WHITE PAPER

Optimizing IT to Drive Business Innovation

Improving systems, processes and labor allows IT more time to innovate and drive the business—all while keeping up with day-to-day tasks.

No one can argue that IT should be closely aligned with business. Successful IT departments have learned to operate like a business within the business, delivering superior service, emphasizing customer satisfaction, improving business processes, and contributing to revenue growth. IT organizations that truly understand their organizations' industries and how technology can be applied are not viewed as cost centers or operational support, but as strategic partners essential to the productivity and viability of the line of business.

According to CIO Magazine's State of the CIO 2012 study, 60 percent of the 596 respondents said aligning IT initiatives with business goals is a major focus of their jobs in 2012. Through optimization, automation, and standardization, IT organizations are free to focus more on innovation to achieve this alignment, reaping multiple benefits:

- **STAYING AHEAD OF BUSINESS NEEDS:** Focusing on innovation enables IT departments to become trusted partners of the employees to whom they provide services, bringing new ideas to the table instead of just reacting to requests.
- **BEING VIEWED AS A VALUABLE SERVICE ORGANIZATION:** Instead of being seen as a cost center, IT is a provider of essential services that power the business.
- **CONTRIBUTING TO REVENUE:** Leveraging technology to empower the business not only cuts costs but also enables the creation of new corporate projects that can positively impact revenue.

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The typical enterprise IT department spends about 80 percent of its time, energy and resources on emergency responses and day-to-day tasks, and only 20 percent on innovation that drives business growth and revenue.

- **GAINING A SEAT AT THE TABLE:** IT leaders who focus on technology are viewed as valuable assets to the executive team and are involved in making strategic decisions for the company.

Yet in today's business climate, characterized by an uncertain economy and stretched labor resources, organizations tend to focus on simply getting through the day. Perhaps no organization knows this better than IT, which must deal with additional challenges: technology is continuously growing more complex; talent and expertise is more difficult to find; and executive teams are losing patience with the runaway costs of IT systems.

While many IT professionals understand the importance of focusing on innovation and business alignment, the topic tends to generate a lot of talk, not a lot of action:

"I can't tell you how many roundtables I've been to talking about [business] alignment. It's easy to say, but hard to demonstrate and maintain," says the vice president of a large U.S. insurance company. "This is not an IT-driven organization, and we need to get back to [putting] business in the forefront—this is part of our transformation in terms of everything being understood in business terms."

A major component to transformation for IT is increasing its ability to innovate and get ahead of the needs of the business, so it can anticipate and shape how technology drives success. To do this, they must find ways to reduce the time and energy spent on dealing with two extremes: productivity-threatening system problems that require immediate action, and day-to-day operations and maintenance that require constant attention. These extremes take more than their share of IT's attention. The typical enterprise IT department spends about 80 percent of its time, energy, and resources on emergency responses and day-to-day tasks, and only 20 percent on innovation that drives business growth and/or revenue.

To increase innovation so it becomes part of the day-to-day, IT must first understand why the majority of its resources are spent elsewhere. This 80/20 breakdown is typically the result of a number of factors:

- **INEFFICIENT USE OF RESOURCES:** Manually entering report data into a spreadsheet.
- **MISUNDERSTANDING PROCESSES AND WHO SHOULD SUPPORT THEM:** Staffing the helpdesk with a $200/hour consultant.
- **POOR PRIORITIZATION RESULTING FROM A LACK OF UNDERSTANDING OF THE COMPANY'S BUSINESS PROCESSES:** Performing ad-hoc testing and other activities for emergencies instead of fixing the problems that cause the emergencies.

By optimizing technology and labor resources while implementing automation, standardization and virtualization along with best practices, IT departments can begin to increase focus on innovation and reduce the burdens of maintenance and emergencies.

There are five components, or pillars, involved in this transformation process of optimizing IT to drive innovation:

PILLAR 1 Understand What Exists

Before IT can improve or optimize, it must understand the systems, processes and people already in place.

"It's important to look at what's going on; people should step back and question themselves about the way they work," says Martine Pean, PMP and ITIL expert with SAP's Global IT Transformation Services. "How should you put in place remedies? Analyze how you're doing a task and how to improve it, and prioritize roles."

Top three benefits companies reap from virtualization are lower total cost of ownership, faster time to service, and increased flexibility.

SOURCE:
Aberdeen Group

One of the most helpful ways to improve current processes and operations is to measure them. Tools such as dashboards and reports help both IT and the business find redundancies, eliminate waste, highlight areas in need of improvement, and turn a morass of information into insight.

"We have asset management and license management [tools]. We had licenses going unused and other times we were paying extra [for them], but we had no holistic view," says the insurance company vice president. "What equipment do we have? What are we paying for? How many seats have we negotiated for? Who is using what in which line of business?"

With the right tools, enterprises can quickly gain an understanding of what they have and begin the work to match existing capabilities with the needs of the business while also uncovering unmet requirements.

What's more, monitoring and reporting tools help IT departments reduce the amount of time they spend putting out fires by keeping an eye on applications and systems. The alerts these tools provide give IT an opportunity to repair the application or replace the faulty equipment before business is impacted. And using these tools to perform trend analysis over a period of time allows IT to spot future problems before they arise. Such capabilities give IT the ability to predict and respond to incidents before performance is affected and productivity suffers, meaning the business is buffered from IT glitches and outages, instead of reporting them.

PILLAR 2 Take Small Steps to Reduce the 80 Percent

Transforming into an optimized IT organization can't happen overnight. Once a few areas of improvement are identified, IT should take steps to fix them, then move to the next. It's particularly useful to spot problems with direct impact on the business—costing money or limiting productivity—so once the problem is solved IT can go back to the business and report how the solution is helping in concrete terms. This encourages business leaders to get on board with IT transformation, once they see real benefits.

An Australian insurance company with 14,000 employees worldwide embarked on IT optimization and discovered it was delivering data to the business inefficiently. For example, the data-retrieval process for insurance quotes took too long. Once IT examined the problem and realized that the existing data warehouse was slowing down employees' abilities to quickly do their jobs, it implemented a new data warehouse. Not only did this expedite the data-retrieval process for users and boost productivity, it also significantly improved IT's reporting capabilities.

"Reporting is so much faster, and the quality of reporting that we can give to our management is very high," explains the CIO. "The speed with which we can produce that and give them what they need in terms of data retrieval and performance is probably tenfold in improvement."

PILLAR 3 Deliver Business Value at a Reduced Cost

Technology has evolved to a high level of automation, reducing staffing costs and removing the potential for human error, while significantly decreasing the time required to achieve tasks. Some examples include batch processing, agents that mimic end-user behavior to detect incidents of performance problems, and software that automatically applies patches and updates. IT departments looking to increase time spent on innovation should employ tools that automate maintenance and support tasks whenever possible. In particular, tools such as test automation and management, automated problem detection, and incident management can streamline processes. However, it's not enough to simply implement these tools. The tools must be standardized so the entire IT organization understands which tools to use when, and who should use them.

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>
> Martine Pean
> SAP

"We rely heavily on tools to make our IT operations more efficient," says the U.S. IT director for an electronics company with 165,000 employees and $40 billion in annual revenue. "In most cases these are proactive and pre-emptive tools that are notifying the IT organization when something is going to happen, typically [something] bad, and allow us the time to react to the occurrence. We have become dependent [on these tools] and they have given IT greater efficiencies in the way we respond and do our daily job."

It's also important that tools are integrated and can share information to eliminate the inefficiencies and potential for errors from re-entering the same data. What's more, with integrated tools that share information, IT organizations can be assured they have a single version of the truth.

Another important aspect of delivering business value is taking advantage of technologies that reduce overall costs. Virtualization is a key enabling technology that not only cuts upfront IT investments and on-going maintenance costs, but also helps IT increase its focus on innovation. According to Aberdeen Group, the top three benefits companies reap from virtualization are lower total cost of ownership, faster time to service, and increased flexibility. These three benefits enable IT to better serve its customers and build a base for new technologies that help drive the business. Meanwhile, leveraging cloud models helps IT organizations to commoditize IT resources so they can be offered to the business as part of an infrastructure-as-a-service plan, and be customized as needed.

"Things are prebuilt, and now you're just refilling inventory," explains the senior director of IT at a U.S.-based communications company with 9,000 employees and annual revenue of $7 billion. "As virtualization becomes a more capable technology, [it is] key in enabling this."

PILLAR 4 Optimize Labor Resources

IT must take a hard look at their labor resources as part of transformation plans. Ideally, they should ensure the right person is doing the right task, employees are trained in the right disciplines to meet the business's needs, and outsourcers are used strategically for nonessential functions to reduce costs and cut complexity. However, getting to this level of optimization takes time and may require new ways of looking at the organization.

The electronics company IT director said the organization's effort over the last two years to globalize its IT function made the most of in-house talent to enable the business. Instead of having different IT groups by region, the company divided its IT staff into production lines—a data center or a help desk, for example—and within each are operational staff, network staff, or database staff who work together on a given line.

"We've done that to share the resources across the globe," explains the IT director. "Now a solution is not just a regional solution and the talent is not just regional. In globalizing the staff, now we can take [on] best practices—for example, someone who has worked on a solution in China can help to implement in the U.S. … and now we can use this talent in the best way that fits the company overall; we've released the talent in IT to serve the entire business."

IT service management and knowledge management tools can help optimize labor resources by ensuring information is retained and transferred to workers who need it, so they can perform their jobs quicker by leveraging the company's collective knowledge.

In transforming the IT staff, technology leaders may realize that they don't have the right skill sets in-house to help the business achieve its goals, and training and/or hiring might be in order. While this can represent significant upfront investment, IT organizations with the right talent can more efficiently meet business needs in the long run.

It's also important for IT leaders to realize that not every component or task must be managed in-house; IT organizations should do extensive reviews of their needs to identify outsourcing

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opportunities and develop trusted partner relationships to transfer nonessential tasks. This exercise helps reduce costs and boosts IT employee satisfaction by taking menial tasks out of the mix.

"We're talking about operational excellence, and the only way to achieve that is to really take a hard look and recognize our core competence and what excellent partners we work with, to have a whole architecture that's not owned completely by us [but] that delivers and exceeds all of our clients' expectations," says the insurance company vice president.

IT leaders can also look outside of their organizations but within the company for help. Establishing super-user and business-process owner programs creates interfaces between the business and IT to help them understand each other, while also giving the business units more independence.

"IT shouldn't just be the guys on the fifth floor that no one knows," says SAP's Pean. "Super users can help IT understand how employees work. For example, a simple user task might not seem onerous to IT, but when IT realizes that the task has to be done a hundred times a day in order to achieve a goal, then they understand that the task is annoying."

PILLAR 5 Run IT as a Business

Once streamlining operations yields more room for innovation, IT can look beyond efficiency and strive for success. A business doesn't operate simply to reduce costs, and neither should the IT department. Making strategic investments to help IT improve customer satisfaction and deliver superior service, and leveraging service-level agreements and key-performance indicators to help set the business's expectations are essential at this stage. The more IT can help reach business goals, the more valuable to the business it becomes.

For example, according to the State of the CIO 2012 study, improving end-user workforce productivity was listed by 47 percent of respondents as the most significant business accomplishment IT can achieve this year. Best practices set forth by methodologies such as Information Technology Infrastructure Library (ITIL), the Project Management Institute (PMI), and Application Lifecycle Management (ALM) help keep established systems running smoothly. Continuous innovation can be achieved by evaluating new technologies such as mobile, cloud, and in-memory databases to determine how they could improve the business.

Eventually, running the IT department like a business means helping to solve problems and overcome challenges that may not even be within the domain of IT.

"The IT department has the ability to, for example, see how long it takes from the moment a sales order is received to when delivery happens to when the bill is paid. If IT discovers older invoices that are unresolved, they can determine that there may be a problem with a business process or maybe training is needed," says Matthias Haendly, with SAP's technology solution marketing team focused on IT business management and application lifecycle management products. "Looking into the systems assembled gives a lot of information to IT that they can share with the business."

It's also essential that during this transformation process that IT evolves its perception of its role in the organization as an essential part of the business, not a separate support operation.

"Things were run pretty inefficiently two to three years ago, before we had our overhaul," says the CIO of an Australia-based insurance company. "Now, with the business-aligned, streamlined model, each business division is assigned their own IT budget. So now it's much more clearly defined, and we have tiers of management for each business-aligned area. We've been able to cut costs that way … rather than cutting headcount." ■

CASE STUDY

Transformation in Progress

Taking steps to increase the IT department's emphasis on innovation is a long-term process that requires patience and planning. However, taking initial steps to spot areas where automation, standardization, and consolidation can streamline day-to-day operations opens up opportunity for innovation to flourish. By recognizing this opportunity and keeping the organization's business goals in mind, IT becomes a driver of success.

In 2010, a U.S. for-profit company set the goal to become a worldwide industry leader by 2020, and plans to get there by being innovative. While this may sound like a lofty goal, the company has developed a three-step process to achieve this goal, which includes provisions for IT to undergo incremental changes and improvements that pave the way for greater innovation:

- **INFRASTRUCTURE EFFICIENCY:** By examining its application portfolio, consolidating data centers, merging IT human resources from different business units into a centralized department, and leveraging technologies such as cloud computing and collaboration, the company moves its technology functions from a localized IT environment toward more strategic platforms;
- **BUSINESS-SYSTEM TRANSFORMATION:** By standardizing common business processes and moving towards common platforms, the company benefits from IT systems that are less resource-intensive, complex, and costly. Some examples include standardizing content management tools, consolidating customer-relationship management (CRM) and enterprise-resource planning (ERP) tools, and revisiting the company's intranet and portal platform strategy, while also investing in master data management and business intelligence;
- **ACHIEVE SYSTEM SUPREMACY:** By decreasing maintenance and operations in steps 1 and 2, the company's IT department can focus more on building excellent student-facing applications and helping students create flexible learning experiences, supporting the company's business goal. This step includes continuously evaluating new education technologies, leveraging cloud-based platforms, advanced analytics, and content, and taking advantage of outsourcing.

"It's like a pyramid," explains the executive director of enterprise business systems at the company. "We're starting with the basic stuff…like data center and IT efficiency and core consolidation. Then we look at our applications – a lot of organizations do that. However, for us, the third area is pushing [innovation] by looking at how we leverage what's out there, build strategic learning platforms, and leverage our analytics to create complete solutions."

The company plans to make a large investment throughout these three phases, which includes a new infrastructure to consolidate data centers, integrate technology operations, and centralize disaster-recovery systems.

This innovation plan requires patience, focus, and dedication, but the pay-off is worth it, says the executive director.

"In 2010 – 2011 we did the basic stuff, and now comes the real hard work," he says. "We have stabilized our infrastructure and … our applications and tool sets, now let's start building the next-generation platform."

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