

White paper on Capgemini's specialized Operating Models

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Context and challenge

Today, more than ever before, the rapid pace of change, introduction of disruptive technologies and a hyper-competitive business environment are putting new challenges in front of CIOs.

On the one hand, IT is moving from an enabler role to that of a business partner - CIOs are expected to partner with their business to lead their company's technology enabled business innovation – the so called "Digital Transformation" – treading into newer areas like M2M, social media, cloud computing, real-time analytics and mobile computing.

On the other hand, they need to continue to "Keep the Lights On" - guaranteeing flawless quality of service from the increasingly complex and expensive to maintain legacy information systems, plus secure the ongoing development projects related to the business roadmap.

Combined with the projection that IT budgets will mostly remain flat or shrink in the near future, it becomes clear that CIOs need to overhaul their business model and positioning in order to find sustainable cost savings that can be re-invested on innovation projects that bring tangible business value.

The industrial model for IT

Clearly, the challenges going forward require CIOs to take a fresh look at both their IT portfolios ("what is being managed") and their operating models ("how it is being managed") in a holistic manner and put in place an organization that is characterized by sustainable efficiency, agility, predictability &

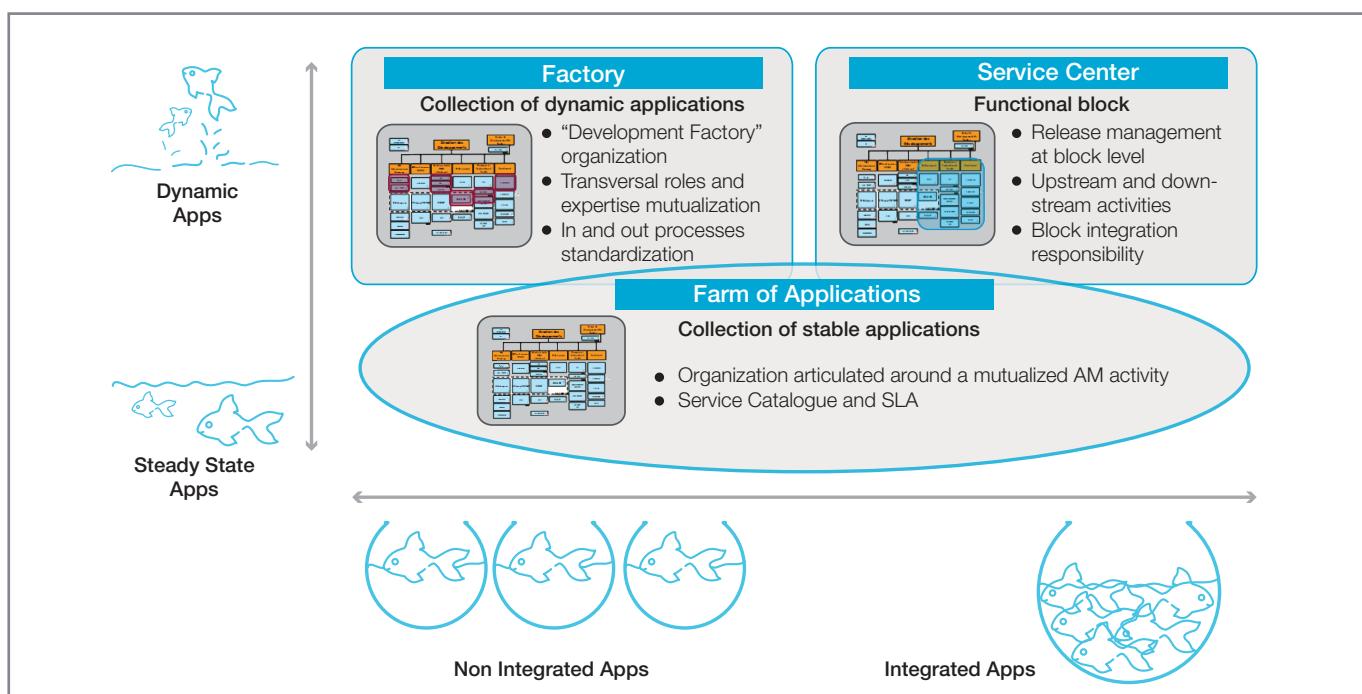
business value driven investments. We call this the **Industrial Model for IT**.

It goes beyond traditional measures like the use of offshore locations, IT and business process improvements and portfolio modernization initiatives because the lack of coherence across individual initiatives mean that a lot of the efficiency gains expected from them are often offset by the increase in the number of hand-offs and the complexity of the legacy application landscape itself.

- Simply put, the goal of an Industrial Model is to set up a "virtuous cycle" within the IT department - based on the same global budget, the model should reduce run costs for the legacy by *rationalizing* the applications (the 'what')
- and *industrializing* the IT delivery model (the 'how'), thereby increasing the quantum of investments earmarked for innovation & modernization initiatives that are tightly governed to ensure they deliver tangible business value and in turn decrease the run costs.

One size doesn't fit all

Since one size does not fit all, we have defined specialized Operating Models based on the application portfolio characteristics (stable vs. dynamic; integrated vs. non-integrated). Each Operating Model comes with its own "Delivery Pattern" covering aspects such as organization, roles, pyramid (team composition by level of experience), lifecycle, testing approach, processes and tools, KPIs and governance; and is designed to maximize operational efficiency.

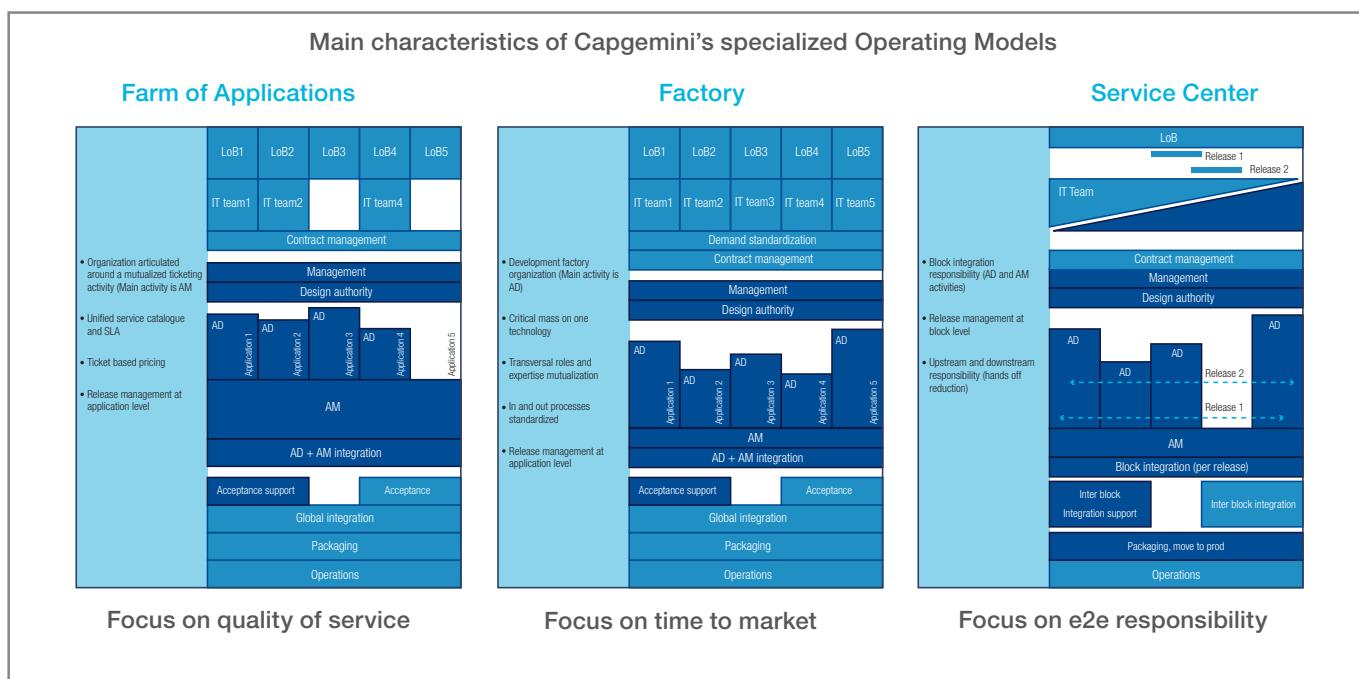


There are three Operating Models that can co-exist in an IT organization

- Farm of Applications – for stable applications, where the drivers are: standardized processes & tools; service catalog & SLAs; and mutualization of resources (industrial maintainer).
- Factory – for dynamic applications undergoing frequent changes, where the drivers are: consolidation by

technology for critical mass & mutualization of resources; input / output standardization; re-use; and agility (technological accelerator).

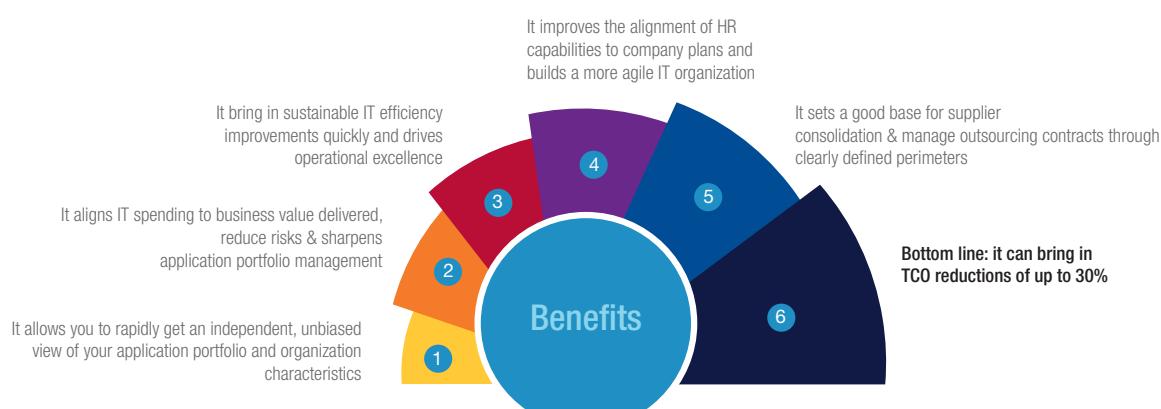
- Service Center – for integrated applications sharing strong functional dependencies, where the drivers are demand regulation; verticalization (extension of lifecycle activities up / downstream); release management; and integration (end to end integrator).



Benefits delivered by specialized Operating Models

- Operating Models (which are the building blocks) allow you to consolidate suppliers & unlock the benefits of industrialization & economies of scale; moving from T&M contracting to fixed price contracts.

- The specific nature of applications managed within each Operating Model helps you delineate the boundaries of the contracted work packages, and govern based on the expected results – including the savings targeted.



For more details contact:

Philippe Roques

philippe.a.roques@capgemini.com
+33 6 47 81 46 93

Chandra Badami

chandrashekhar.badami@capgemini.com
+33 6 43 87 56 70

Gopalakrishnan Krishnamurthi

gopalakrishnan.kris@capgemini.com
+91 97422 67026



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