‘Dr Richard Sykes’

Navigating the Triple Transformation

Dr Richard Sykes
Sole Partner, ‘Dr Richard Sykes’
Board Member, Intellect

Thursday 14th October 2010 @ Theobald's Road

Three Fundamental Transformations in Play

There are three fundamental & interlinked transformations in play that are steadily (but also radically) re-writing options for exploiting information technology in businesses (and government).

The underlying enabler? Moore's Law at work – a continuing exponential reduction in the underlying cost of data processing.

This reality is currently endlessly reducing the *cost to deliver value.*

The *value delivery equation?* Remember '*People, Process and Technology*'?

All three dimensions are now in major interactive flux, re-writing many long established certainties in the sourcing debate

Three Fundamental Transformations in Play

2x the Technological

Virtualisation is enabling increasing automation & transformation of the manufacture of technology services (*the new era of Services Factories) **plus*** the practical implementation of *Service Oriented Architectures* (SOA) that enable the evolution of the (loosely-coupled) Services Stack from the (tightly-coupled) Technical Stack.

Plus the Commercial

Lead players in Consumer markets (Amazon, Google) have exploited *Services Factories* to *deliver business processes as (consumer) services over the Web,* innovating & transforming the commerce of technology services. This *new commerce* is now starting to impact both Enterprise and Government service supply and procurement.

Three Fundamental Transformations In Play

The key features of the *new commerce*

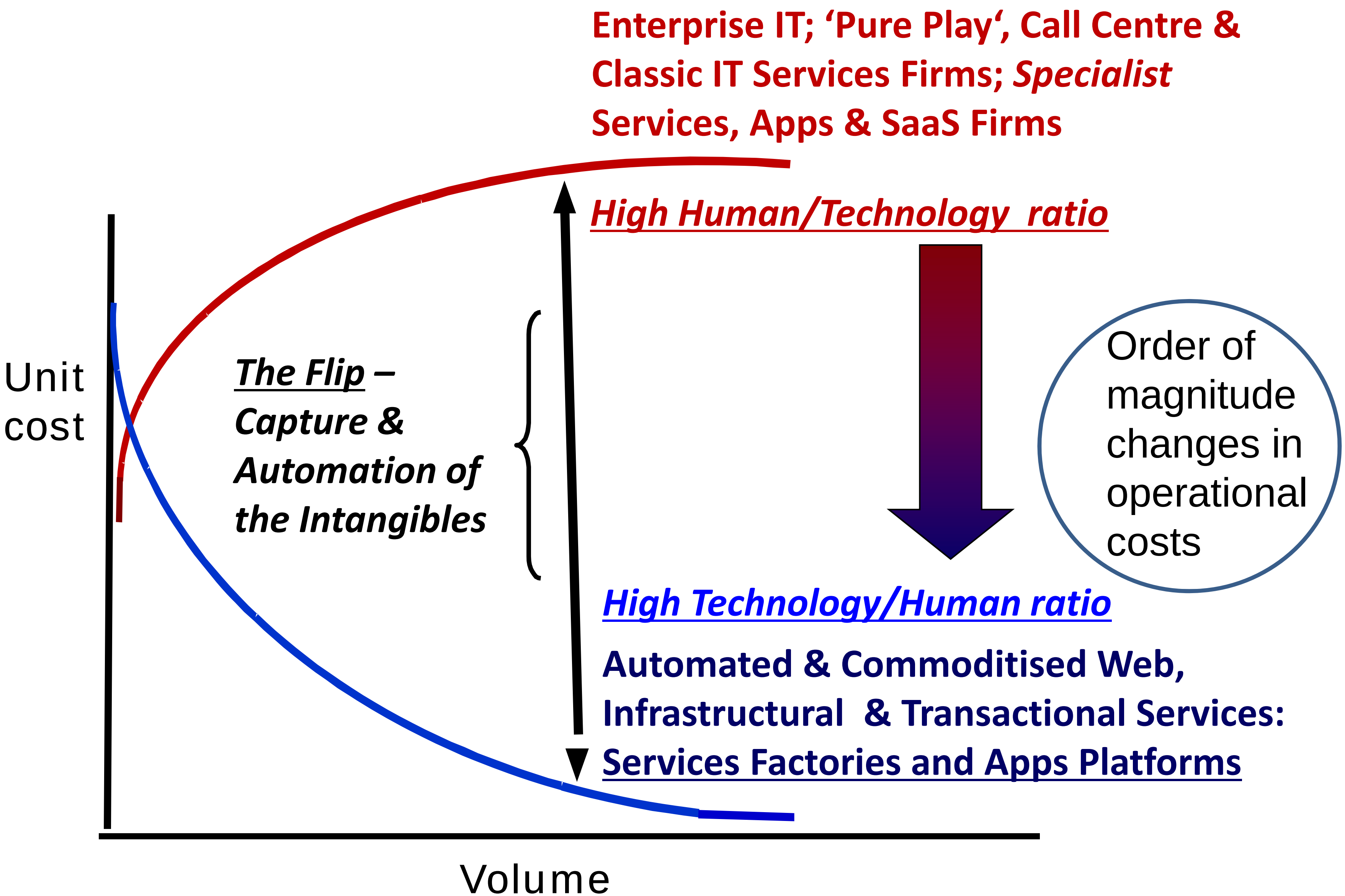
- An emerging market place of discrete technology services that can be directly supplied/sourced over the networks/the Web.

- An emerging services 'offer' that is about 'sourcing as required, paying as used', that eschews license fees & term contracts & whose starting point is a *given set* of 't's & c's'..

- An emerging re-focusing of the human contribution to the *value creation* and the *delivery* of technology services.

People, Process and Technology

Transforming the Human Contribution



Major Shifts in *Cost*, *Procurement* **and** *Business* Models

Courtesy of the Leading Edge Forum

‘The Cloud’ (at its most fundamental)

A *Competitive* & *Global* Market Place of Discrete & Directly Sourceable (Technology-Enabled) Business & Consumer Services Available On-Demand and Paid For As Used

A Very Different Commerce

But Definitely Not Overnight!

The *new commerce of technology services* ***can potentially***

- Disengage the capital investment decision from the consumption decision: *capex* on the supply side, demand side focused on *opex*.

- Sharply reduce operational costs

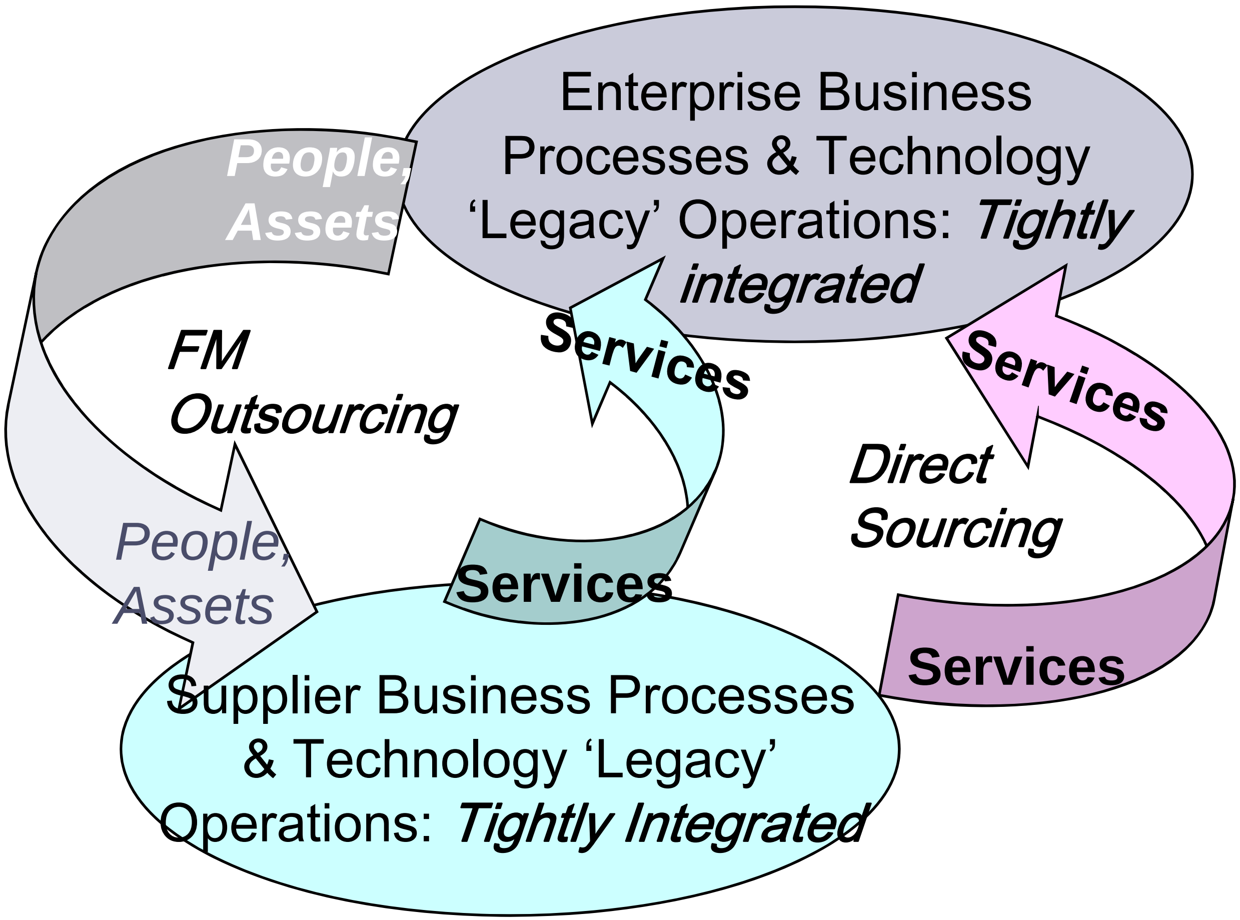
- Enable high levels of *operational* agility & flexibility

- Speed software innovation , development and re-use – sharply cutting costs and raising speed to implementation

- Sharply simplify procurement, reducing the costs of procurement and speeding the process

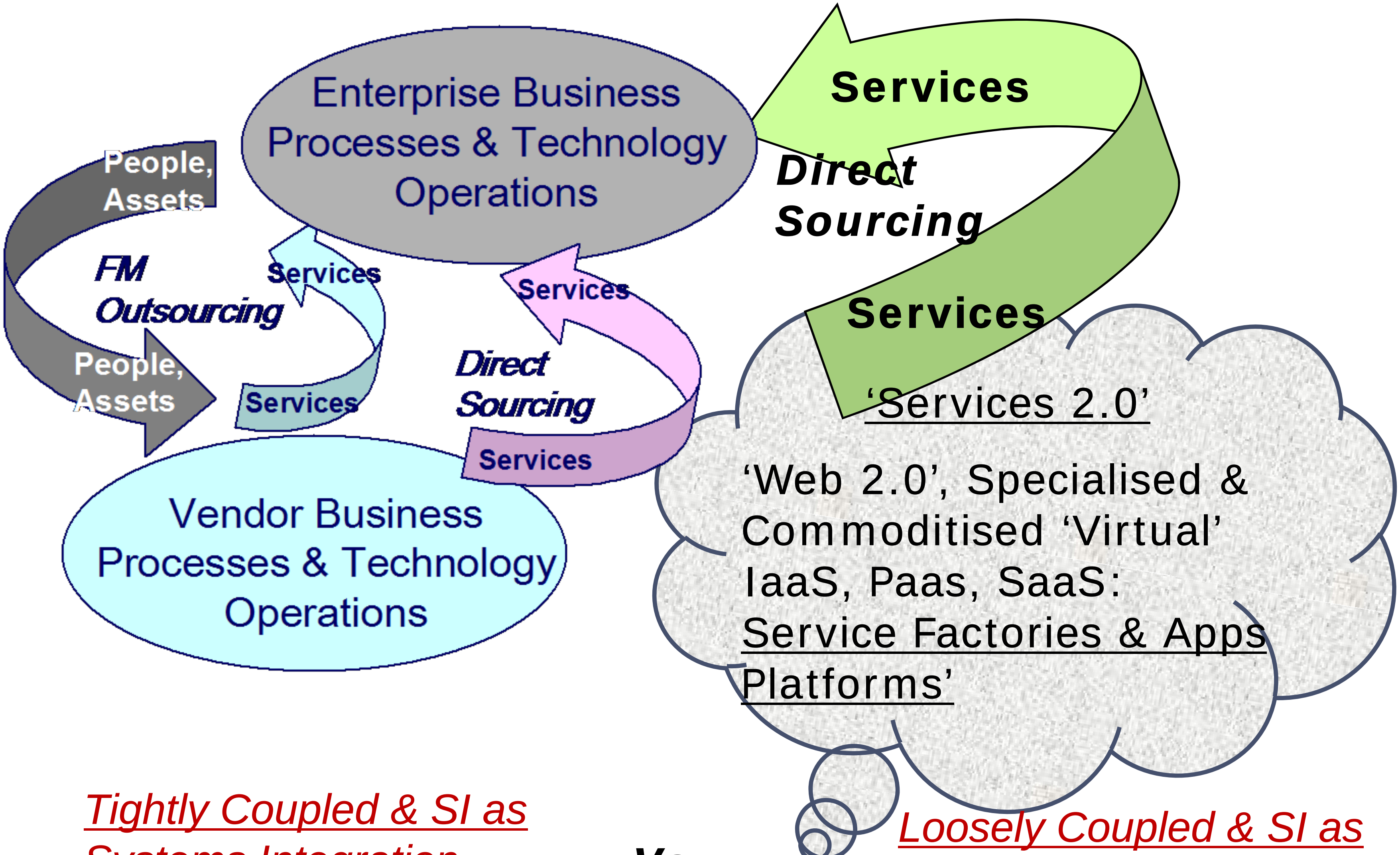
BUT: Access to this new commerce requires *significant systems transformation, adjustment to different procurement processes with 'given t's & c's' and the challenge of Business Assurance in the Virtual*.

Classic Outsourcing: The Facilities Management (FM) Outsourcing Model



The World of the Tightly Coupled and of SI as Systems Integration

The New Direct Sourcing of Services (DSS) Model



Tightly Coupled & SI as Systems Integration

Vs.

Loosely Coupled & SI as Services Integration

The Key Challenge – Business Assurance

How can full Business Assurance be delivered

Security
Risk Management
Continuity
Contractual Protections
Regulatory Compliance
Legal Compliance
Reputational Risk
IP Protection

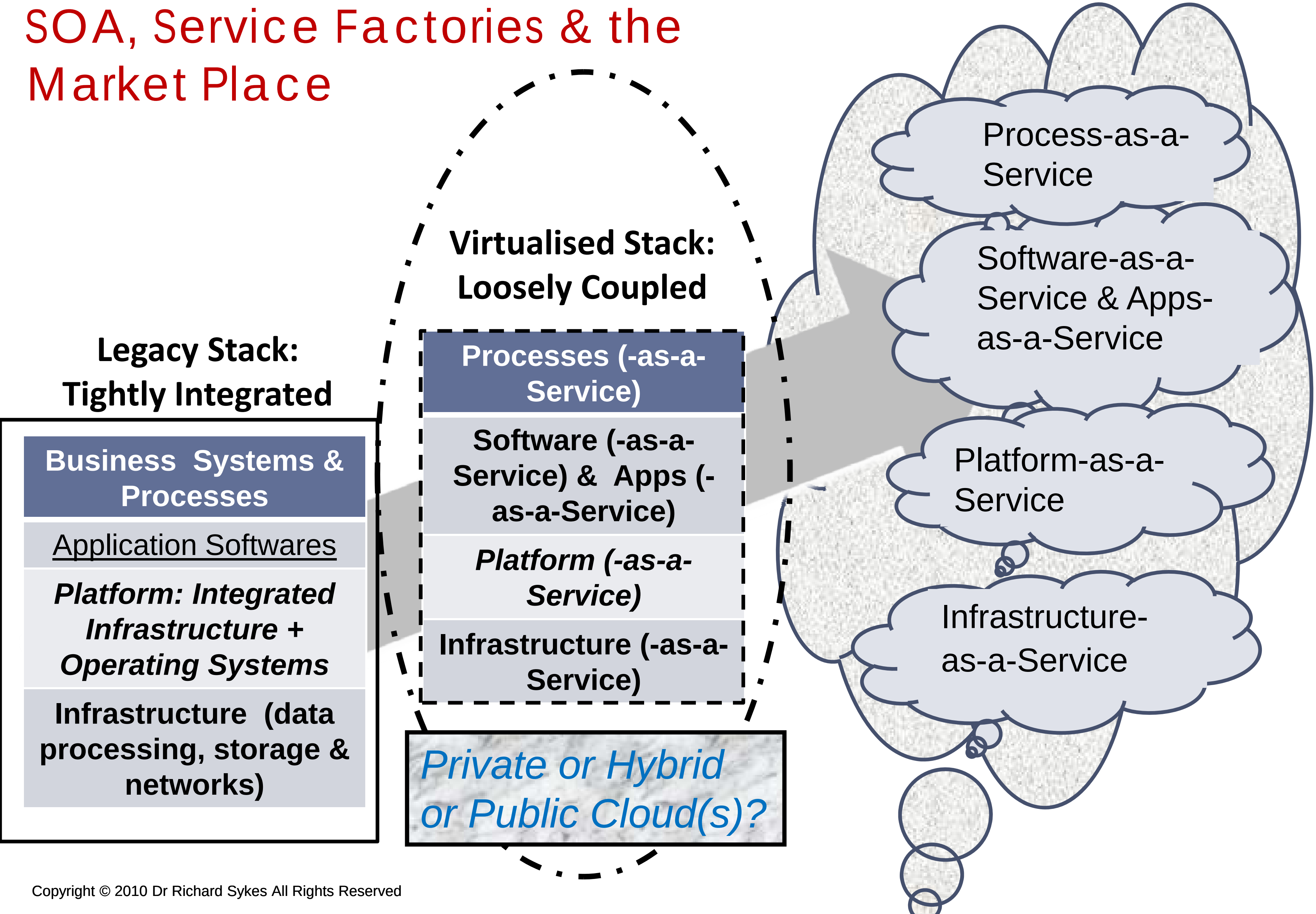
along the length of a virtual services supply chain?

Key policy issue:

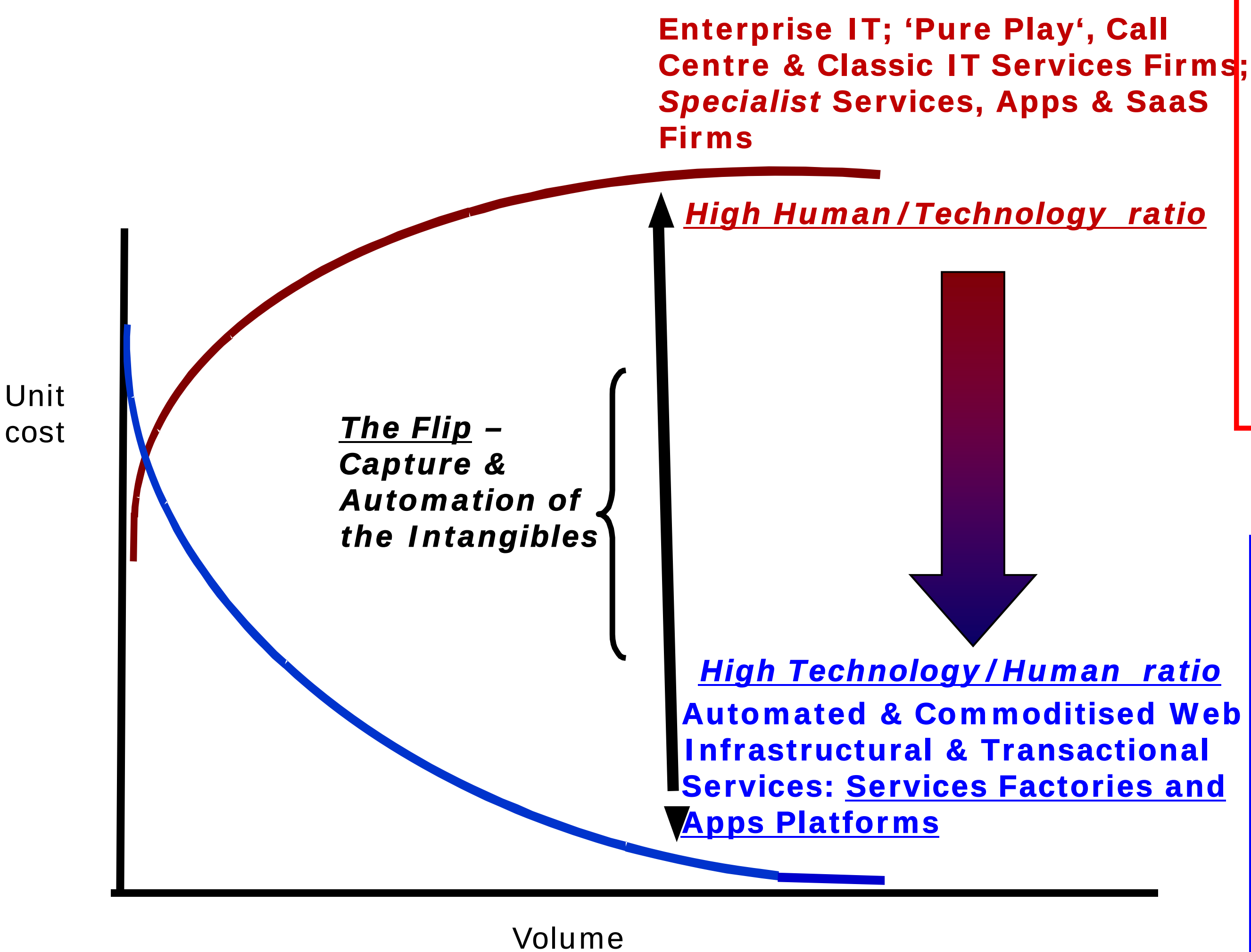
manage defensively (‘we will not venture into Public Clouds until’)?

OR: manage positively (‘we will work to create effective Business Assurance to access the strategic benefits of Public Clouds’)?

Potential for CloudSourcing: SOA, Service Factories & the Market Place



The Supplier Differentiates, Resources & Focuses the Supply Side Team



Focus: delivering high application specificity: Specialty end-application-aligned services

Tuned to specific end-market requirements. Strong partnership orientation & commercial capabilities

MARKET & CUSTOMER FOCUS INTIMACY TEST

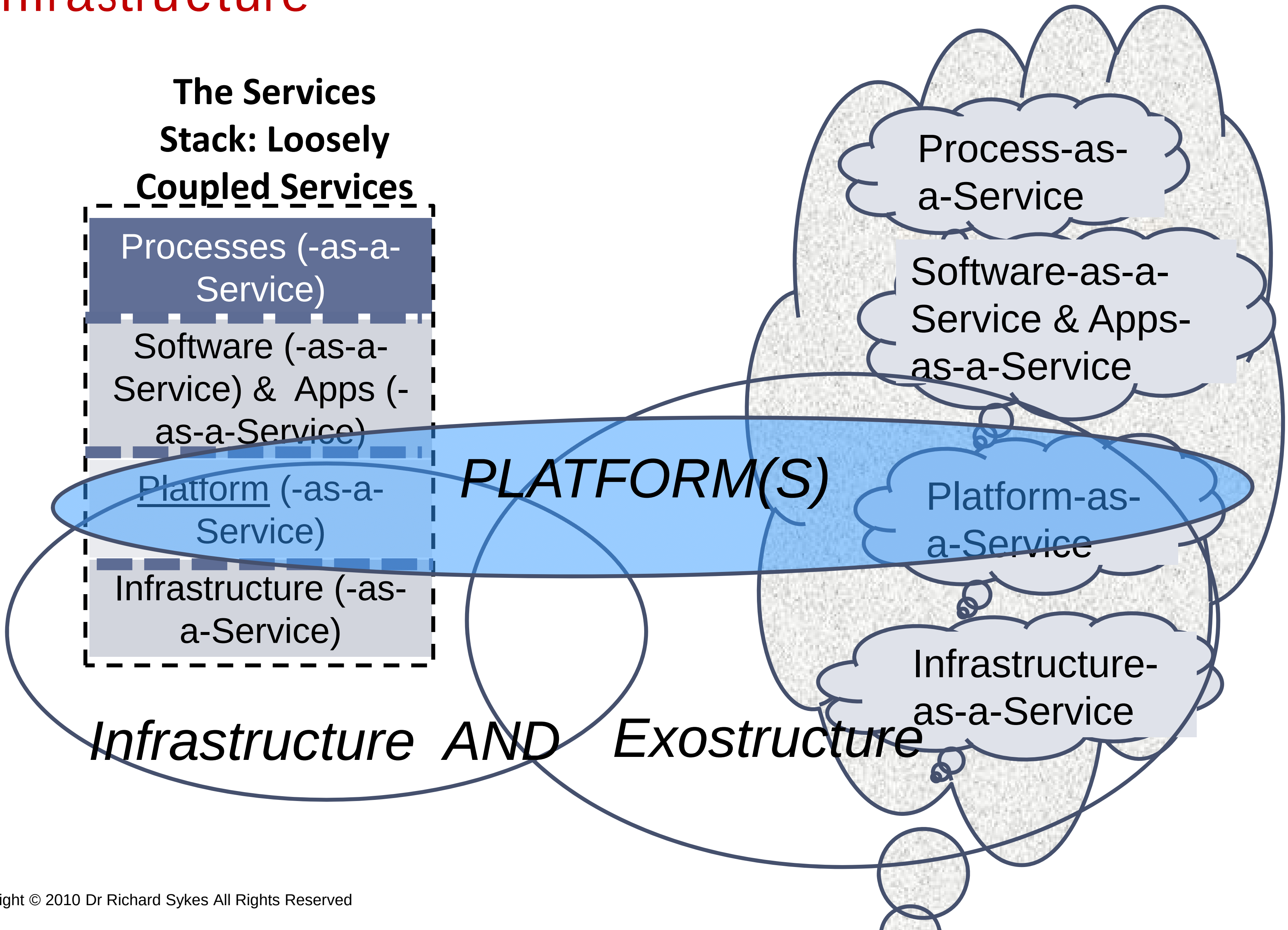
Focus: making technology 'sweat the assets' (high utilisation, reliability, security & flexibility):

Commodity manufacturing skills plus service orientation & capabilities

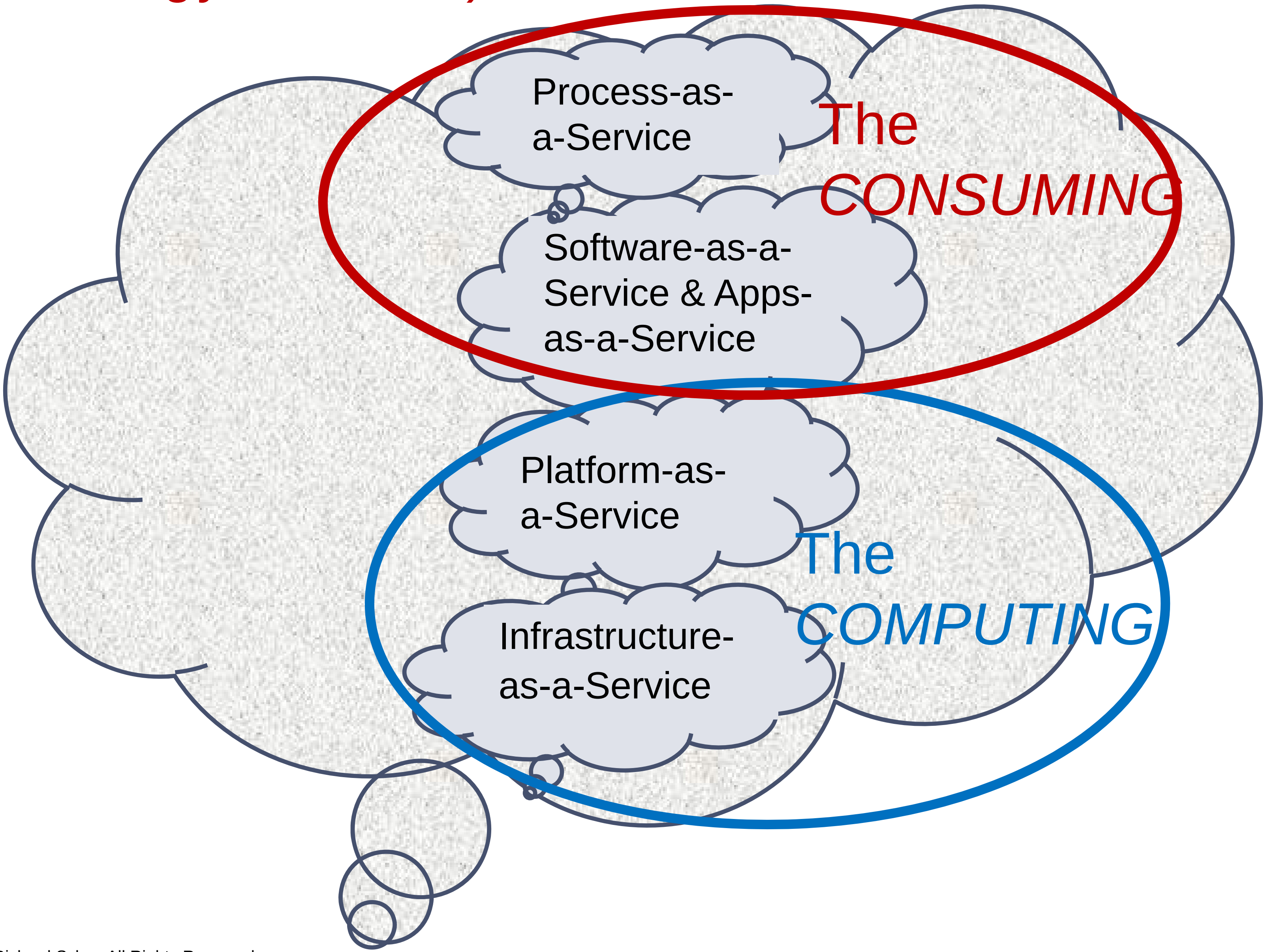
SERVICE FACTORY MANUFACTURING TEST

Courtesy of The Leading Edge Forum .

Framework for a Key Strategic Decision on Infrastructure



The New Commerce – The Supply & the Procurement of (Technology-Enabled) Services



A Strategic Polemic!

The business of *Technology-enabled Services* [business services, consumer services (blurred boundaries!)] is replacing the business of IT Services.

End the era of Deal Making – 'we are now in the business of delivering services, not in the business of deal making'.

Segregate financial engineering *from* the transformational *from* the ongoing supply of services: separate & un-linked contractual structures with separate specialist suppliers

Determined ICT industry drive to deliver *Business Assurance* fit for the new world of virtual services and virtual service value chains.

UK Government, G-Cloud & Apps Store: Observations

G-Cloud & Apps Store – Means to an End or the End in its Self?

Is the G-Cloud intended to be the predominant source for the supply of Government technology-enabled services?

- A (predominantly) *'private'* /'public' hybrid?
- 'Government-only' apps in the Apps Store?

OR

Is the G-Cloud intended as a (predominantly) *'public'/*private hybrid, exploiting access to public clouds & apps as far as possible (up to & including IL3), with segregated operations for IL4 and above?

- Exploiting generic apps from the private sector as the norm
- Exploiting private sector infrastructural investment aimed at consumer & enterprise markets

Remember that most citizen-facing web-based services will be effectively delivered as from public clouds!

Data Centre Consolidation – Internally Referenced or Externally Referenced?

Is the consolidation of the current ‘130+’ data centres driven as a step by step (internally referenced) process of virtualisation, merging, consolidation towards a (distant?) goal of a (? dozen plus) portfolio of world class facilities?

OR

Could there be a more rapid transformational process, externally referenced against competitive market priced infrastructural services sourced from newer players – and based on direct migration onto new world class facilities?

Remember that only a minority of those suppliers who manage the existing 130+ data centres will be suppliers in the new commerce of highly competitive infrastructural services!

Is HMG Willing to 'Open up the Box'?

Who will take the initial price risk in the different transition and business-as-usual scenarios, the government or the supplier?

Box of Restraints?

- 'geo-location of data centres (UK only)'
- 'data centres tenanted with Government ops only'
- 'direct procurement of services from public clouds limited by security concerns'

OR

An Open Box?

- Pragmatic approach to geo-location in Northern Europe
- Open approach to multi-tenancy with virtual segregation
- Security to IL3 delivered by outcome-targeted requirements

Only the 'Open Box' will motivate new players to invest seriously.

One Key Thread That Runs Throughout:
Security - & Establishing Trust Therein!

Security is as much on the agenda of the private sector as the public sector.

There is a risk currently of a Maginot-line approach in HMG's security policies - a more constructive approach would be to set out security requirements in terms of 'required outcomes' and seek private sector collaboration in their confident delivery.

A willingness to operate up to and at IL3 in public clouds, subject to certain key restraints (i.e. avoiding data agglomeration), will motivate a wider private sector move to invest in servicing HMG.

The extent to which citizen-focused services are now increasingly web-enabled and Cloud-delivered argues for a shared Government & Industry approach to developing effective security assurance.

SO - HMG Should Proactively *Market Make*!

Access to the fullest possible reduction in operating costs requires two strongly ***inter-related*** policy drives:

- ➢ Determined use of commercial negotiating power to speed supply-side transformation to the Government's benefit:
  - 'Bring the New World in to redress the balance of the Old'
  - Re-negotiation of existing deals with no time extension*

- ➢ Determined drive to transform government-side operations to enable effective access to the world of service automation.
  - 'A payroll is a payroll is a payroll'
  - Security: no 'Maginot line' but outcome-targeted requirements
  - Process standardisation & rationalisation will yield further major savings

[Established vendors are under strategic pressure to transform their operations: they have the cash & strong balance sheets to so do!]*

Three Key Market Making Initiatives - 1

1. A focused Private/Public Partnership *, working closely with CESG as a team resource*, to enable HMG to securely work in Public Clouds up to & including IL3
   - Major cost & operational benefits of a competitive 'Cloud' market in infrastructural services, sourced through new generation multi-tenanted & 'green' data centres;
   - Ability to serve the citizen customer over the web with greater ease, flexibility and security

M*arket making* through a framework procurement of *infrastructural services* that encourages new investment [plus new vendors with proven *services factory* experience] in a key *UK infrastructural resource* that will sharply reduce underlying Government operational costs, raise its green profile, and contribute to the international competitiveness of the UK 'shore'.

Three Key Market Making Initiatives – 2

2. A focused transformational drive within HMG to provide both national and local government with a single set of standardised back and front office transactional services.
   - Exploiting the *services factory* model, and enabling effective process simplification – both key to driving out costs and to delivering the green agenda
   - Genuine bespoke requirements delivered as front-edge variants on standardised services (consider how salesforce.com does it)

Market making through a framework procurement for *standardised transactional services* that as far as possible exploit existing Cloud-sourceable services (desk top, payroll) and craft anew ['revs and bens'!] where required.

Three Key Market Making Initiatives – 3

3. Design the Apps Store around a G-Cloud *Platform [G-Platform?]* that seamlessly inter-links Infrastructure & Exostructure, and provides the necessary Business Assurance required by HMG.
   - ❖ Sharply simplifies technology service sourcing & procurement
   - ❖ Enables both innovation and ‘bespoking’ through re-use, extension of existing service & software structures
   - ❖ Enables smaller tech enterprises to more easily present innovative service ‘offers’ directly into the Government market place

Market making through *market enabling* – an effective segregation of ‘the consuming’ from ‘the computing’ to enable more effective focus of front-line service resources.

And Finally – Move to Exploit the New!

- Move to break the tradition of term contracts where sourcing standard & commoditised technology services.

- This is the end of the era of the Deal. Segregate financial engineering, process transformation and on-going service procurement into separate procurement structures.

- Sourcing underlying infrastructural & transactional requirements as standardised services allows in-house resource to be focused towards front end, citizen-close work.

- It also opens the door to a move away from 'techie SLA-based' relationships towards *outcome-based partnerships**.

*** www.IntellectUK.org/OBA**

Thank You!

Dr Richard Sykes FRSA

A strategic advisor in the transformation *as business services* of technology and business process sourcing, outsourcing and offshoring business models, including through the agency of 'the Cloud'.

'Virtual' office: +44 (0)20 7917 1715
Mobile: +44 (0) 7712 187 099
e-mail: r.j.sykes@btinternet.com
Skype: dr.richard-sykes
www.dr.richard-sykes.com

Read my monthly opinion columns @
www.cio.co.uk & www.outsourcemagazine.co.uk