

Transformation Readiness Case Study

Retail Industry

OVERVIEW

A large North American retailer struggling against traditional and nontraditional competitors in the global economic downturn engaged VMware® Accelerate™ Advisory Services to help IT meet new fiscal and efficiency targets.

Project Scope

A large North American retailer had just reorganized its executive management team, and its new chief information officer (CIO) sought guidance about how to redefine the value and perception of IT within its organization. The CEO had identified critical near-term business goals that would require a major reorganization of IT resources to meet financial and efficiency targets. The challenge was to elevate IT from a cost center to a business enabler, and ultimately make IT a business differentiator.

However, the retailer's IT environment consisted of computing silos with organizations focused on individual project delivery. This resulted in poor communication between teams, challenges in prioritizing projects, and the inability of lines of business and IT to align strategically.

The VMware Accelerate Advisory Services team worked with the retailer to

- Define its desired future state
- Provide an objective assessment of current capabilities
- Identify organizational-construct inhibitors
- Identify necessary building blocks for IT-as-a-service (ITaaS) delivery

The retailer engaged VMware Accelerate Advisory Services to help it answer six basic questions prior to defining its transition from a traditional fragmented organization into an agile service-delivery organization:

- How can we break past the silos that prevent our IT organization from providing seamless, end-to-end support to end users?
- Which structures and roles do we already have that would provide coordinated services, and which structures and roles must we create?
- What staff training is needed to give the IT organization the knowledge and skills to provide a more user-centric focus?
- How can we as leaders prepare organizations for the changes needed to provide coordinated services?
- How can we improve communication among the key entities and individuals that provide support?
- In what ways can we assess the level of engagement in the organization to accept the changes that will take place?

Engagement

To help the retailer understand its transformation readiness and current position relative to its competition, VMware strategists began by creating a diagnostic report called "Move the Needle." This report provided a snapshot of the retailer's cloud computing and IT service-delivery capability compared to its nearest competitors. The "Move the Needle" data confirmed that the retailer's IT strategy and maturity lagged behind the competition. This report provided details about the areas that needed improvement, and it demonstrated the need to develop and accelerate a transformation program to recapture business advantage over the retailer's competitors.

The VMware Accelerate Advisory Services team and the CIO reviewed parallel industry developments and agreed that a private cloud strategy—built upon automated infrastructure services—was the optimal path for success. However, the CIO had inherited an IT organization that was function-oriented and project-oriented.

VMware strategists then worked with the CIO to deliver a VMware Organizational Agility Workshop specific to the retailer's issues. The six-hour workshop led 22 IT leaders through

ABOUT VMWARE ACCELERATE ADVISORY SERVICES

VMware Accelerate Advisory Services help organizations adopt and implement business-aligned IT strategies, increase agility, and provide measurable business value to the enterprise. VMware strategists and architects collaborate with senior executives to develop a pragmatic IT strategy and transformational roadmap, while value engineers evaluate customer IT environments, deliver benchmarks, and perform financial analyses to construct an integrated analytical snapshot of IT's strengths, weaknesses and opportunities. As former chief information officers (CIOs), chief technology officers (CTOs) and industry consultants, VMware advisors are experts at identifying hidden barriers, revealing opportunities and accelerating IT initiatives. To learn more, email accelerate@vmware.com.

two interactive sessions. The first session focused on fostering an understanding in the retailer's IT organization of *why* alignment between lines of business and IT will bring greater value to the company. The second session focused on capabilities related to the organization's people, systems and structures. In this session, the team developed a plan for *how* to create the future organization—understanding the gaps between the current state relative to the vision, goals and objectives of the business and relative to industry best practices.

Key findings and anecdotes from both sessions included the following observations:

- Lines of business and IT professionals were not strategically aligned, communication was poor and project prioritization was historically weak.
- Resource and risk-management alignment was poor.
- IT did not have a seat at the business enterprise program management office (EPMO) and felt detached.
- The retailer had a heavy “technology debt” and legacy-footprint burden.
- IT staff was stagnant and not improving or upgrading skill sets.
- Near-term focus was on survival and process improvement.
- Lines of business were unaware of the true cost of IT services.
- Lines of business were eager to understand what IT was doing and could do.
- Transforming traditional IT services into IT as a service (ITaaS)—resulting in fast, flexible and scalable resources—was a shared goal.
- Line-of-business professionals wanted a better compute experience.
- The retailer wanted to drive infrastructure improvement savings to fund additional investment.

Recommendations

After reviewing notes from both pre-workshop interviews and the Organizational Agility Workshop, the VMware Accelerate Advisory Services team provided an executive playback summary of the engagement. The summary included 16 recommendations that addressed

- Establishing the need for change
- Clarifying technical dependencies, as well as organizational interdependencies within IT and between IT and other departments
- Revising organizational measurements, expectations and success criteria
- Determining priorities and phases of transformation
- Determining training and development needs
- Identifying costs and benefit areas

Engagement Outcome Summary

The weak global economic climate had exposed the retailer's difficulties in adapting to marketplace changes and highlighted the resistance to change that IT had developed during periods of strong economic growth. This resistance resulted in IT becoming a cost center rather than an enabler of business innovation and competitive advantage. The incoming executives realized that major changes were needed, but they required assistance to construct, define, refine and document a transformation strategy.

The Organizational Agility Workshop identified key areas that the retailer needed to address to achieve fundamental transformation into a service-based organization. The workshop recommendations resulted in the retailer undertaking a series of foundational steps, beginning with reorganizing the technology functions into documented services. The retailer is now in the process of developing a service catalog and chargeback capability that will improve the communication between IT and lines of business.

