

# The next step in digital business transformation

*Delivering IT as a service – how do you consume your technology?*

## Executive summary:

- ❑ The current model for delivering IT is overstretched or, in some cases, broken. IT budgets and resources are tied up with the day-to-day issues of managing legacy deployments. A continuous struggle to simply 'keep the lights on' leaves little capacity for innovation or sufficient time to focus on addressing business needs.
- ❑ The traditional approach of 'evaluate, purchase and deploy' does not scale for businesses that increasingly need rapid access to innovation and commercial flexibility to dynamically address market challenges and user needs. The financial focus needs to switch from cost of ownership to value obtained and cost of use.
- ❑ Many organisations are looking to cloud – public, private and hybrid – to provide more flexible IT infrastructure and services. Users, whose awareness and confidence with technology has grown through large-scale consumer adoption, need complete freedom to access cloud services irrespective of the assets used.
- ❑ A simple 'Return on Investment' calculation fails to capture the full range of value and costs in sufficient time. It has become too coarse and a fine-grained, more flexible model is now required, where IT can be supplied and consumed as a service, measured by the value it delivers, not the cost of the infrastructure. This frees up resources enabling IT to move from operational maintenance and day-to-day concerns of ownership of assets, to managing innovation and effective usage.

## Report Authors

**Rob Bamforth**

**Tel: +44 7802175796**

**Email: [Rob.Bamforth@Quocirca.com](mailto:Rob.Bamforth@Quocirca.com)**

**Clive Longbottom**

**Tel: +44 118 948 3360**

**Email: [Clive.Longbottom@Quocirca.com](mailto:Clive.Longbottom@Quocirca.com)**



## Commissioned By:



**RIGBYCapital**

### Introduction

**T**he perception of IT has changed in recent years. At one time, the apparent complexity of technology made the function difficult to penetrate; IT staff also maintained a tight control over access and use of the technology.

Over time, as capabilities grew, the IT function became more advisory and integral to the business, but still budgetary control for IT investment generally remained separate. For many the IT function had become too important, and could often be an obstacle or challenge to progress, rather than the enabler it should be.

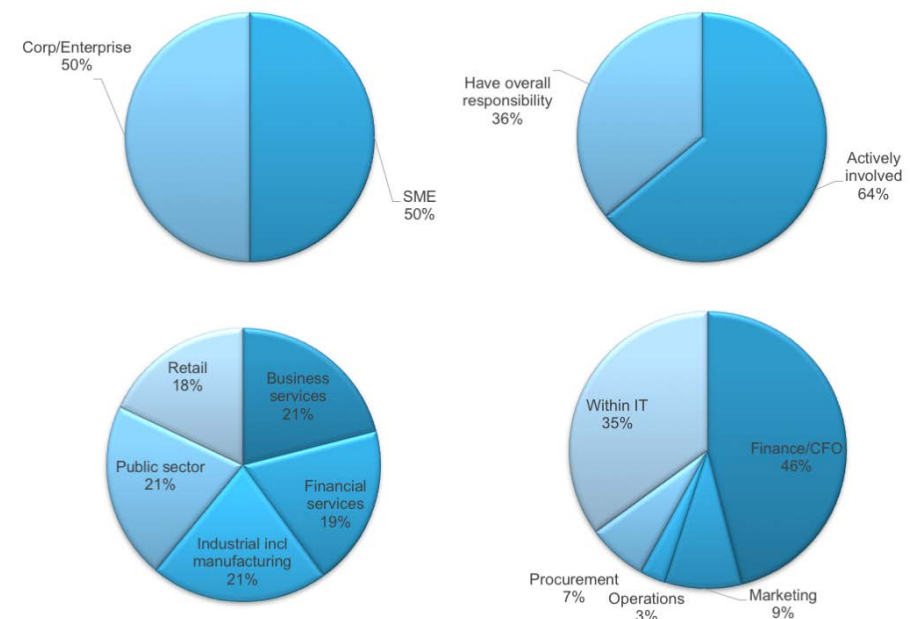
The widespread adoption of technology by consumers now means that many more people are familiar with, and aware of, its capabilities. The IT function is no longer overseeing a 'dark art', but something more widely appreciated and adopted, if not completely understood.

However, IT departments have not moved their relationships closer to the business as many would have liked. IT can be seen as a cost centre rather than value enabler, and so where once IT reported directly to the board, it now increasingly has a finance-driven reporting line to the CFO. At the same time, technology products and services have become very accessible and affordable.

Parts of the business often go ahead with the purchase and use of technology without involving the IT department – through a process often termed 'shadow IT'. Over time, this can become a financial and management nightmare for ensuring security, ongoing maintenance and professional operational control – never mind at a simple upfront cost level where economies of scale cannot be achieved through single contract negotiations.

This report looks more closely at the evolving relationship between the IT function and other parts of the business and how it could be dramatically improved to the benefit of all parties, by using the flexibility now offered by modern networks and services, combined with an intelligent approach to the funding of IT spending. This leads to a model where IT assets no longer have to be owned, but can be delivered and consumed as a service.

The report includes new primary research conducted in the UK, based on a telephone survey of 100 IT purchasing decision makers.



100 interviews – by Organisation Size, Industry, Responsibility, Reporting line

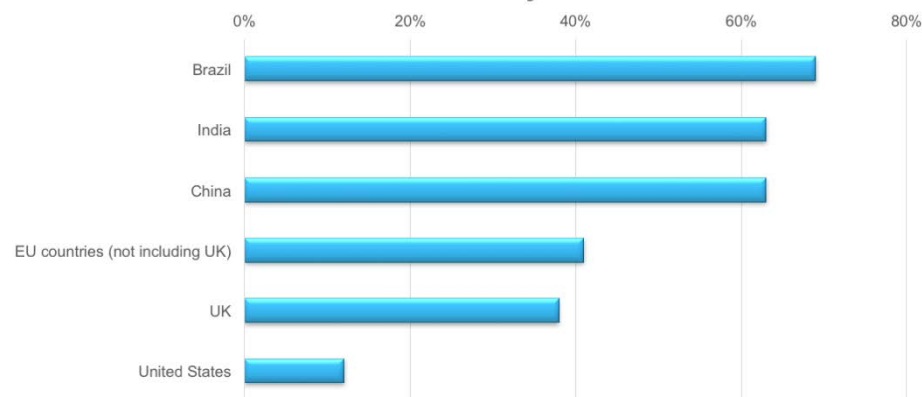
### The challenge of funding IT in a dynamic market

**T**he demands for adding to IT capabilities have not diminished and overall IT spending is rising. IT spending is growing fast for almost one in five organisations and still growing slowly for a further two out of five. Faster growth is even more prominent in larger organisations.

#### Financial inflexibility

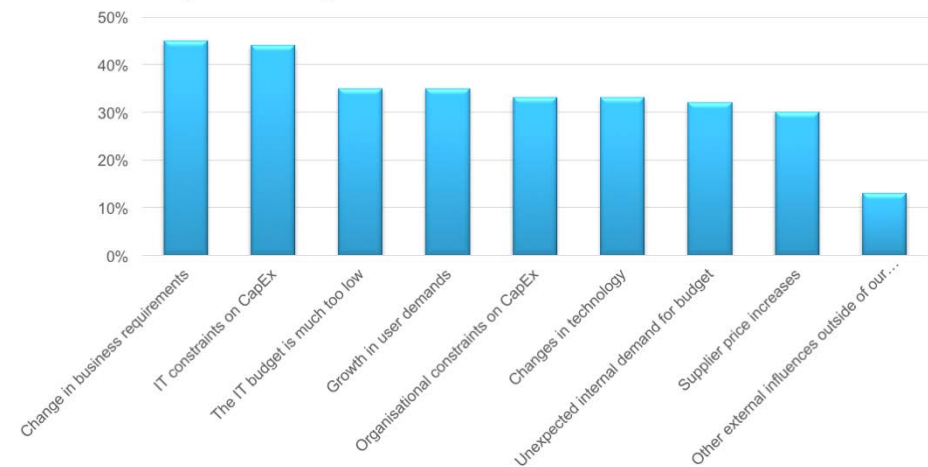
Even this growth may not be enough. New technologies, and their increasing adoption as organisations seek to increase competitiveness and productivity, means that finding sufficient funding is always a challenge. In some cases, this is not because of lack of funds within the business, but a reluctance to spend them due to broader pressures elsewhere or fears and uncertainty about the future. Significant changes in the economic and political landscape add to the lack of confidence, and this can spread quickly (Figure 1).

**Figure 1. Reluctance to invest in IT products/services from these countries due to political or economic uncertainty<sup>1</sup>**



The business pressure to invest in IT does not go away and economic uncertainty is unlikely to reduce the competitive challenges faced by most organisations. Delaying IT investment is then often a false economy, resulting in lost opportunities in the short term and hasty decisions in the midterm in an attempt to catch up. A smoother approach would be more beneficial.

**Figure 2. Why is it difficult to secure funds for IT?**



Within the organisation, the reasons for funding difficulties split into 3 main areas:

- changes in requirements;
- amount available to spend;
- financial controls on how to spend.

The total amount available is affected by supplier pricing and how much budget was originally allocated. While few would turn down the opportunity to pay less for goods and services from a larger budget, neither item stood out as the most important (Figure 2).

But is IT meeting the needs of users and the business? Perhaps at certain times, but business requirements change fast and are recognised as the biggest issue for funding. How IT spends is also critical and many have constraints on capital expenditure.

Although it is true that many technology advances result in more functional offerings (faster, smaller, more capacity) at a lower cost, there is a tendency to want to increase the breadth of deployment to more departments and users, so any nominal savings per item disappear as more technology is acquired.

Constraints on capital expenditure in IT budgets would then be a constraint to business growth. Current thinking is that more equipment needs to be purchased in order to meet the need. In reality this creates further problems. The IT estate grows, increasing the management challenge; ownership of fixed IT assets prevents the business from acting quickly to take advantage of new technology and changes by locking organisational spending into projects with long time frames. This limits IT decision makers' ability to adapt or respond in a way that maximises value to the business.

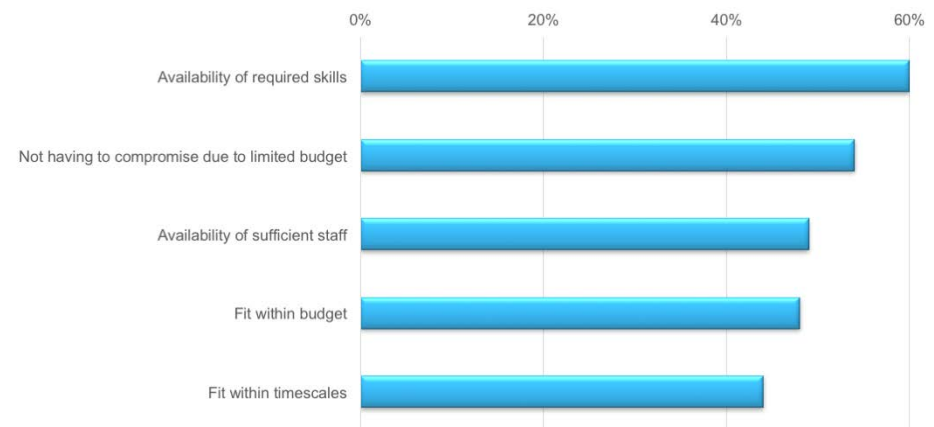
### People

Some of the challenge relates to people. Change can be quite unsettling and many that have reached a position of management or power will be reluctant to accept changes that might appear to, or actually do, threaten their position. The old IT truism of 'nobody ever got fired for buying IBM' demonstrates less a commitment to a particular supplier, but more a reluctance to change. Despite operating in a high-tech, fast moving, innovative industry, there is a highly conservative attitude in much of IT which often holds it back from building a closer relationship to the business.

Even with a progressive attitude, most IT departments struggle with human resources. In smaller organisations, it will be difficult to have enough people, but larger ones with well-staffed IT departments struggle to get the right mix

of skills – and to get those skills to work effectively together. As IT continues to evolve and grow as a technical discipline, finding people with the right skills, especially in new areas of innovation, is a growing problem. Skills and staffing challenges are rising in importance for funding, being seen as more important than fitting within timescales and budget, in order for IT to deliver without compromising on projects (Figure 3).

**Figure 3. What is important or very important when considering funding of IT projects?**



Perhaps the right attitude is there, but there is a gap between the challenge of business demands running faster than the IT department, with all the complex technologies it now has to deal with, and it being able to apply its limited resources.

More budget and more technology is not the answer. The solution requires a different, more flexible, approach where the focus is on the dynamic usage of IT equipment and not on its ownership.

### A more dynamic approach

A problem with many technology deployments is unpredictability. As systems, devices and people have become connected, this 'hyperconnectivity' results in a system that is essentially highly strung as it responds in real-time to change.

Many large organisations, for example Google, Facebook and Apple, recognise this effect, and that they need to react and respond instantly to unpredictable surges in demand, while maintaining flexibility to add new functionality.

### Technology changes and flexibility

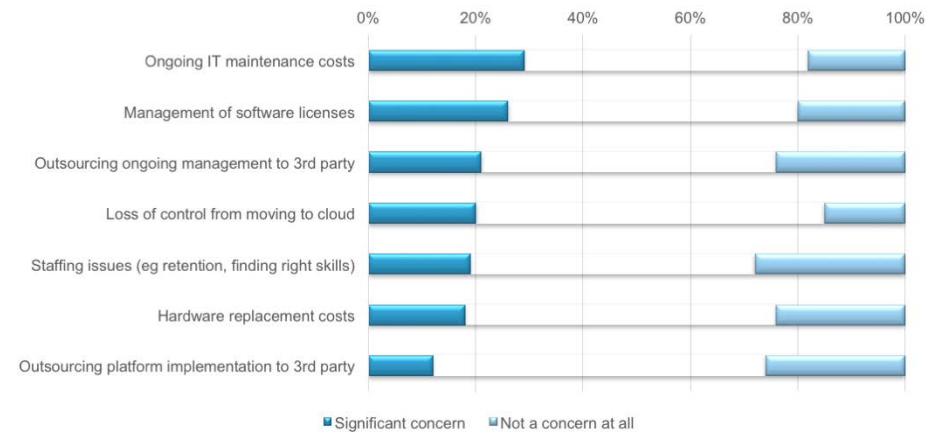
Companies with smaller budgets face similar, if somewhat smaller, versions of the same challenge. When funds allow, it has meant that IT decision makers assume they require overcapacity to deal with anticipated workload peaks, plus an extra provision to cover possible future expansion. The result is that most IT estates are far larger than they on average require, and many run for most of their lives at low utilisation rates.

This has an impact on ongoing maintenance and licensing costs too, which are viewed as the most significant concerns regarding managing the IT estate (Figure 4).

There has long been the option of outsourcing the problem for someone else to deal with, but for many IT functions, this has historically proved a difficult decision as it is perceived as essentially putting themselves out of a job.

However, the improved availability of open networks through the growth of the internet and the virtualisation of many technologies, making them much more flexible to deploy, has opened up many opportunities for incremental outsourcing.

Figure 4. What are the major concerns managing the IT estate?



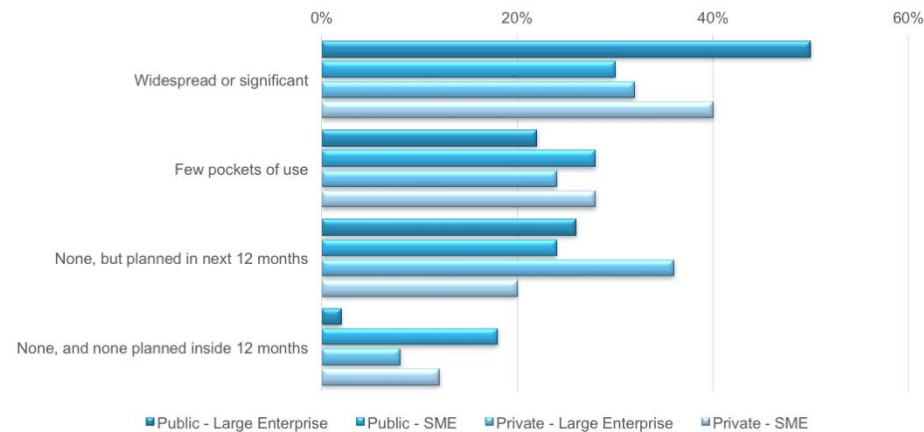
### Cloud as a catalyst

The cloud, which to all extents started life as simple hosting services, has become a major component of delivering IT capabilities. Cloud was approached with initial reluctance by many in IT, fearful for the security implications, as well as their jobs, but attitudes have changed. Wholesale outsourcing of overall ongoing control and management might still be a significant concern, but the loss of control from moving to the cloud has diminished.

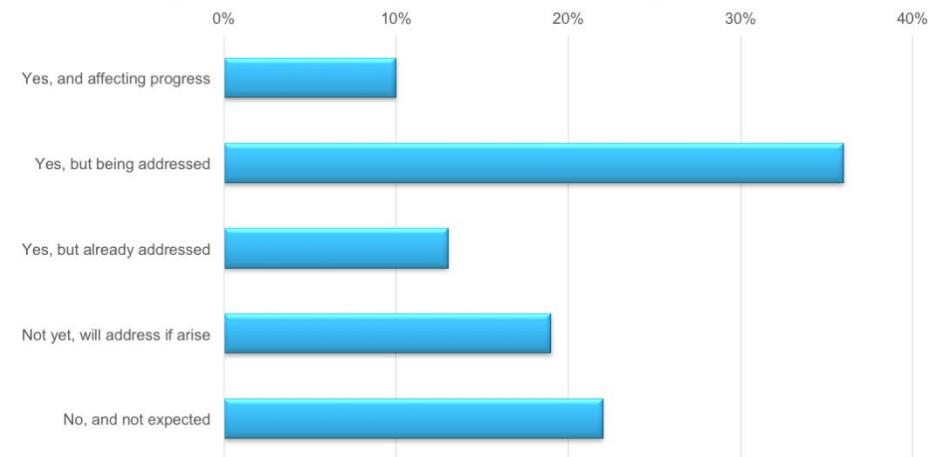
The initial reluctance regarding security and giving up complete control to an outside organisation led to the concept of a split between 'public' and 'private' cloud implementations. Economies of scale, the increasing professionalization of cloud providers and day-to-day use of cloud-based services have led to increasing comfort with the model and acceptance of public cloud. This is now where many organisations have placed much of their effort and private cloud, for larger organisations, has not proved the panacea once expected (Figure 5).



**Figure 5. How far have public and private cloud deployments progressed?**



**Figure 6. Are there public cloud security concerns?**



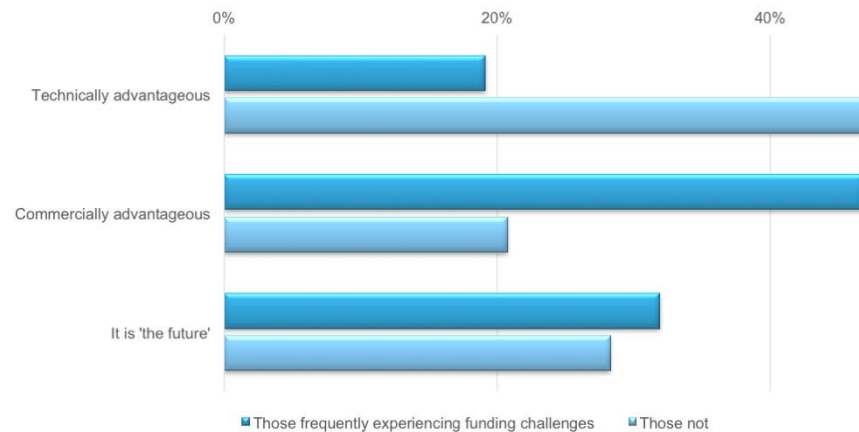
Even the once-major problem of cloud adoption for many organisations – security – has significantly diminished in terms of its impact. Previous Quocirca research<sup>2</sup> has indicated that security concerns relate to the geographic location, location of the headquarters of the cloud provider (the risks of government actions) and the ease with which data can be recovered if there is an issue with the provider.

While none of these risks has entirely disappeared, the fact that they are being addressed has raised the confidence in many organisations that the issues surrounding public cloud security are solvable (Figure 6).

This should not be a surprise. The cloud industry has taken off to such an extent that major IT players have built their strategies around delivering cloud-based services. Doing this securely and professionally is core to their business plans and reputations. The significant levels of investment in reliability, connectivity and security means that public cloud-based services most often far surpass the capabilities of even large enterprise data-centre operations.

This does not always engender appreciation from those inside the IT function. As previously stated, it may be viewed as a threat to their role or career, and, perhaps due to the day-to-day challenges and firefighting basic issues, there is still a fair number in IT who view innovation and new ideas as a problem, not an opportunity. Despite this, there remains a common view across almost a third of those responsible for IT purchasing that cloud is ‘the future’ (Figure 7).

**Figure 7. What most closely represents the view of cloud?**



A more pragmatic view is even more widespread: cloud offers commercial as well as technical benefits and those with more frequent funding challenges overwhelmingly appreciate the financial benefit. These manifest in a number of different ways:

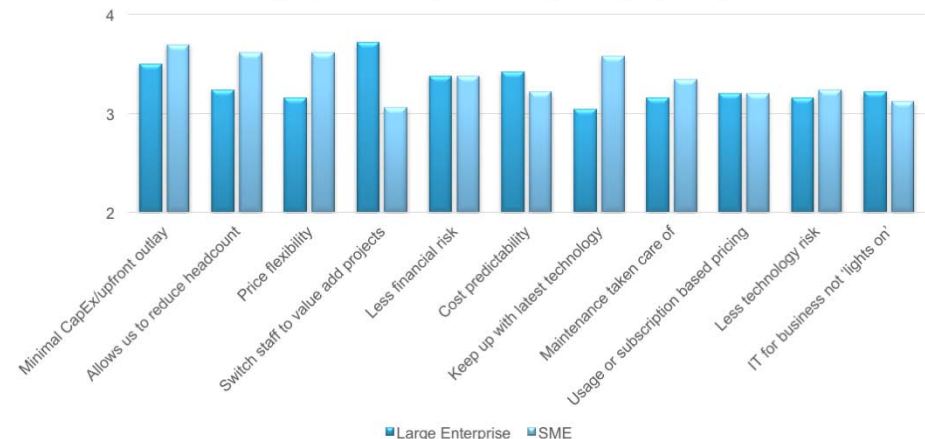
- **Price flexibility** – From spreading the cost over multi-year contract or pricing based on usage or subscription. This can also allow the possibility of 'burst' pricing to add extra capabilities only for a short duration when they are required; either at predictable times such as month end and product/service announcements or unpredictably, based on external circumstances beyond the control of the organisation.
- **Labour reduction** – This can be viewed in two ways. For smaller companies in particular, this is a way to cut headcount and costs, but it might also be viewed as a way of offloading routine work and maintenance to an external, specialist supplier, thus freeing-up staff for work that will add value to the business. This is an important enhancement to the IT function, offering an opportunity to build closer

relationships with the business, and so prove the value of IT as an enabler.

- **Lower financial risk** – The main aspect is avoiding the upfront outlay and not having to buy technology that will rapidly become obsolete. These risks are carried by the cloud providers and as long as the service contract covers performance and IT takes tight control of service levels, this approach carries less risk than managing everything in-house.

These commercial benefits are the key drivers for adoption of cloud, but the effect of outsourcing the technology and the problem also has an impact on people (Figure 8). Smaller companies struggle to keep up with technology as they do not have sufficient capacity in-house. Having access to systems implemented and managed by a third party can allow them the opportunity to keep up and compete at the same level as larger firms.

**Figure 8. Importance of cloud benefits**  
(averaged, where 1= very unimportant, 5 = very important)



The personnel impact of cloud on larger firms is somewhat different. They may have enough staff, but find they are tied up on projects that do not, or do not appear to, add value. Cloud allows the opportunity for efforts that add little real value (such as all the ‘keeping the lights on’ tasks of software patching and updates, and hardware monitoring and management) to be done elsewhere by a third party, freeing-up precious expert IT resources to add value to the business.

It is far from clear that a cloud solution will actually be cheaper in the long term, but given its technical and commercial flexibility, it offers a different way of delivering IT services and, more crucially, ensuring that the cost of doing this can be aligned to the value obtained.

Thus cloud has been the catalyst for changing the way in which IT is considered. As cloud offerings have become more sophisticated the focus has moved away from owning or even renting IT systems and products, towards considering IT overall as a service. Rather than thinking about specifications and maximising value of them over the lifetime of an acquired asset, access to IT can be viewed on what it is trying to achieve and how it is being used: more beneficial for the business, more clarity financially and more satisfactory for IT.

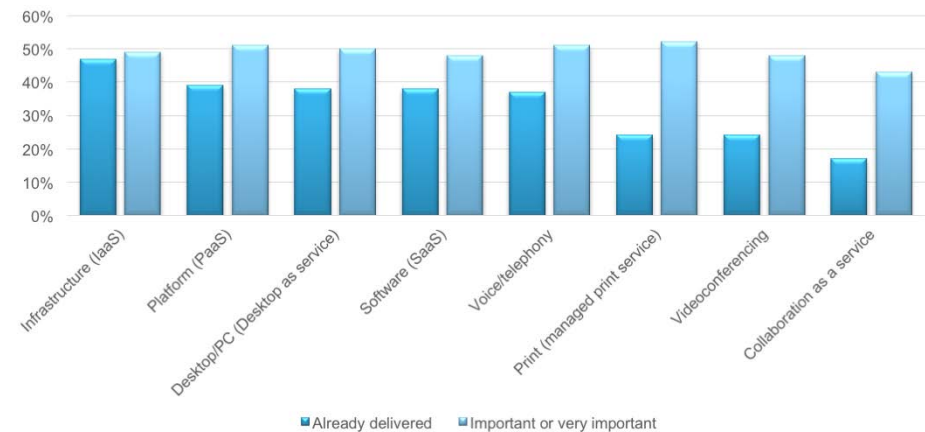
### **Appetite for services**

According to Quocirca research conducted in 2016<sup>3</sup>, the appetite for using cloud to deliver IT as a service grew rapidly in organisations across Europe between 2015 and 2016, almost doubling for the use of software-, platform- and infrastructure-as-a-service (SaaS, PaaS, IaaS) as the primary IT deployment.

These already have widespread adoption, led by IaaS, with a surprisingly lower level of adoption given for software-as-a-service (Figure 9). However, it is Quocirca’s view that many organisations do not realise that they are already using software-as-a-service. Salesforce has been regarded as the poster child

for this sector, but now many major software companies such as Adobe with Creative Cloud, Google with Docs and particularly Microsoft with Office 365 have brought a cloud model to software used daily by individuals across many organisations.

**Figure 9. What is already being delivered as a service and how important will it be in the future?**



There is also strong adoption of desktop and telephony as a service and an appetite for other communications and media to move this way too. These communications tools are critical to the organisation and take time, effort and resources from IT to acquire, provision, deliver and maintain, but offer little opportunity for differentiation.

Offloading the challenge of running them effectively to service providers is increasingly seen as pragmatic. These providers have the expertise which is increasingly difficult for even large organisations to recruit and justify and, just as with infrastructure, they can scale to deliver these services more cost effectively, securely and resiliently.

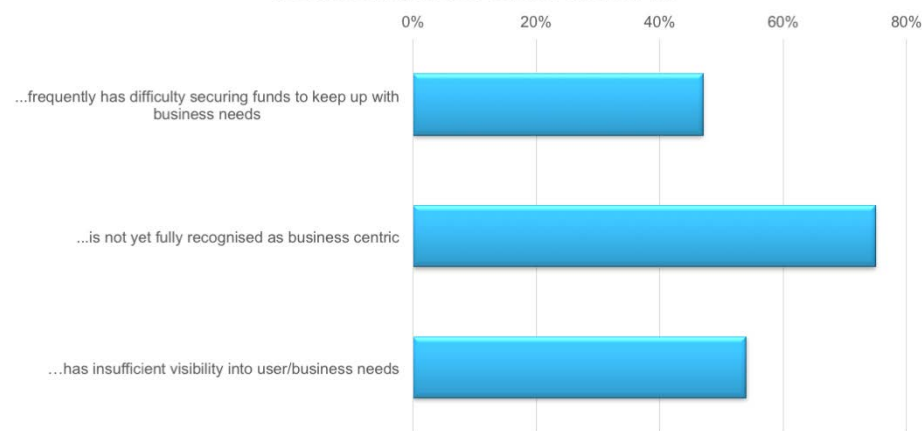


### The relationship between IT and the business

**A** significant issue for many organisations is the relationship between IT and the business. Visibility of business needs by IT is still very mixed – over half don't have enough – and this is a sad indictment of IT which should have the tools at its disposal to better understand the needs of its 'customers'.

While around a quarter of IT decision makers believe that IT is business centric (which could be optimistic, given this is their view of themselves), this still leaves a significant majority that are not well aligned to the needs of the business or users (Figure 10). No wonder so many have difficulty obtaining sufficient funding to keep up with business demands.

**Figure 10. Regarding relationships with the business, IT decision makers think that IT...**



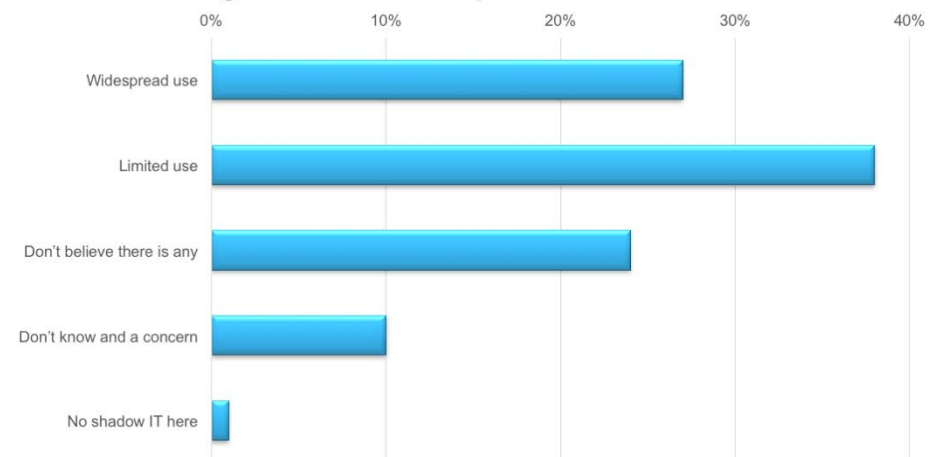
### Business takes matters into its own hands

The lack of visibility into user and business needs means that IT is often blind to how it might add value to the business, even if funding and resources permitted. Necessity is the mother of invention and it is increasingly easy to

find a way around the problem. Those needing to fix a technical issue can take matters into their own hands and buy IT resources without involving anyone in their own IT department – the easy availability of cloud services orderable with a credit card makes this even simpler.

This is where the term 'shadow IT' has appeared, and while this approach is not new (users in large organisations have been buying in the odd bit of un-approved IT since before the early days of the PC) it introduces risks and problems, especially as it now appears to be endemic (Figure 11). There are some indications that the level of IT spend taking place outside of the control of IT might be close to an order of magnitude (10x) the 'official' IT budget.

**Figure 11. How widespread is 'shadow IT'?**



Shadow IT is a challenge that needs to be dealt with. IT sprawl adds to an organisation's overall costs, is difficult to manage and opens up significant security and compliance issues. What start outs as low-cost expediency to get a task done might result in significant costs to the business longer term.

### Spotlight on the shadows

However, the appetite in the business to use technology to bring about a 'digital transformation' should be encouraged. Shadow IT could be seen as a reaction to the need for change. Rather than taking an overly defensive and resistive approach to it, the IT function should see this as an opportunity to take a different tack to improve the relationship with the business, through better capabilities to:

- **Innovate** – First recognise that those closest to the business are likely to know what needs to be achieved, but do not necessarily know the best way to accomplish this. IT could support and encourage innovation in the business, rather than trying, and often failing, to do this in-house. The availability of cloud-based services – public and private – could foster this.
- **Accelerate** – Scale-up by IT and the line of business working closer together on developing the implementation required to a) meet the business need, but b) be robust and fit within a supportable IT strategy.
- **Operate** – Once the approach is delivering results, shift to a production model, orchestrated by IT, with the business offloading the task to be run by IT, as a service.

In this way, IT and the line of business move together through the 'Cycle of Innovation' detailed in Geoffrey Moore's book, *Dealing with Darwin* (Invent, Deploy, Context, Offload). This is where something non-mission critical but offering differentiation is *invented*, then fully *deployed* at scale to become mission critical and core to the business. As the differentiation diminishes, it moves from core to context, still has to be *managed* at scale, but can at some point be *offloaded* to free-up resources for the next core innovation.

### Case Study

*A multi-national professional services company recently adopted PC-as-a-Service ('PCaaS') for its desktop estate. This was to ensure it maintained the highest standards of support for the IT portfolio across the company. Critical drivers to this change in approach were improvements in data integrity, together with cost efficiencies from minimised down-time.*

*With any PCaaS approach, the assets are delivered and installed, preconfigured and ready to run. As part of the service element, the supplier commits to rapid replacements and upgrades as well as repairing and maintaining the technology until its contract ends. This ensures that any organisational disruption is kept to an absolute minimum and the estate remains current, without incurring additional or unnecessary costs.*

*Traditional IT procurement methods focus on asset cost and ownership, rather than the data and the value of information accessed by the asset. Instead, this service driven approach switched the emphasis to the consumption of 'IT as a service', thus reflecting that technology must support, enhance and facilitate business.*

*Its delivery method had to be as cost-effective as an outsourced service and it needed to be managed by those with the right capabilities and skills. Putting all this in place has created a more efficient IT estate for this professional services company, where the value add to the business is clear and costs are transparent.*

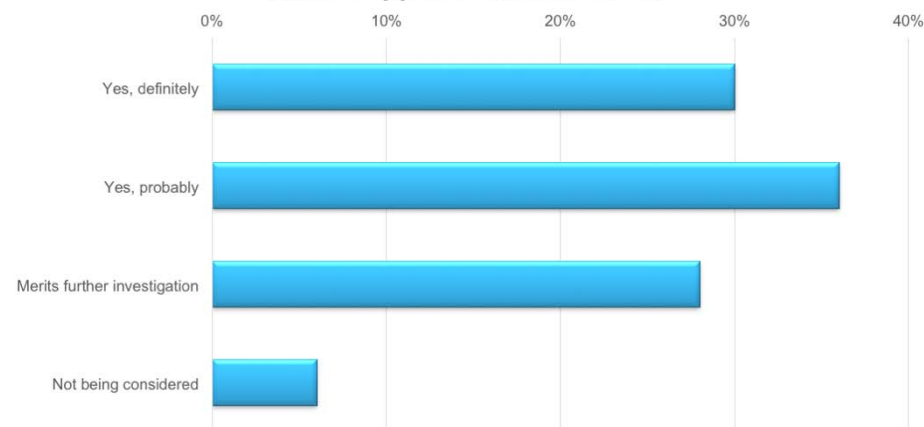
### A different model – IT consumption as a service

**W**hile the delivery of various elements of IT – platforms, infrastructure, software applications and communications systems – as a service has become widespread, these are still technical capabilities which need integration to become services consumed by the business.

Although many can be, and often are, simply used as they are to build the IT infrastructure (or occasionally as ‘shadow cloud’ or shadow IT away from IT visibility), they can be used as the basis for a different model of delivering IT across the organisation, as a service.

There is a strong appetite for this approach (Figure 12), but what sort of changes does it entail?

**Figure 12. Would the delivery of IT as a service help better support business needs?**



### The changing role of IT

The IT function will need to be able to aggregate services developed in-house alongside those acquired externally and then present to the business a commercial proposition that has been abstracted from the technical underpinnings. The commercial proposition will consist of a catalogue of service options, with a suitably flexible set of tariffs, billing and chargeback or showback models. To deliver this, IT needs to co-ordinate multiple aspects:

- **Technical** – Define and understand the capabilities available internally and externally. See what is core and adds differentiation and what does not.
- **Contractual** – Individual cloud service providers will specify different contracts to those that will be acceptable to the business, and they will all be different. IT will be caught in the middle and needs to be able to build a model that satisfies both ends.
- **Financial** – Cloud billing models vary; many require upfront payment, and pay-as-you-use plans may be oriented around technical, not commercial, resources (e.g. pay by memory capacity, number of CPUs consumed, network bandwidth). These need to be interpreted and amortised to fit with business needs of the services that IT will offer inside its own organisation.

Clearly some of these will require outside support and new skillsets, but it might be possible to obtain this through channel partners. Many now recognise that this is an opportunity to add value in the integration process, not just of the technical and product components, but the legal and commercial service elements.

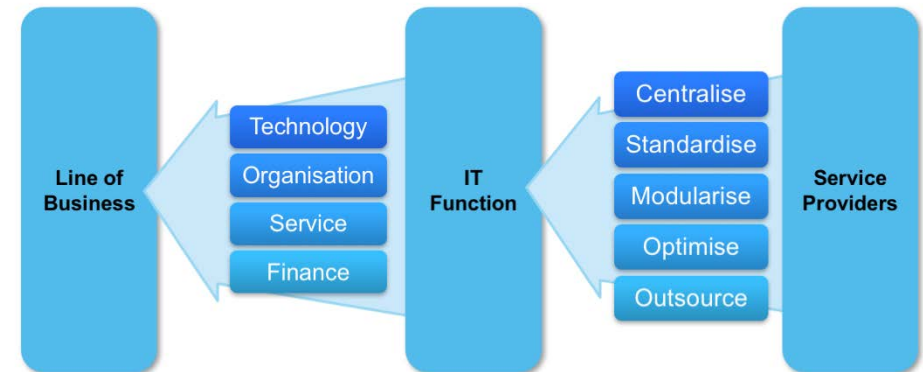
### IT as a service broker

The 'Cycle of Innovation' can be applied to the whole of IT. This means looking at the capabilities and functions required by the business and going through a process to rationalise them to decide what key components or services are necessary in order to deliver them (Figure 13). Geoffrey Moore uses a 'five levers' model to identify the stages of this process.

- **Centralise** – Bring operations under a single point of control to reduce overhead costs and create a focused decision-making unit to manage risk. This needs to incorporate business as well as IT to ensure that shadow IT is embraced and brought into the fold.
- **Standardise** – Reduce the variety and variability of processes delivering similar outputs to further reduce costs and minimise risks.
- **Modularise** – Break the system down into its core components and subsystems. Standardise interfaces for further cost reductions.
- **Optimise** – Automate where possible and remove redundancies. Where there are lower cost (but equally functional) options, use them and apply a complete system for monitoring to ensure further streamlining where possible.
- **Outsource** – Look for processes that are not core and can be offloaded to further reduce overheads. Move to pay-as-you-use and subscription models for services delivered into the organisation. Apply and tightly monitor service level agreement (SLA). Not all service providers are equally capable, and effective management of SLAs is critical to ensuring the value IT is seen to deliver.

Organisations do not function based on a single set of services; they will need to have a mix of capabilities delivered, and most likely from several service providers. This is both an opportunity and a challenge. The process of managing how and what needs to be delivered as a service into the organisation needs to be co-ordinated. It involves the technical, commercial and legal integration of capabilities from services providers.

Figure 13. IT as a service broker



In doing this, IT will become a 'service broker' to the organisation, rather than an obstacle or limiting factor to change. Rather than a focus on hardware, software and services, bought and deployed in some combination to try to meet business needs, there is an opportunity to think differently about what IT involves and how it is delivered to the business:

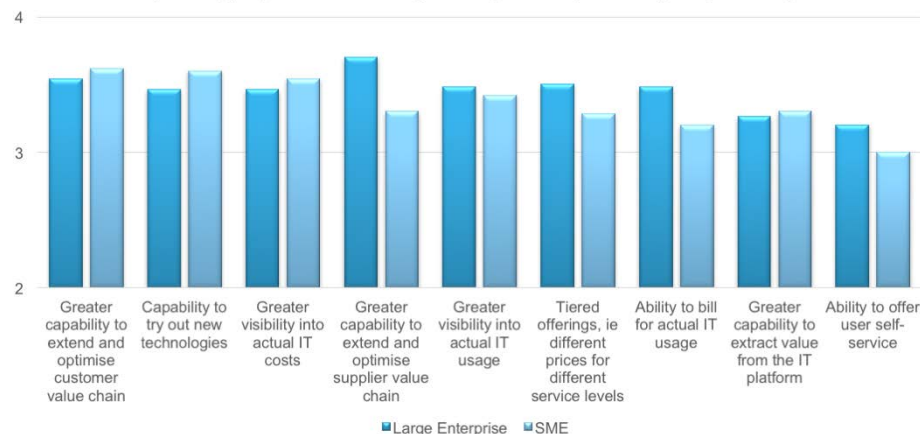
- **Technology** – No longer owned as assets but flexibly delivered as a service by those with the right capabilities and skills.
- **Organisation** – IT as service broker, aggregating capabilities delivered both internally and externally, focused on business outcomes, bearing responsibility for service.
- **Service** – A catalogue of options, based on and described by the value they offer to the business, with tiering based on level of capability.
- **Finance** – Transparent, no upfront investment. IT assets not acquired, but used, with pay-by-use, IT services billing.

Ultimately, IT is then being measured on the value obtained by the business, not the cost (or value) of the assets being employed.

### The benefits of IT as a service

While there is often a focus on quick-fix cost reduction, this is not really the goal of switching to a service model as far as IT is concerned. Certain elements of cost may rise as, especially upfront, there will need to be investment in changes to fully exploit the service-based model. Most in IT are looking to broader and longer-term benefits arising from the greatly increased flexibility, visibility and alignment that IT as a service is expected to deliver (Figure 14).

**Figure 14. Importance to the delivery of IT as a service**  
(averaged, where 1= very unimportant, 5 = very important)



The opportunity to extend the enterprise to customers seems to be the most important element overall, with the opportunity to try out new technologies also important, in both cases slightly more so for smaller companies. Larger enterprises are also looking to optimise the supplier side, bill for IT usage and have tiered offerings, which fits well with the direction of IT as a service broker.

Offering self-service came out as least important. Few organisations really want what is often perceived as self-service – a complete free-for-all of end-

users helping themselves – and self-service has been badly presented to IT, which therefore continues to fear a loss of control.

If instead, it had been presented correctly as ‘Based on policies defined by the business and enacted through simple means by the IT department, users could then choose and have provisioned services to which they are allowed access, as and when they need it’, self-service would score far more highly. This would deliver IT consumed as a service and build a closer understanding and relationship with users who would then appreciate the value-add of IT.

*‘...it offers a different way of consuming IT resources and, more crucially, ensuring that the cost of doing this can be aligned to the value obtained.’*



### Conclusion

The shift towards a utility model has long been part of the agenda for IT. The growth in cloud and the associated appetite for offloading infrastructure concerns and elements of communications show that the general approach is widely accepted. Now there is an opportunity to move further in this direction and change the oft-lingering perception that IT involves large-scale investments with no clear business benefit. Rather than buying IT systems and assets that increase the management burden on the IT estate and become an inhibitor to change, all of IT could be considered, delivered and consumed as a service – with costs based on usage and more attributable to the business value actually delivered. Organisations can start this change by considering the following:

- **Core vs Context:** Build a picture of current usage and assets. Identify where there is differentiation and where outsourcing would help. The availability of external service delivery via the cloud helps and takes some of the technical and resources load off IT. Additional financial flexibility from spreading the cost over time helps too. Individual, defined services and low-level infrastructure can easily be offloaded, but a larger, fully integrated and more productive shift of operations will require investment in changing mindsets, time and actual money.
- **Re-energise IT:** Often short of funding, struggling just to keep everything operational and being constantly bombarded by innovations: IT finds it hard to acquire the skillsets it needs. No wonder there is a tendency to retrench into areas of the existing nominal comfort zone of 'don't change anything'. IT needs to be given the strategic authority to invest in innovation and support the lines of business undergoing digital transformation.
- **Engage the business:** It already understands its requirements, but not how to best deliver them. Shadow IT could often be seen as a cry for help, rather than trying to avoid due process. Ensure that the business continues down the route of looking for innovation, but learns to work with IT to ensure professional and cost-effective delivery.
- **Focus on flexibility:** Faster time to market, time to value or time to volume are generally more advantageous to the business than simply saving money. While a consumption-based model and outsourcing to the cloud may bring cost savings, the most important things it will bring are visibility and a direct link between IT services and value to the business.
- **Flexible financial planning:** Simply switching from owning IT assets to renting capacity from a service provider is not the answer. The change that benefits the line of business, IT and those running the finances comes from thinking of IT in terms of value obtained by the business, not the value of the assets – whether they are in an in-house data centre or hosted elsewhere. All of IT, not just server loads, can be considered and delivered this way. This includes desktop-as-a-service, managed print services, unified communications and video collaboration-as-a-service. To deliver this requires the integration of internally and externally provided infrastructure and services. IT, in combination with technology partners/channel needs to be able to orchestrate this through integrating not only technology, but also the contractual and financial commitments.

The justification for this is to be able to offer utility- or consumption-based IT to the business. IT must aim for a services model that aligns directly with the needs of the business, based around transparent and rational billing. This way, the business can see the true value of IT services alongside their cost. A third of organisations claim to be already well along this path; the research shows that they are sure to be joined by many more.

### Considerations for the shift to consumption-based IT

**Existing infrastructure** – How effective is IT asset control and inventory? Has any infrastructure moved out of support? How well do you understand what parts of IT are providing competitive differentiation (core), and what parts are business critical, but only keeping the lights on(context)?

**IT and the business** – Does IT listen? Is it fully aware of the needs of users and the business? Is the IT function automated internally? Is it able to deliver effective automated processes to its customers e.g. end-user self-service? Does it have the tools and processes for a consumption-based world e.g. IT4IT? Does it have the capability to retool to meet those needs? What is holding IT back from being a service broker to the business?

**Casting a light on the shadows** – Is the business going faster than IT? How much shadow IT is there in your organisation? Do you know or is it a great unknown? Would there be support from the line of business to bring it back into IT? If not, what could be done differently to encourage this? Why is the business spending its own budget, which is presumably for something else, on IT? Has there been a drift into cloud without security analysis?

**People/staffing/partners** – Are you looking to reduce numbers or redeploy staff? Is the skills mix right? Do you need to bring in legal/contractual skills to balance the supplier/consumer demands? Can this be outsourced? Have you got the right mix of partners? Do they have the right skills? Can they adequately act as the commercial integration intermediary between contractual obligations to service providers and the needs of the end customer?

**Billing/funding models** – What will work best for the business? Simple monthly recurring costs or more sophisticated models akin to mobile phone contracts (some upfront to keep monthly payments fixed etc.)? Is it sufficient to switch from CapEx to OpEx? Is variability based on usage levels going to be a problem? Does IT have sufficient budget to meet the needs of the business?

**Consumption-based IT** – Could IT assets be consumed as a service rather than owned? Is this limited to certain services or could everything in IT be delivered this way? Would this deliver a closer link between IT and the business? What elements are missing from current propositions? Do you need someone to integrate the commercial options? Is the channel adapting to the as-a-service proposition?

#### References:

1. Spiceworks – The 2017 State of IT report
2. Quocirca 'Neither here nor there', October 2014
3. Quocirca, 'Master of Machines III', 2016

### About Rigby Capital

Recognising that the IT market is in transition – not least in terms of how businesses consume their IT services – Rigby Capital was established in 2015 to help its partners (including vendors and service providers) to specialise in supporting the economic impact of consumption-based technology service solutions to their customers, alongside traditional IT financing solutions.

With an experienced team at the helm and backed by one of the UK's most trusted family-owned PLCs, Rigby Capital prides itself on being commercially oriented, transparent and unique in its approach by helping address the challenges of the seller in answering the problem of their customer. The team at Rigby Capital specialises in asset inclusive services payment structures and software aligned subscription models with an emphasis on supplying benefits to the seller by addressing their cashflow and revenue recognition conflicts.

In the relatively short time since its inception, customer demand has validated the increasing requirement for this new approach to technology financing, and Rigby Capital has already built up a wide portfolio of customers (across all industries) and is working with a growing number of business partners – with plans for expansion into Europe.

For more information visit: [www.rigbycapital.com](http://www.rigbycapital.com)

Email: [enquiries@rigbycapital.com](mailto:enquiries@rigbycapital.com)

Phone: +44 (0)203 713 5635

### About Quocirca

Quocirca is a research and analysis company with a primary focus on the European market. Quocirca produces free-to-market content aimed at IT decision makers and those that influence them in business of all sizes and public sector organisations. Much of the content Quocirca produces is based on its own primary research. For this primary research, Quocirca has native language telephone interviewing capabilities across Europe and is also able to cover North America and the Asia Pacific region. Research is conducted one-to-one with individuals in target job roles to ensure the right questions are being asked of the right people. Comparative results are reported by geography, industry, size of business, job role and other parameters as required. The research is sponsored by a broad spectrum of IT vendors, service providers and channel organisations.

However, all Quocirca content is written from an independent standpoint and addresses the issues with regard to the use of IT within the context of an organisation, rather than specific products. Therefore, Quocirca's advice is free from vendor bias and is based purely on the insight gained through research, combined with the broad knowledge and analytical capabilities of Quocirca's analysts who focus on the 'big picture'. Quocirca is widely regarded as one of the most influential analyst companies in Europe. Through its close relationships with the media, Quocirca articles and reports reach millions of influencers and decision makers. Quocirca reports are made available through many [media](#) partners.

To see more about Quocirca's analysts, click [here](#).

To see a list of some of Quocirca's customers, click [here](#).

To contact Quocirca, please click [here](#).

