting existing systems and operations, IT has played a reduced role in the strategic goals of the business. More recently, the line of business has circumvented the traditional IT organization, giving way to the so-called “shadow IT.”

Understandably, this equation has created a point of risk for IT, especially when production applications are built and operated outside of IT supervision and structure. This holds true whether it’s a resource the company needs to continue funding even though it’s not built into the cost structure of IT—such as a mission-critical cloud application purchased and utilized by the sales department—or an application running within an environment that isn’t governed by SLAs, security and management principles IT would approve—such as using the public cloud to host a development application.

“Regardless, it eventually becomes IT’s responsibly to manage this environment,” Hulme says. “This is what makes IT as a service so critical. The more IT can increase its agility and consistently deliver services in a time frame the business needs, the more that IT and the business can operate as partners, working toward common goals.”

The good news: CIOs who understand, appreciate and embrace a software-defined data center built on virtualization and cloud computing can positively impact the organization and get their hands back on the wheel.

Once the business is operating under the IT-as-a-service model, CIO responsibilities change as well. CIOs can spend less time centered on understanding the business and building alliances. Instead, their focus shifts to strategically nurturing the relationship and driving innovation for the business, such as improving operations and empowering revenue generation.

This is a perfect match with where CIOs want to spend their time, according to the “State of the CIO” report. Specifically, these progressive CIOs are intent on studying market trends for commercial opportunities, while identifying opportunities for competitive differentiation. Of course, this means less time on functional tasks like security management. They are also reducing efforts to align IT and business goals because CIOs in these progressive organizations have moved beyond alignment and cultivation and into a role of maintaining true partnerships.

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