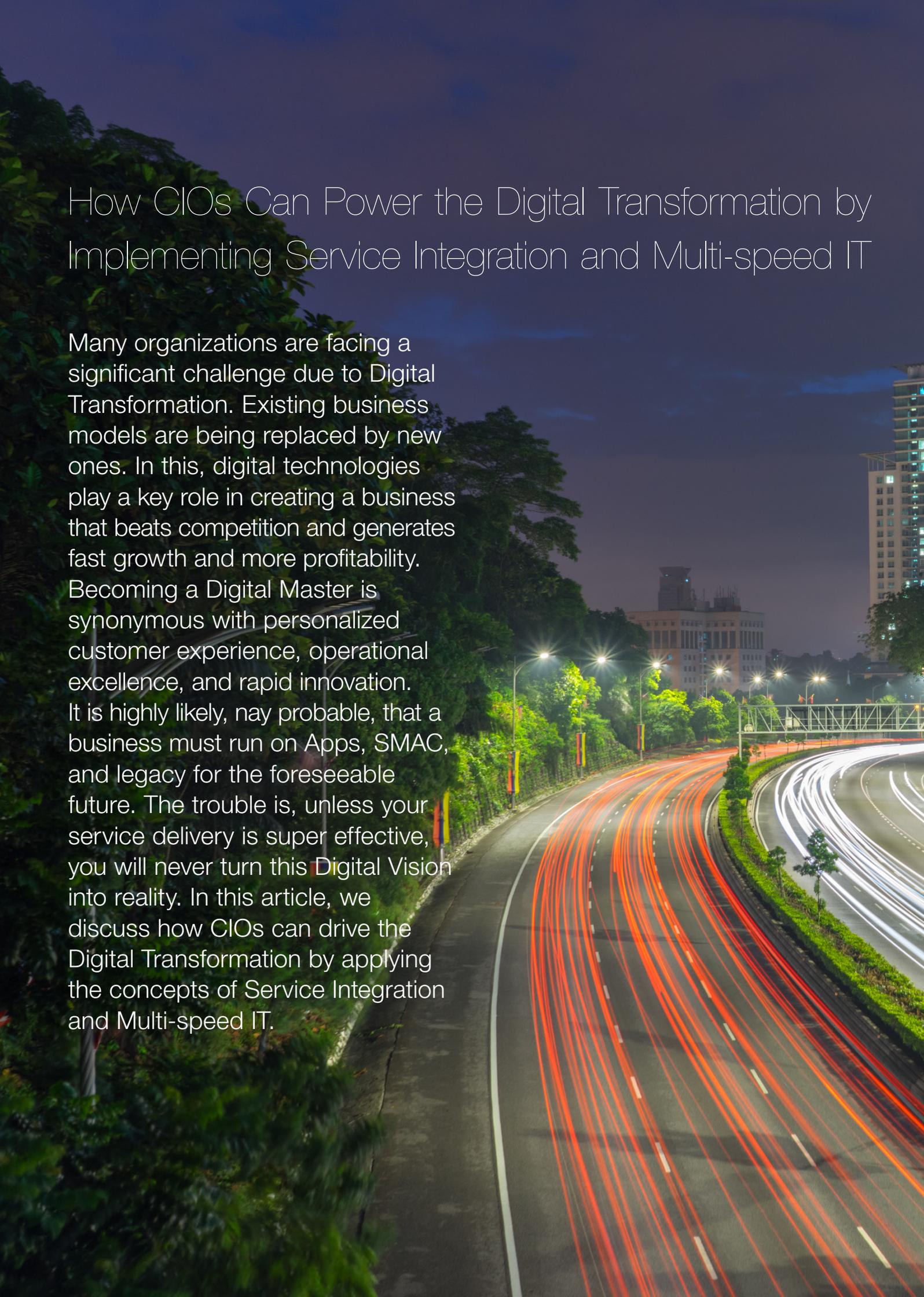


# How CIOs Can Power the Digital Transformation by Implementing Service Integration and Multi-speed IT



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Many organizations are facing a significant challenge due to Digital Transformation. Existing business models are being replaced by new ones. In this, digital technologies play a key role in creating a business that beats competition and generates fast growth and more profitability. Becoming a Digital Master is synonymous with personalized customer experience, operational excellence, and rapid innovation. It is highly likely, nay probable, that a business must run on Apps, SMAC, and legacy for the foreseeable future. The trouble is, unless your service delivery is super effective, you will never turn this Digital Vision into reality. In this article, we discuss how CIOs can drive the Digital Transformation by applying the concepts of Service Integration and Multi-speed IT.





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## Saving on business-as-usual to spark new business

Becoming a Digital Master calls for the ability to rapidly introduce new digital concepts. This in turn requires budget, resources, and facilities to support both improvements on “business-as-usual” and radical and disrupting innovation for “business-as-hard-to-imagine.”

At the recent CDO Summit in New York, Didier Bonnet, Senior Vice President and Global Practice Leader at Capgemini Consulting, in his keynote address commented that, “the core job of the CDO is to spark changes to how the company works. Often that’s amid controversy, insecure funding, and a deck stacked against new thinking. Often funding can be scarce for CDO led experimental projects with uncertain returns.”

One funding model Didier has seen among clients is to have the CIO give up five percent of the IT budget, where one to two percent goes to the bottom line, and three to five percent

to digital transformation work. That conversation can be difficult, he said, but to pay for new things, “you have to stop doing (other) things.”

Freeing up budget for digital transformation is only a part of the challenge. To become a Digital Master you have to rapidly develop and introduce new digital concepts. How can you move rapidly if your IT organization is used to developing applications at industrial speed (waterfall) instead of at digital speed (Agile)? How can you ensure that your service providers deliver at digital speed? How can you create collaboration between start-ups, SaaS solutions, and existing IT service providers?

The CIO has some real challenges in the road ahead to make the digital transformation a reality. He has to act fast as the competition is already moving ahead!



## The challenges on the CIO agenda

Companies are wrestling with the complexity, cost, and inflexibility resulting from multi-sourced, globally delivered IT services. This is a challenging situation for CIOs who want to drive the digital transformation at their company. We have identified **four** challenges for the CIO on the road of becoming a Digital Master:

1. Free up budget and resources for (digital) innovation by transforming how run services are governed and managed by standardizing processes and automating the routine.
2. Facilitate a multi-speed IT way of working in which Agile, DevOps, and Continuous Integration can coexist next to waterfall delivery methods.
3. Ensure that an increasingly complex and diversified landscape of IT (point) solutions and (Cloud) service providers work together coherently end-to-end.
4. Provide ways to build the necessary collaborative relationships that Digital mastery demands with existing and new (start-up) IT service providers.

### Freeing up budget and resources

As the majority of the IT budget (70%) is spent on run services, the **first challenge** lies in quickly transforming how run services are governed and managed by standardizing processes and automating the routine.

This challenge is directly associated with the issue that while you may have the best IT suppliers, have you got the best IT service? What does this mean in practice? It means that the CIO must move away from the traditional man-marking of each outsource service provider, running multiple service desks, and responding to incidents and problems in a myriad of ways, depending on geography and service provider.

### Facilitating a multi-speed IT way of working

Since the next 25 to 30% of the IT budget is spent on projects and new initiatives, the **second challenge** for us lies in facilitating a multi-speed IT way of working. Many efforts will be aimed at shortening the time-to-value of new Business Technology services. This can happen by accelerating development of new functionalities and releasing this every week, while ensuring full integration with existing systems. This calls for Agile, DevOps, and Continuous Integration. But, this has to be done at the same time as efficiently running the traditional services - supported, for example, by global ERP systems - the business depends upon and which have longer timeframes and waterfall delivery methods.

### Existing, new, and externally sourced applications must work effectively together

True Digital Masters acknowledge the fundamental differences of their Business Capabilities. Only three to six are truly differentiating and mission critical. These must be honed to perfection until they are best-in-class, interlocking, and mutually

reinforcing. Others are critical but truly very much like those of your competitors, with more than 70% being really just non-differentiating and non-critical.

This distinction allows you to adequately maintain and improve existing IT applications and source to multiple (micro) service providers to provide all pieces of the puzzle. The differentiating and critical business capabilities most certainly require customized IT solutions to add to the competitive edge, while the non-differentiating and non-critical ones can be supported by plain vanilla SaaS solutions.

It is highly unlikely or improbable, that a business's IT service requirements - as described before - can be fully met by Apps and purely Cloud based solutions only. So a combination of Social, Mobile, Analytical, Cloud, and conventional customized IT solutions is inevitable and unavoidable, for the foreseeable future.

The **third challenge** is to ensure effective and efficient interaction and, thereby, the integration of existing and new applications.

However, this can be a tricky business. As the number of service providers grows due to increasing use of Cloud suppliers, apart from existing suppliers, the challenge becomes to remain cost effective, while governing and managing an increasing number of contracts.

### Collaborative relationships between service providers

CIOs are struggling to manage different service providers who are, in most cases, working independently of each other, and with little connection to the business goals their services underpin. Furthermore, these service providers are typically delivering services according to different types of agreements, with unclear accountability for services rendered, different performance management regimes, and different ways of working. And expensive governance requires separate teams to "man mark" each provider. All this collides to construct a culture of finger pointing and a tsunami of operational issues that makes achieving the smooth and effective coexistence of Cloud and conventional service nearly impossible, unless a different approach is taken.

The **fourth challenge** is adopting a governance model that provides ways to build the necessary collaborative relationships amongst your service providers and business units that Digital Mastery demands. It should radically overhaul traditional models of IT service governance and management, and in so doing establish a new way of working for the organization.



## How to successfully address these challenges?

There are a number of ways these challenges can be tackled. You can either conduct just another procurement effort, hoping that it works better this time and reduces your costs, or, you can in-source everything and start again. A third option is to give it all to a renowned out sourcing company again to fix it, basically admitting “Multi-sourcing is too difficult for me!” A fourth way would be to prepare for the future and try a new approach.

Research by Capgemini with a large group of CIOs - and supported by research done by Gartner - revealed that 73.9% of CIOs are looking for a new approach. This new approach signifies the moving away from the traditional man-marking of each outsource service provider, running multiple service desks, and responding to incidents and problems in different ways, depending on geography and service provider.

The good news is Service Integration - or in Gartner parlance, Multisourcing Service Integration (MSI) - which is a proven model that addresses these issues and can readily be adopted. To bring it to life, a new way of working must be established, one that explicitly defines functional responsibilities, among client, service integrator, and service providers.

It, in turn, needs to be supported and enabled by a platform of tightly integrated operational processes and procedures that defines how things are done, along with tooling to automate the routine and provide ample high quality data to support decision making. It also requires a commercial model and governance framework designed to formalize collaboration and transparently bind all the parties together, removing ambiguity and building trust. Lastly, it necessitates the service integrator to have commercial “skin in the game,” i.e. accepting accountability for overall service performance. And the prize is significant. Analysts suggest between 10% and 20% of the IT budget can be saved if services were operated this way, more than enough to fund the CDOs “experimental projects with uncertain returns.”

But, by only reducing costs and implementing a new sourcing model, the challenge of facilitating a Multi-speed IT way of working, in which Agile, DevOps and Continuous Integration can coexist along with waterfall delivery methods, has not been resolved. What about the challenge of combining the existing IT landscape with new (Cloud) solutions?

## Next Generation Service Integration facilitates the digital transformation

Leading CIOs recognize that digital initiatives need to be run at a distinctly different rhythm compared to traditional IT programs. Innovation and digital disruption require fast and furious action. Many of your core capabilities and associated systems of records demand high performance and deliberate care, but don't change very often. Your differentiating and frequently shifting capabilities in areas such as customer-facing processes, manufacturing, and supply chain need a pace of change somewhere in between. So, while traditional IT programs follow stable and predictable lifecycles that last several years with one or two major releases per year, digital initiatives have a much shorter time-to-market and need to be more flexible and adaptive to change with major releases every one or two months. The truly innovative initiatives can have an even higher pace of change with weekly pivots on core assumptions and updates of the Minimum Viable

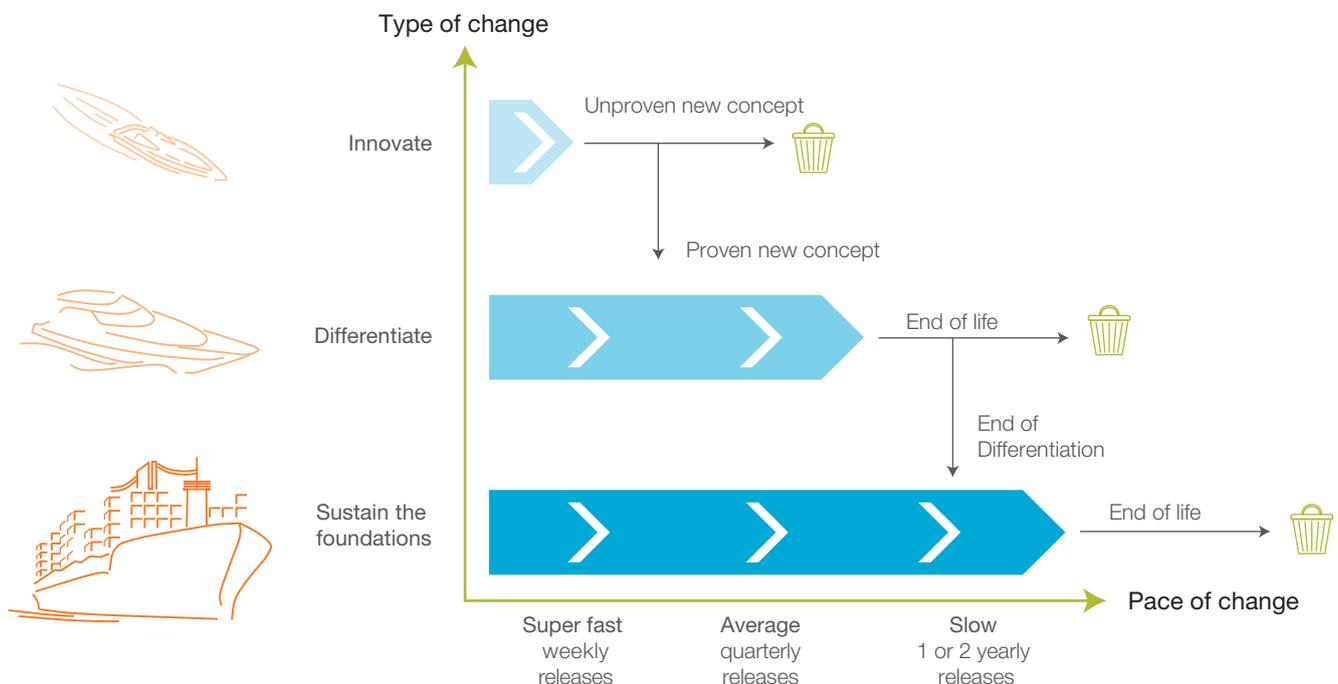
Products, based on immediate user feedback and minor improvements every hour.

Leading CIOs redesign the IT department so that it can run at multiple speeds. They manage their IT department like a fleet of vessels.

Some teams behave like speed boats: very fast and extremely agile with elite troops exploring new frontiers and technologies, testing the waters, and finding (disruptive) new business opportunities. They provide your innovative edge.

Other teams must be more like yachts: still fast and flexible to deal with demanding customers and users, providing a luxurious experience, filled to the brim with the latest in technology and world class processes. They help you to differentiate from your competitors.

Figure 1: Multiple speeds of change and agility



Deals with:

- ▶ Radical new business & IT concepts, smart (IoT enabled) products, smart services etc. Providing you with a cutting edge advantage over competitors.
- ▶ New user experiences, better service, easier channels, digital manufacturing, responsive & flexible supply chain etc. Setting you apart from competitors.
- ▶ Systems of record. Core infrastructure. Simplification, standardization, consolidation & cost reduction.

The Next Generation Service Integrators facilitate this Multi-speed IT way of working.

Other teams have to behave more like cargo ships: necessary to sustain your business with basic and foundational IT functions with less need to rapidly change course.

Digital initiatives call for a new working model that harmonizes the expertise of both IT and business teams and promotes greater dialogue and mutual understanding between them, with common budgets, KPIs, and objectives. Such a cross-functional team structure conveys a business focus to digital initiatives.

Next Generation Service Integrators enable extreme product and business model innovation. They facilitate the experimenting and rapidly testing of the business impact of digital initiatives before initiating large-scale deployments, for their clients and their ecosystems of IT service providers. They diligently apply Agile software development as well as the principles of business models innovation laid out in “The Lean Start-up” by Eric Ries, to tear down the walls between business and IT silos. The innovation teams behave much like nimble and fast speedboats. New ideas can be translated into minimum viable products in days, validated in the market, radically pivoted based on actual user feedback. This is then redesigned and re-launched in no time and with low budgets, until the desired effect is achieved (or the idea is rejected before significant investments have been made).

Next, the Service Integrator oils the machine that creates differentiating customer, supplier, and employee IT services. Think about changes in your field services or your e-commerce capabilities. IT services in these areas are more akin to yachts - still fast and flexible, but more robust and enduring than the speedboat. In this arena, Service Integrators align with service providers in applying software development methodologies

such as DevOps and Continuous Integration. This helps the client break down that other silo - the one between IT development and operations teams. Stakeholders can thus collaborate more effectively and release new Business Technology services, say, on a weekly basis, and fully integrated with existing systems.

When applying DevOps and Continuous Integration across multiple IT service providers (e.g. multiple agile teams working on an end-to-end process consisting of several SaaS and custom made solutions), it help to align development and operations processes to common business objectives. It ensures that all teams operate effortlessly together. This, in turn, leads to the early detection and correction of problems and results in swifter software releases.

But wait a minute. For all those companies that are not fast moving and legacy-free start-ups, it is highly unlikely that only innovative and differentiating IT services have to be provided. These companies have big systems-of-records and high investments sunk in many legacy systems. These can be compared to slow moving ships.

These systems don't operate in isolation. Rather, the innovative and differentiating systems have to exchange data with these core systems. So the Service Integrator also facilitates the other service providers to operate “as one” in providing the company with well performing core systems, enabling “continuous integration,” not of a programmer's individual code into the application under construction, but between fast moving apps, Cloud solutions, and the systems-of-records. It's like the harbor where speedboats, yachts, and ships all arrive to let their passengers and freight change routes and modes of transportation.





## The concept of Next Generation Service Integration defined

The Next Generation Service Integrator has one primary role: to quickly transform how “development” and “run” services are governed and managed by automating the routine and standardizing how things in a bi-model operating model are done.

Service Integration in this context means: *The management of separately contracted and supplied IT services to ensure they consistently work together to deliver business benefits. The provider of Service Integration services is the primary operational interface between the client and its service suppliers, and is accountable for their performance.*

Neither an agent of the client nor the representative of the ecosystem, the Service Integrator, with commercial “skin in the game,” is highly motivated to avoid setbacks and the finger pointing of the traditional old-fashioned approach.

What enables the Service Integrator to successfully perform this new role is a set of associated agreements between the client, the service providers and the Service Integrator that legitimize and allow the Service Integrator to act independently. Connected performance obligations, e.g. shared SLAs, OLAs made binding in each party’s agreement, compulsory adherence to standardized new ways of working - the rules of the club, and lastly, transparency of information, are the other key provisions empowering the Service Integrator function.

Once established, the Service Integrator is able to both hold all parties to account in the event of a failure and, through the interconnected obligations and available information, show clearly that the failure of one party risks failure for all, including the Service Integrator. At the same time, and more powerfully,

the Service Integrator persuades all parties, via the same means, that collaborating to proactively prevent failure is in the best interests of all. Relationships like this take time to develop, are founded on trust, and can only be built by “consenting” adults.

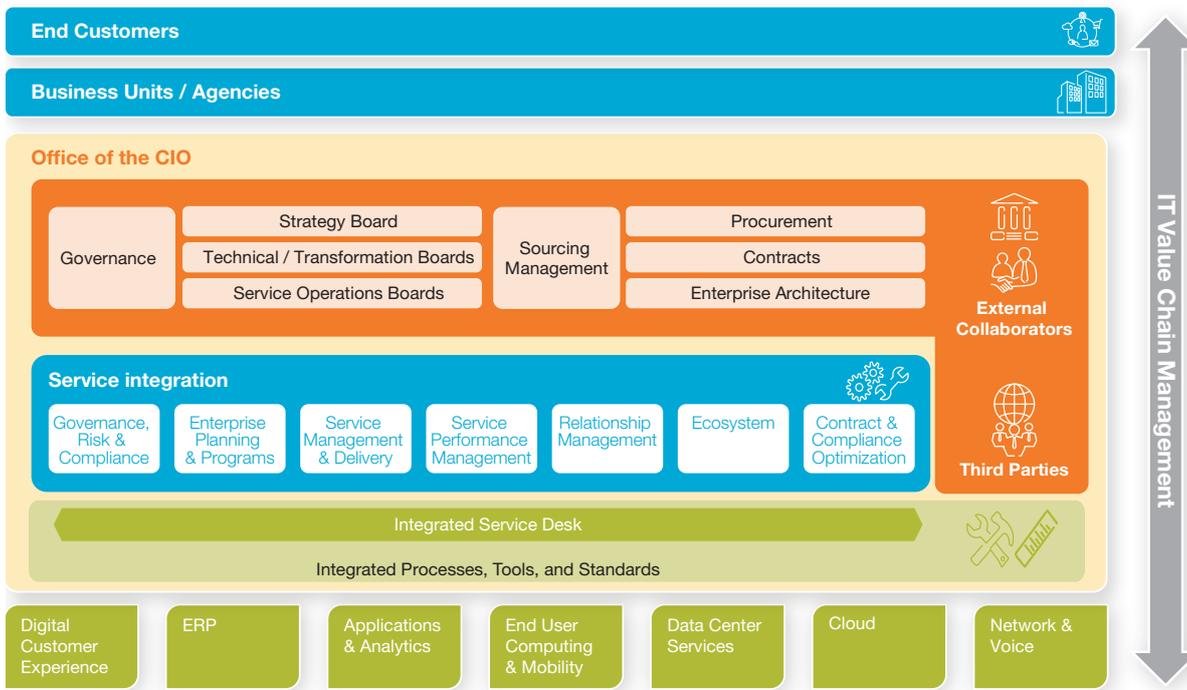
There are very powerful drivers for this change in relationships to come about for the client, better quality, Agile, and lower cost services to support and enable the digital projects and programs. For service providers and the Service Integrator, at its simplest, it is the avoidance of penalties, but more profoundly, being elevated from supplier to partner sustained in the strengthened bond.

In a world of increasingly diverse sources of IT service supply, service integration and management and the establishment of a Service Integrator, are essential pillars for the digital transformation agenda to be successfully pursued.

### **Standardizing how things are done and improving collaboration amongst service providers**

Next Generation Service Integration impressively addresses, head-on, the operational dissonance, organizational misalignment, and resource challenges faced. The model describes highly structured new ways of working which all parties are bound to adhere to. Based on industry best practice, it unambiguously defines the functional boundaries and operational accountabilities and responsibilities between the CIO, service providers, and business customers. The model standardizes how things are done, how performance is measured, and ensures that services are integrated end-to-end. Consequently control and order can be established, change hastened, and waste squeezed out of the system.

Figure 2: Capgemini Service Integration Functional Model



Once established, Service Integration provides the CIO with the means to smoothly govern and manage the new complexity while, at the same time, providing the opportunity and resources needed to build an increasingly intimate relationship with the business in collaboration with the CDO.

**Setting up Next Generation Service Integration**

To enable this new way of working and collaboration, it is critical to use one integrated set of processes and a toolset that supports these standardized processes, captures all relevant and actionable intelligence (based on real data), is linked directly to the SLAs and OLAs, and is easy to use for all client personnel and service providers involved. This integrated toolset has significant advantages:

- A. Integration and management of service providers**  
Standard policies, processes, procedures, work instructions blueprint, and reporting mechanisms, pre-configured into Capgemini’s operating platform, establish “one-way” of working across the service provider ecosystem. This improves the ability to measure individual providers against operating level agreements, making it easier to engage and disengage service providers.
- B. Reduced IT Costs**  
Clarity of roles and responsibilities throughout the ecosystem of providers quickly eliminates duplication and waste while ensuring end-to-end service coherence. Our flexible subscription based SaaS platform for Service Integration,

which easily scales with demand and removes the need for Capex, also means that clients will never need to buy, install, or upgrade this type of software again.

- C. Time to Value**  
Capgemini’s pre-configured SaaS and deployment services typically halve the time taken to establish the operational environment needed to integrate client multi-sourced IT services into a seamless end-to-end service chain. This significantly shortens the time required to bring the service into operation.
- D. Increased Flexibility**  
By adopting Capgemini’s service integration model clients are able to easily take on emerging business-essential IT services like Cloud, mobile, and open source solutions, and their respective IT service providers more easily. This is enabled since the terms for engagement and operating principles are defined providing increased flexibility for acquisitions, divestments, and changes to business strategy. Secure internet access to our SaaS platform eliminates lead times and supports rapid connection of new businesses and business units.
- E. Reduced Risk**  
Implementing consistent processes with clear accountability across the entire vendor base ensures regulatory compliance, imposes strong governance, and enforces a strict security regime throughout the service.

## In summary

Service Integration in a Multi-speed IT world isn't for the fainthearted, but it can be the best means to accelerate digital transformation. It signifies a complete transformation in how IT works. And there's the catch, "complete" - that means changing how the CIO sources services, the nature of the commercial agreements, the remit of retained IT, the role of the service integrator, and so on.

But our experience with multiple clients in all sectors demonstrates that the benefits outweigh the transformation effort since service integration and management help you face off four key challenges in your journey to become a Digital Master:

1. Free up budget and resources for (digital) innovation by transforming how run services are governed and managed by standardizing processes and automating the routine.
2. Facilitate a Multi-speed IT way of working in which teams can act like "speed boats, yachts, and cargo ships," and where methods like Agile, DevOps, and Continuous Integration can coexist with waterfall delivery methods.

3. Ensure that an increasingly complex and diversified landscape of IT (point) solutions and service providers work together coherently end-to-end.
4. Provide ways to build the necessary collaborative relationships that digital mastery demands with existing and new (start-up) IT service providers.

Capgemini, with its mature service delivery practices, business process integration services, and proven blue-printed SaaS enabled Service Integration model is uniquely able to address these issues.



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