ESG Research Insights Brief

Automated IT Service Delivery Drives IT Transformation and Business Value

The Quantified Impacts of Using a Cloud Operating Model

Date: May 2018 **Authors:** Adam DeMattia, Director of Research; and Monya Keane, Senior Research Analyst

Introduction

IT Transformation is a concept that resonates with companies even more now than it did 12 months ago. Although not synonymous with digital transformation, the two concepts are fundamentally linked together, as *effective digital transformation cannot happen without IT Transformation*.

A company that transforms its IT infrastructure no longer has to rely on rigid, manual, siloed, legacy technologies. It sees a boost in IT operational speed, efficiency, scale, and cost effectiveness—tasks are automated, processes streamlined, and resources are freed up. Those IT-level improvements fuel a larger-scale digital transformation, allowing the company to thrive in today's digital economy. It is able to out-innovate, out-think, and out-pace its competitors—ultimately becoming the disruptor, not the disrupted.

It is possible to categorize a company's degree of IT Transformation according to how extensively it has adopted:

- Modernized data center technologies—e.g., server virtualization, All-Flash storage, scale-out and converged/hyper-converged infrastructure, software-defined networking and storage, and modern data protection.
- Automated IT processes—e.g., delivering IT-as-a-service (ITaaS) in a cloud operations model by automating infrastructure provisioning, configuration, and change management as well as offering self-service resource management capabilities to end-users.
- Transformed organizational dynamics—e.g., regularly inspecting IT outcomes for effectiveness and making sure that the IT group has opportunities to contribute proactively to business-strategy decisions.

A direct, measurable relationship exists between IT Transformation and better agility, superior responsiveness, greater spending efficiency, more funding for innovation, faster time to market, higher stakeholder satisfaction, and greater competitiveness (see Figure 1).

Figure 1. IT Transformation Outcomes

Source: Enterprise Strategy Group

ESG was able to establish these correlations by conducting a survey commissioned by Dell EMC and Intel of 4,000 IT executives from private- and public-sector organizations across 16 countries.[1] All respondents were familiar with their organizations' IT modernization achievements and plans. ESG asked these respondents more than 60 questions about their IT environments and processes. Based on their responses, ESG ascribed an IT Transformation maturity score to each respondent's organization. ESG then grouped organizations by maturity score into one of four categories: *Legacy*, *Emerging*, *Evolving*, and finally *Transformed*. Only 6% of organizations achieved a Transformed ranking, although 81% of all respondents agreed their company will not be competitive if they do not embrace IT Transformation.

To learn more about this research, read ESG's report here.

How ITaaS Advances IT Transformation Maturity

Leveraging a cloud operating model is a good way for an organization to propel its transformation effort forward. ITaaS has many components. But it is indisputable that organizations can't leverage ITaaS successfully unless the user experience is timely, responsive, cost transparent, and sufficiently agile to fuel innovation. The management and orchestration software and the API-driven workflows are also important, as they automate the delivery of services through hybrid and multi-cloud architectures.

ESG considered two vectors to determine whether a given organization can be said to be running ITaaS:

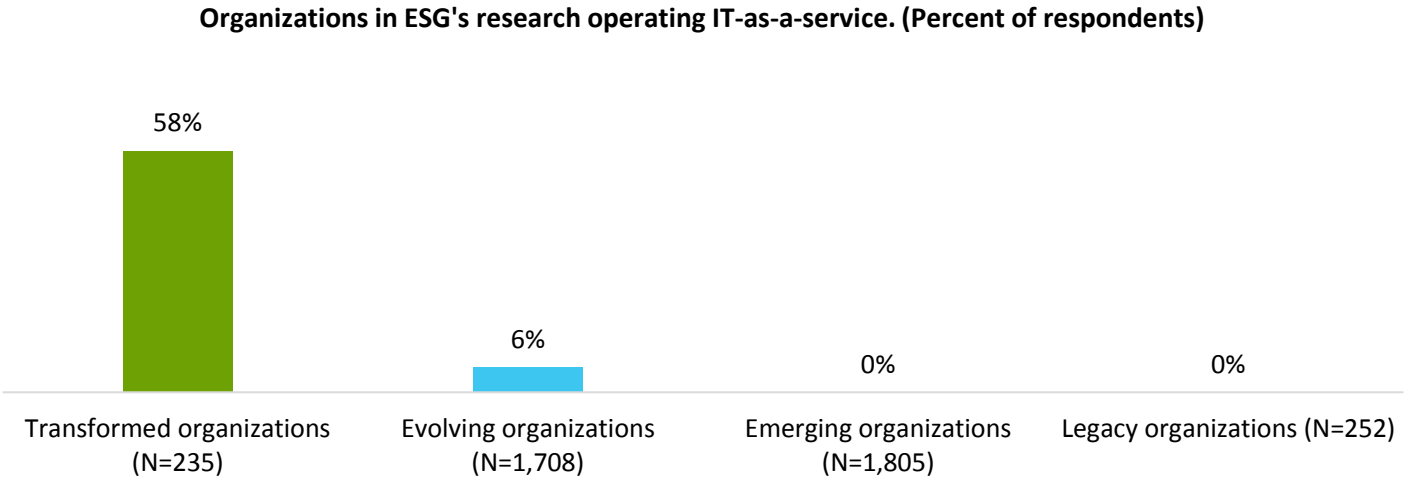
1. Whether the organization has made "excellent progress" in automating infrastructure provisioning, configuration, and change management.
2. Whether the organization is "extensively" enabling line-of-business (LoB) end-users and developers to manage on-premises IT resources in a self-service fashion.

According to those requirements, just 250 of the 4,000 IT organizations surveyed were ITaaS achievers (see Figure 2). *Transformed* organizations were nearly ten times more likely to be running ITaaS versus *Evolving* organizations (58% versus 6%). Not one of the *Emerging* and *Legacy* organizations surveyed by ESG reported using ITaaS.

[1] Source: ESG Research Insights Paper, *Research Proves IT Transformation's Persistent Link to Agility, Innovation, and Business Value*, March 2018.

Comparing the ITaaS achievers to all other respondents revealed a positive correlation between a cloud operating model and IT and business agility, streamlined operations, end-user satisfaction, and—most importantly—business success.

Figure 2. Lack of Organizations Delivering ITaaS



Source: Enterprise Strategy Group

Research Data Validates the Benefits of ITaaS

ITaaS Means Agility

A core function of a cloud operations model is to reduce IT operational "friction"—from defining workload requirements, to procuring infrastructure, all the way through integrating and deploying systems. At organizations running ITaaS, requirements come straight from end-users; they select what they need from an IT-vetted service catalog. The infrastructure to fulfill their "orders" is allocated from the organization's highly virtualized and automated data center resources. It is an approach that eliminates meetings, wait times, and deployment times.

ITaaS achievers should experience a higher level of IT agility, and ESG's research data confirmed it. When ESG asked respondents to categorize the timeliness with which the majority of application deployments are completed at their organization, organizations running ITaaS were nearly 15 times more likely to report that those deployments are typically completed significantly ahead of schedule (44% versus 3% among respondents whose organizations do not run ITaaS).

The research also cast a broader net, assessing overall IT project execution. One question looked beyond just application deployments to encompass IT-led initiatives such as infrastructure refreshes, storage migrations, and data center consolidations. Specifically, ESG asked respondents to think of all IT projects completed over the past few years and report what percentage were completed ahead of, on, and behind schedule. Again, organizations running ITaaS reported a higher level of agility. On average, ITaaS-using organizations completed 35% of projects ahead of schedule—13% more than organizations not running ITaaS (see Figure 3).

ITaaS Supports IT Transformation

When analyzing the maturity level and benefits enjoyed by *Transformed* organizations, ESG found that, compared with non-users, companies leveraging ITaaS:

- Completed 13% more projects ahead of schedule.
- Were nearly 15X more likely to report completing application deployments ahead of schedule.
- Were 5.5X more likely to be ahead of their competition in time to market.
- Were 2.5X more likely to operate an onsite infrastructure that is as cost-effective (or more so) than the public cloud.
- Were 5X more likely to exceed their revenue goals by more than 10%.

The data shows that ITaaS achievers operate with greater agility in meeting the needs of LoB constituents and in executing IT-led initiatives.

Figure 3. IT Project Completion Relative to Timeline

Source: Enterprise Strategy Group

Most businesses experience product-development and time-to-market pressures to some degree. However, digital enterprises in particular depend on technology as the core of their products and services. Given how they must operate in the digital economy, the IT agility of these companies has a direct link to their overall agility. (Consider organizations whose revenues depend on ecommerce transactions, who stream content to subscribers, or who engage and interact with customers online or through mobile applications.)

ESG asked respondents to describe their organizations' success in delivering products and services to market relative to their competitors. Organizations running ITaaS were roughly 5.5 times more likely to report they are usually significantly ahead of their competition (76% of respondents compared with 14% of respondents whose organizations do not run ITaaS).

Service Delivery via a Cloud Operating Model Means Efficiency and Reduced Costs

Running ITaaS means removing manual IT-related bottlenecks to service delivery. Doing so yields agility benefits, but it is also correlated with significant efficiency benefits.

ESG asked respondents to consider all their recent IT projects in terms of budget. Respondents at organizations running ITaaS reported an incremental 6% of their IT projects had been completed under budget compared with respondents at organizations not running ITaaS. While that may not sound drastic, consider that an IT group at a moderately sized enterprise may be asked to execute hundreds of projects in the span of a few years. It is not hard to imagine how completing an additional 6% of those projects under budget can materially impact a company's bottom line.

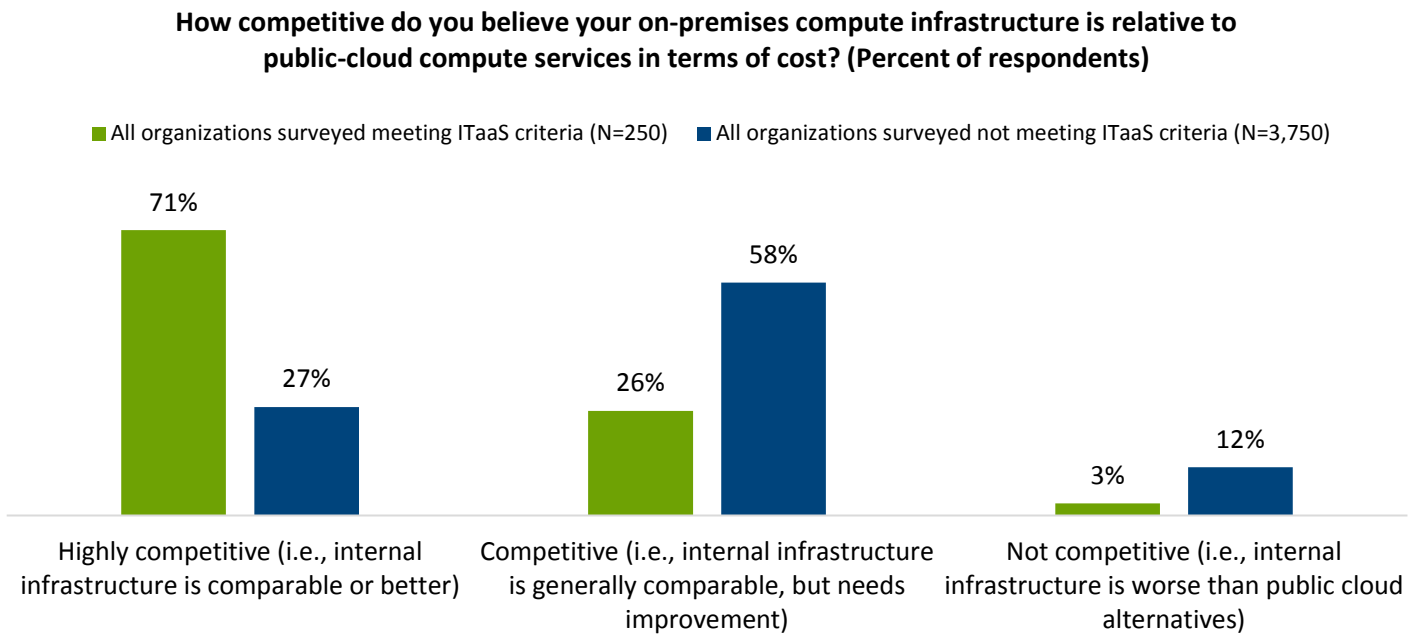
ITaaS also affects how IT organizations allocate their staff. ESG asked respondents to estimate the percentage of their IT staff dedicated to tasks such as deploying, managing, and monitoring infrastructure versus the IT staff focusing on higher-value activities such as IT architecting, planning, and application development. Compared with others, respondents at organizations running ITaaS have realized a material 3.4% shift away from IT operations and toward more strategic efforts.

Many organizations are actively weighing and activating hybrid-cloud operational models in which some workloads run on-premises and others run off-premises. An organization should weigh multiple factors in making these decisions. Does the workload require performance achievable only with local, low-latency infrastructure? Does the workload contain sensitive data? What are the workload's data ingress/egress patterns?

Often, however, cost (real or perceived) is the deciding factor. Over-indexing decisions based on expected cost can lead organizations to place workloads into public cloud environments that actually would be supported better on-premises.

ESG asked respondents to compare their on-premises infrastructure with the public cloud in terms of cost. Respondents working at organizations that run ITaaS were more than 2.5 times more likely to report operating their on-premises infrastructure as cost-effectively or more cost-effectively than public cloud alternatives (see Figure 4).

Figure 4. On-premises IT's Cost Competitiveness with Public Cloud



Source: Enterprise Strategy Group

ITaaS Leads to Business Satisfaction and Success

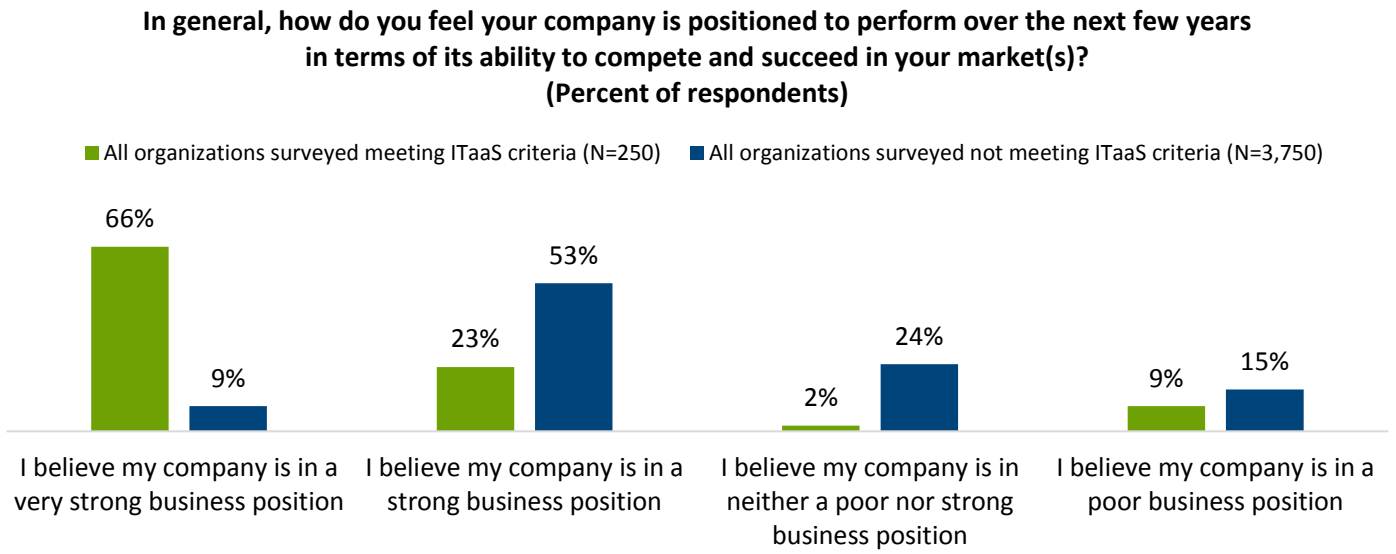
Ultimately, LoB end-users are the IT organization's customers. ESG's research revealed that by delivering positive outcomes in terms of agility and cost, organizations running ITaaS enjoy an uplift in end-user satisfaction as well. ESG asked respondents to characterize their relationship with their LoB constituents: 70% of ITaaS achievers reported having a highly cooperative relationship with business stakeholders compared with 20% of organizations not running ITaaS. In short, organizations that run ITaaS are three and a half times more likely to collaborate very well with business stakeholders than ITaaS non-users.

A definitive positive correlation exists between an organization running ITaaS and the likelihood that it is achieving positive business outcomes. ESG asked all respondents how their companies performed, or were expected to perform, in revenue attainment. Organizations running ITaaS were five times more likely to report exceeding their revenue goals by more than 10% compared with organizations that do not run ITaaS. Additionally, when evaluating their companies' competitive standing for the next few years, respondents at

> Organizations running ITaaS were 5X more likely to report exceeding their revenue goals by more than 10%.

organizations running ITaaS were more than seven times as likely to believe they are in a very strong competitive position (see Figure 5).

Figure 5. Organizations' Competitive Position



Source: Enterprise Strategy Group

The Bigger Truth

Running IT-as-a-service is a key measurement of IT Transformation, but it offers major operational benefits on its own. ESG's research shows that ITaaS use is directly associated with better application agility, faster time to market, smarter allocation of staff resources, and more cost-efficient IT operations. It is not surprising to observe organizations running ITaaS achieving higher levels of business success and being more optimistic about their competitive positions going into the future.

For more information, please read the full global study and begin your IT Transformation maturity assessment.

Read the Full Report | Launch Assessment

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www.esg-global.com contact@esg-global.com P. 508.482.0188