Getting IT Right: The Road to IT Transformation

Introduction

Historically, enterprise IT organizations have had to convince executives that IT is a key business driver. In these changing times, however, the good news is that this no longer appears to be the case.

Based on the promising results of IDG Research conducted in 2017, 98% of surveyed IT leaders now view IT as "critical" or "very important" to their company's business strategy.

This newfound respect for IT introduces an environment of uncharted opportunities and challenges. On the one hand, today's business executives know they must rely on IT now more than ever to help their companies achieve strategic business goals. On the other hand, the new realities of enterprise IT require IT teams to embrace a more rapid rate of change — all while "keeping the lights on."

New technologies, new practices, and new IT service delivery models all play key roles in the race toward IT transformation and optimization. For firms like Lyft and Uber, IT infrastructure is the foundation upon which they've built disruptive new business models. Today's executives are highly attuned to these realities and recognize IT's potential, both to improve internal processes and position firms to be stronger competitors. Funding and executing IT innovation, however, continues to be difficult.

About the survey

These are among the highlights from a 2017 IDG Research Services survey, "Stakes Rise for IT: The IT Transformation Journey," commissioned by Datalink, a division of Insight. Conducted in September 2017, the survey polled senior IT leaders from organizations with an average of 23,000 employees. The questions posed asked leaders about their organization's business and IT strategies, their IT optimization opportunities and challenges, and their cloud-related strategy and execution considerations.

This whitepaper shares some of the survey's most significant findings. It also offers guidance on how best to balance the opportunities and challenges faced by many IT organizations today.

Some progress toward IT optimization yet much work remains

The 2017 IT survey, conducted for the second year in a row, shows organizations are making healthy progress toward IT optimization. Whereas only 9% of 2016 survey respondents labeled their IT operations as "fully optimized," 22% of 2017 survey participants believe they've reached this status. While this indicates improvements are being made, it also means that more than 75% of those surveyed still have a ways to go before they would classify their own IT operations as fully optimized.

What does it mean to be "fully optimized?" Is this a realistic goal to strive toward? It comes down to how well an organization executes on its vision of IT optimization and transformation. Similarly, it relates to the benefits achieved from such a state.
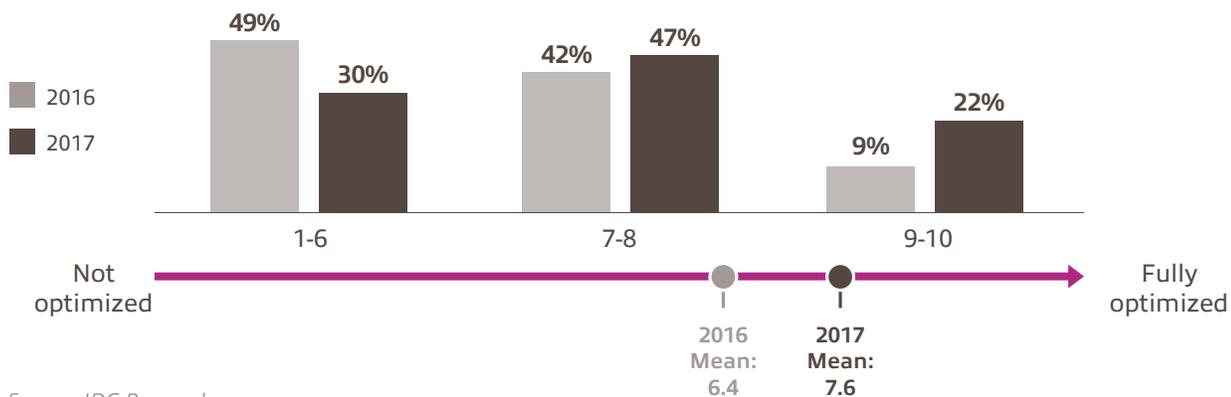
Source: IDG Research

Perception of progress in optimizing IT operations – 2016 vs. 2017

In this regard, it may help to look first at how IT leaders define IT optimization.

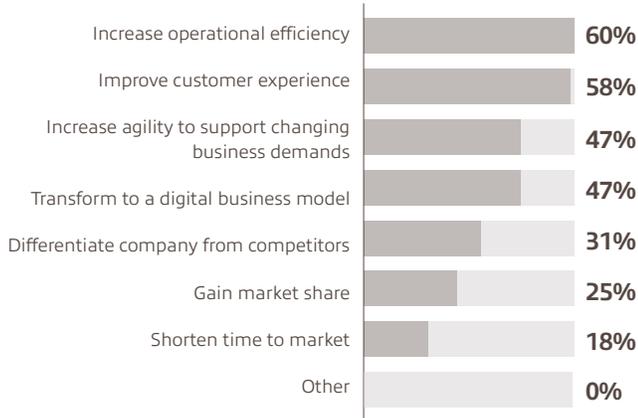When asked, many of those surveyed described IT optimization as:

- Improving IT's ability to help drive business goals
- Increasing agility
- Making best-fit platform choices based on workload requirements and business needs

98% of those surveyed also said IT optimization was "critical" or "very important" to the success of their digital transformation initiatives. Progress toward optimization remains slow, however.

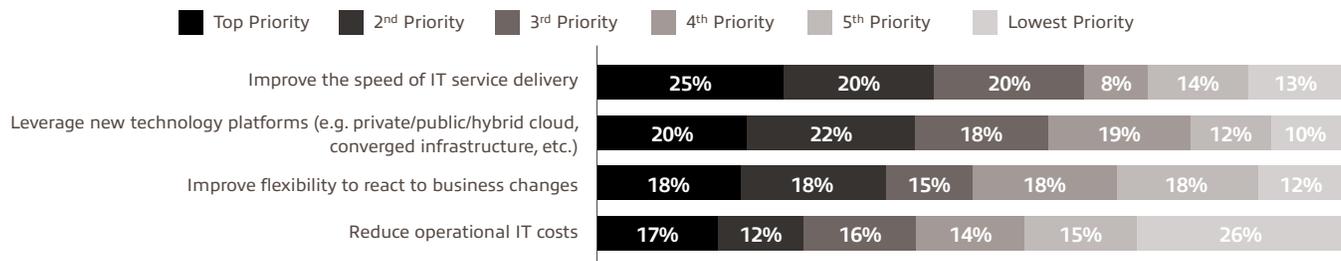## Future business goals stress speed and transformation

Regarding business goals and priorities over the next 12 months, roughly half (or more) of survey respondents indicated plans to:

Goal	Percentage
Increase operational efficiency	60%
Improve customer experience	58%
Increase agility to support changing business demands	47%
Transform to a digital business model	47%
Differentiate company from competitors	31%
Gain market share	25%
Shorten time to market	18%
Other	0%

Source: IDG Research

To achieve these goals, many organizations' highest-ranked priorities focus on improving the speed of IT service delivery and further leveraging new technology platforms (e.g. private/public/hybrid cloud, converged infrastructure, etc.). Questions remain as to how quickly or easily these IT objectives may be realized.

IT priorities in approaching business goals

	Top Priority	2nd Priority	3rd Priority	4th Priority	5th Priority	Lowest Priority
Improve the speed of IT service delivery	25%	20%	20%	8%	14%	13%
Leverage new technology platforms (e.g. private/public/hybrid cloud, converged infrastructure, etc.)	20%	22%	18%	19%	12%	10%
Improve flexibility to react to business changes	18%	18%	15%	18%	18%	12%
Reduce operational IT costs	17%	12%	16%	14%	15%	26%

Source: IDG Research

A juggling act: IT caught between two worlds and lean budgets

So much has changed for midrange and enterprise IT organizations in just the last few years. New public, private, and hybrid cloud options represent just the tip of this technological iceberg. It should also be unsurprising that many organizations are having trouble juggling their often-dual priorities: "keeping the lights on" (via day-to-day maintenance and support of legacy environments) and simultaneously moving forward with more exploratory, innovative, and business-advancing IT initiatives.

Gartner refers to this as bimodal IT. According to the report, "Scaling Bimodal — Fusing IT with the Business: A Gartner Trend Insight Report,"[1] Gartner defines bimodal as:

> "The practice of managing two separate but coherent styles of work — one focused on predictability and the other on exploration. Mode 1 is predictable, improving, and renovating in well-understood areas. Every organization has Mode 1 requirements or problems to solve. They plan and execute against it. In Mode 2, business and IT together explore and experiment to innovate and solve new challenges. With digital business requiring organizations to be more innovative, agile, and flexible, every organization must invest in Mode 2 methods and processes as they seek to manage the increasingly uncertain business environment."

For this survey, respondents tended to associate Mode 1 IT projects with traditional or sequential activities (e.g. "keeping the lights on"). Mode 2 IT projects, in contrast, trended toward business-advancing/innovation.

Optimizing Mode 1 to feed Mode 2

One of the biggest challenges IT leaders face with bimodal IT is finding the funds to support Mode 2 projects. Here, 56% of survey respondents found funding such initiatives to be extremely challenging. While nearly half of those surveyed are funding Mode 2 projects by direct increases in investment, 34% of respondents report needing to transfer funds out of Mode 1 project budgets and into the Mode 2 bucket.

This practice of taking from Mode 1 to feed Mode 2 is expected to grow over the next two years. During this time, 44% of respondents said they would free more funds from traditional, Mode 1 IT projects and allocate them to Mode 2.

Currently, over one-third (34%) of IT budgets are allocated to Mode 2 projects and activities. This is projected to increase over the next two years, with 45% of the IT budget going to Mode 2.

Budget allocation today

Mode 1   Mode 2

66%	34%
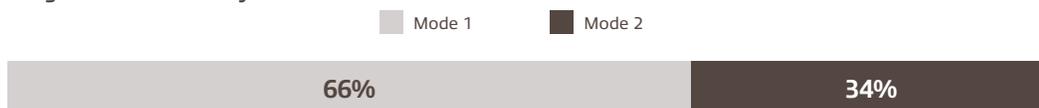
Budget allocation 2 years from now

Mode 1   Mode 2

55%	45%
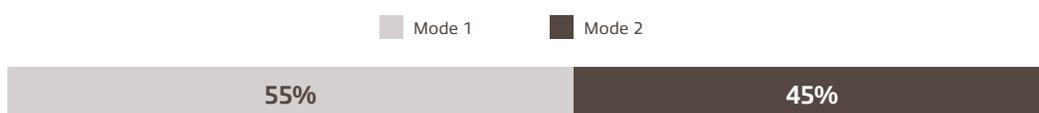
Source: IDG Research

These results suggest that it may be worthwhile to reduce Mode 1 spending, and use the savings to increase the Mode 2 IT project budget. This is particularly relevant when and where increasing the overall IT budget is not feasible. Here, it will be particularly important for IT leaders to find new and creative ways to more efficiently "manage" and reduce costs associated with Mode 1 IT operations. One possibility: Explore the cost of outsourcing some Mode 1 core functions.

Cloud report card: Repatriation gains momentum

The adage, "Once Bitten, Twice Shy," seems especially apt when applied to a growing number of organizations and their experiences with workloads in the public cloud. While the majority of those surveyed continue to remain decidedly bullish on the roughly 50/50 mix of public cloud-based vs. on-premise workload deployments, the 2017 IDG report did unearth a surprising trend toward repatriation.

For 2017, 52% of all respondents reported having to move one or more workloads or applications back to an on-premise deployment. This increased from the 38% reported in 2016. The practice of repatriating was even higher among 2017's C-Level executives — 66% cited the need to move one or more applications or workloads back in-house.

Has your organization moved one or more workloads away from a public cloud (e.g., AWS, Microsoft Azure, Google, etc.) back to an on-premise deployment platform?

| | Yes | No | Not Applicable | Don't know |

2017

| 52% | 45% | 3% |

(66% "Yes" among C-level titles vs. 39% among others)

2016

| 38% | 56% | 6% |
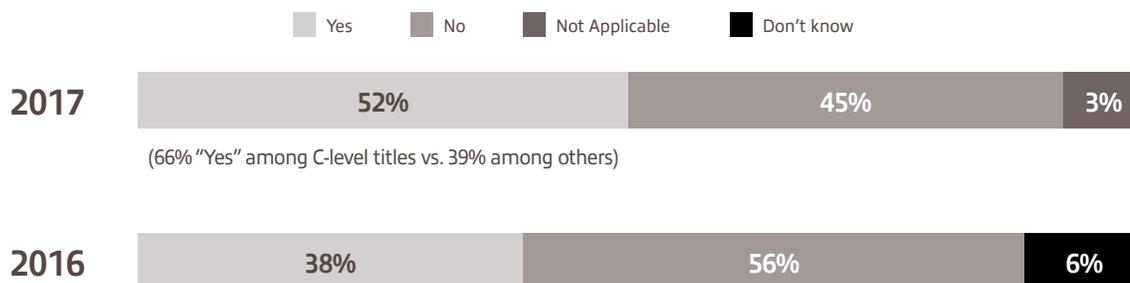
Source: IDG Research

Why did public cloud workloads have to be moved back on premises? Respondents indicated many reasons. The most common concerns were:

- Level of control over resources or data
- Meeting compliance and security needs
- Issues with performance/reliability
- Issues with support and service
- A general lack of monitoring capabilities

Despite these growing challenges with repatriation, IT leaders are leveraging a hybrid cloud strategy with workloads split fairly evenly across public and private cloud platforms. They indicated that 48% of today's cloud-based workloads are allocated to a public cloud vs. 52% being allocated to a private cloud infrastructure. This 50/50 split is also not expected to change much in the next two years.

Cloud-based workload allocation today

| | Public Cloud | Private Cloud |

| 48% | 52% |

Cloud-based workload allocation 2 years from now

| | Public Cloud | Private Cloud |

| 50% | 50% |

Source: IDG Research

Caution and confusion abound for workload/platform decisions

Whether or not an organization has experienced repatriation, a more cautious, tentative posture has begun to emerge when evaluating which workload should be deployed on which type of platform (public, private, hybrid cloud, converged, hyperconverged, etc.).
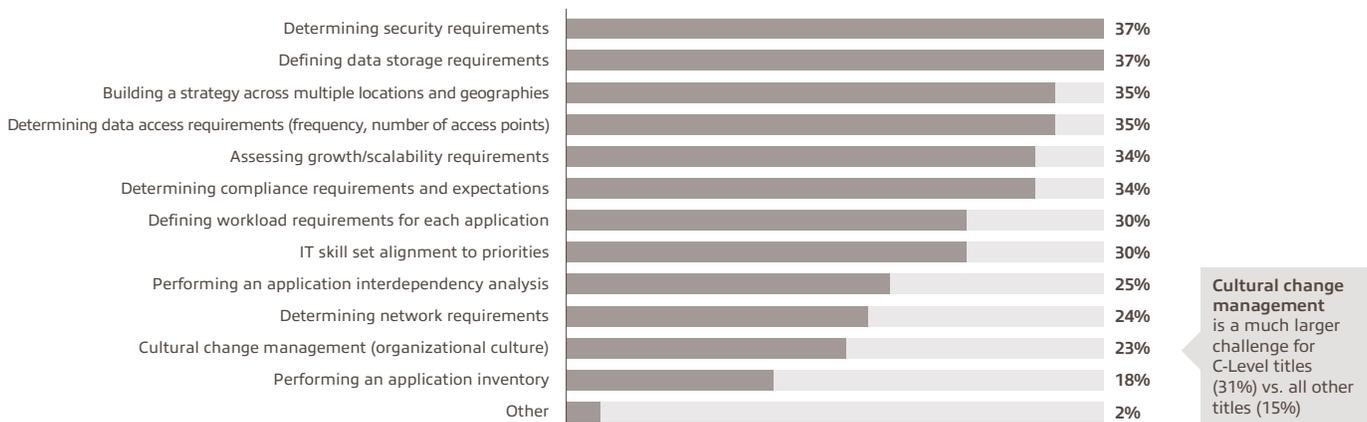
In fact, three-quarters of IT organizations now report being more cautious than they were a year ago when deciding to move a particular application or workload to a public cloud.

Part of this renewed sense of caution may be a rebound effect from the early, ebullient, "cloud-first" mantra that caused many to jump feet-first into public cloud services. Unfortunately, many may have leaped without a thorough assessment of workloads requirements and interdependencies to help them vet or prevent some of these potential issues.

All respondents report a slate of key challenges they struggle with regarding the public cloud. Not surprisingly, many of these challenges mirror the earlier reasons for unclouding already noted. Security and compliance remain top concerns along with levels of control over resources or data and reliability/performance issues.

When choosing best-fit platforms, IT leaders again point to many of the same challenges: determining security requirements, data storage requirements, compliance requirements, and growth or scalability requirements.

Challenges when deciding on deployment platforms

Challenge	%
Determining security requirements	37%
Defining data storage requirements	37%
Building a strategy across multiple locations and geographies	35%
Determining data access requirements (frequency, number of access points)	35%
Assessing growth/scalability requirements	34%
Determining compliance requirements and expectations	34%
Defining workload requirements for each application	30%
IT skill set alignment to priorities	30%
Performing an application interdependency analysis	25%
Determining network requirements	24%
Cultural change management (organizational culture)	23%
Performing an application inventory	18%
Other	2%

Cultural change management is a much larger challenge for C-Level titles (31%) vs. all other titles (15%)

Source: IDG Research

It's readily apparent that more homework is required prior to deciding which workloads are better-suited in a public cloud environment vs. in a private cloud or traditional, on-premise infrastructure. This is the crux of the insights shared recently by Juan Orlandini, Datalink chief architect, in a Livestream webinar, *Intelligent Technology Forum: Cloud Platform Workload Alignment*.

In the webinar, Orlandini notes the journey to digital transformation and workload alignment is not necessarily a one-time process. Rather, it's a continuous effort. "This will be a new mode of operations for us to continuously assess where it makes sense to run [these workloads]," he said.

Orlandini also noted the effort involves an ongoing reassessment of three aspects of the business: people, processes, and platforms. This means continuous evaluation based on the organization's answers to the following questions:

- Are my people in the right spots?
- Are my processes in the right spots?
- Are my workloads in the right spots?
- How would moving people, processes, or platforms help my business (e.g. would it generate additional revenue or reduce costs)?
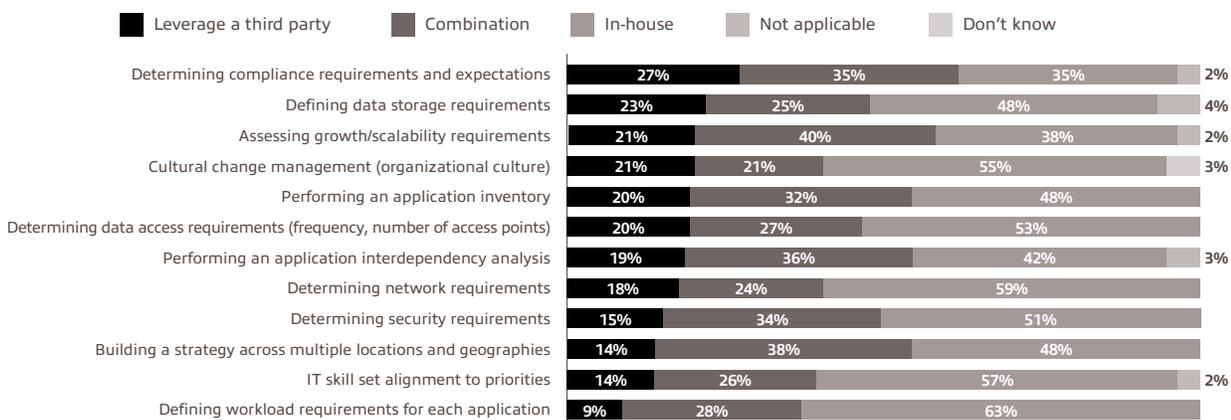
Seeking guidance to get IT right

This paper presents several highlights from the 2017 IDG Research study. It also sheds light on many challenges currently hindering organizations' progress toward full IT optimization, accelerating cloud platform adoption, making the right workload deployment decisions, and supporting more innovative IT projects.

The stakes are high for IT leaders. What can be done to help ease these challenges while simultaneously allowing organizations to explore new opportunities for IT growth and expansion? Here, Datalink offers a few highlights and suggestions.

+ Use third-party expertise to help you move forward.
A detailed strategy and plan can help you achieve your organization's digital transformation vision. Third-party experts can help you get there. In fact, survey respondents already plan to leverage a third-party to some degree to help them determine compliance requirements, assess scalability requirements, and perform application interdependency analyses.

Reliance on third parties to tackle IT priorities

Legend: ■ Leverage a third party ■ Combination ■ In-house ■ Not applicable ■ Don't know

Priority	Leverage a third party	Combination	In-house	Not applicable	Don't know
Determining compliance requirements and expectations	27%	35%	35%	2%	
Defining data storage requirements	23%	25%	48%	4%	
Assessing growth/scalability requirements	21%	40%	38%	2%	
Cultural change management (organizational culture)	21%	21%	55%	3%	
Performing an application inventory	20%	32%	48%		
Determining data access requirements (frequency, number of access points)	20%	27%	53%		
Performing an application interdependency analysis	19%	36%	42%	3%	
Determining network requirements	18%	24%	59%		
Determining security requirements	15%	34%	51%		
Building a strategy across multiple locations and geographies	14%	38%	48%		
IT skill set alignment to priorities	14%	26%	57%	2%	
Defining workload requirements for each application	9%	28%	63%		

Source: IDG Research

+ Remember: IT transformation covers more than technology.
IT optimization efforts often involve more than just technology. Be prepared to assess other aspects of the business as well, such as processes, people, and skill sets.

+ Don't be afraid to think outside of the box (or the cloud).
Some solutions to your organization's challenges may not be what you would expect. Here, third parties knowledgeable in best practices, methodologies, and emerging solutions for old problems may be able to offer a different set of options to help streamline operations or free up IT budget.

For instance, this might involve looking at new hyperconverged infrastructure (HCI) systems for some workloads. Seeing the popular use of cloud services, many HCI vendors have begun to incorporate cloud-like functionality for more ease of use and scalability of on-premise workloads. In another example, some organizations may find shifting much of their current, Mode 1 tasks to a managed provider to be just the ticket to quickly freeing up funds for Mode 2 efforts.

+ Do required homework regarding workload alignment.
Learn what others recommend regarding which workload should go to which platform. At Datalink, a whitepaper, "Choosing between Private and Public Clouds: How to Defend Which Workload Goes Where," covers some of the steps involved in proper workload/platform alignment. Various Datalink Services on the subject are also available.

Can you do this process yourself?

Whatever your needs, Datalink experts are here to help you get the right answers. Over the years, Datalink has honed its methodologies to identify the areas of IT optimization and transformation that lead to success.

You may be interested in the following resources:

- Full IDG Research Report:
  "Stakes Rise for IT: The IT Transformation Journey"
- On-Demand Livestream Event:
  Intelligent Technology Forum: Cloud Platform Workload Alignment
- Whitepaper:
  "Choosing between Private and Public Clouds: How to Defend Which Workload Goes Where"

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To get your questions answered or to learn more about Datalink services and any specific services available, see the appropriate Datalink Services web page. Or, contact us directly at 800.448.6314.

About Datalink

Datalink, a division of Insight, is a complete IT services and solutions provider that helps companies transform their technology, operations and service delivery to meet business challenges. Combining extensive experience, a full lifecycle of services and a comprehensive approach to producing IT innovations that empower positive business outcomes, Datalink delivers success across cloud IT transformation, next-generation technology and security.

Contact us at:
datalink.com
800.448.6314

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References

1. "Scaling Bimodal — Fusing IT with the Business: A Gartner Trend Insight Report," by Donna Scott and Simon Mingay, Gartner Research, July 28, 2017, Gartner ID: G00331680, https://www.gartner.com/doc/3772092/scaling-bimodal--fusing-it.