Adapting Your IT Sourcing Strategy to the Era of Cloud Computing

Driving Value; Leveraging the Cloud

Strategic Advisors for the Global Economy

28 March 2012
Los Angeles
Presentation Outline

- About Avasant
  - Sourcing Strategy in the Era of Cloud Computing
    - Key Attributes & Service Delivery Models in Cloud Computing
    - Adapting the Sourcing Strategy for Cloud
    - Concluding Remarks
Based in Los Angeles, California, Avasant experts have performed over 1,000 engagements since 2001 across 40+ countries within three primary disciplines: Enterprise Optimization, Sourcing Advisory and Globalization Advisory services.

**Enterprise Optimization** – Avasant assists organizations with managing critical internal IT and Operations initiatives to drive efficiency and effectiveness of service delivery, capabilities acquisition and optimal cost savings.

**Sourcing Advisory** – Avasant assists public and private sector clients with navigating the complex transaction lifecycle of securing critical IT, Operations and Analytics managed services from global Tier 1 – 3 service providers by leveraging best practice contracts, service level frameworks and financial analysis.

**Globalization Advisory** – Avasant assists the governments and the supporting provider ecosystem of emerging markets with targeted economic development solutions designed to foster job growth, education, policy optimization, infrastructure development and global market awareness.

- Avasant Headquarters
- Avasant Offices & Client Locations
Within Avasant’s primary disciplines: Enterprise Optimization, Sourcing Advisory and Globalization Advisory; are comprehensive solutions sets which have been hailed across the industry in recent years.

Avasant Background (cont’d)

IAOP World’s Best - Avasant has also been the recipient of several awards for excellence in Management Consulting and Sourcing Advisory. Avasant has been designated among the “World’s Best Outsourcing Advisors” by the International Association of Outsourcing Professionals (IAOP) in 2009, 2010 and for 2011.
About Avasant

Sourcing Strategy in the Era of Cloud Computing

- Key Attributes & Service Delivery Models in Cloud Computing
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- Concluding Remarks
Cloud Computing
Key Attributes and Elements Relevant to IT Sourcing

Key Attributes: Cloud computing is the provision of dynamically scalable and often virtualized resources that is delivered as a service.

<table>
<thead>
<tr>
<th>Service Based</th>
<th>Consumer concerns are abstracted from provider concerns through service interfaces.</th>
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<tbody>
<tr>
<td>Scalable and Elastic</td>
<td>Services scale automatically &amp; dynamically to add or remove resources as needed.</td>
</tr>
<tr>
<td>Shared</td>
<td>Services share a pool of resources to build economies of scale.</td>
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<tr>
<td>Metered By Use</td>
<td>Services are tracked with usage metrics to enable multiple payment models.</td>
</tr>
<tr>
<td>Internet Technologies</td>
<td>Services are delivered through use of Internet identifiers, formats and protocols.</td>
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**Economic Element**
- Pay-as-you-go
- No Capex

**Architectural Element**
- Simple environment
- Responsive to demand
- Secure shared resources

**Strategic Element**
- Focus on core competencies, What you do best
Cloud Computing
IT Service Delivery Models

**XaaS – Everything as a Service**

- **BPaaS – Business Process as a Service**
  - Provision of application servers with added multitenant elasticity as a service

- **SaaS – Software as a Service**
  - Provision of application middleware, including applications servers, ESB, and BPM (Business Process Management)

- **PaaS – Platform as a Service**
  - Based on application streaming & virtualization technology, provides desktop standardization, pay-per-use, management, and security.

- **IaaS – Infrastructure as a Service**
  - Provision of network communications, billing, and intelligent features as services to consumers.

- **NaaS – Network as a Service**
  - Management of hardware and software required for delivering voice over IP, instant messaging, video conferencing, for both fixed and mobile devices

- **DaaS – Desktop as a Service**
  - Based on application streaming & virtualization technology, provides desktop standardization, pay-per-use, management, and security.

**Broad term that embraces all the models discussed here.**
Four pillars of cloud computing

**Private Cloud**
- Private (Internal)
- Private Managed
- Private Hosted

**Hybrid Cloud**
- Community Hosted
- Public Hosted

**Public Cloud**

**MANAGEMENT**
- Monitoring
- Consoles
- Analytics
- On-ramp

**AUTOMATION**
- Billing
- Provisioning
- Orchestration
- Lifecycle Management
- Permissioning

**SECURITY**
- Compliance
- Firewalls
- Log management
- Identity
- Intrusion Detection

**STORAGE**
- Cloud Storage Systems
- Cloud Storage interfaces
- Data/policy management

Network Gear, Standardized Servers, Mass Storage, Virtualization Software

**BASIC ELEMENTS**
Migrating the vendor maze...a multitude of vendors provide a wide variety of cloud services...understanding the mix can be a challenge as it continues to change.

The Vendor Landscape
The Marketplace

Cloud Enablers / Service Providers

IaaS Providers

Cloud Tools / Technology Providers
Who should implement cloud services?

**Why should IT provide managed cloud services?**
- IT organizations need to be proactive regarding enterprise services and standards
- The enterprise requires a defined service offering with performance and service level guarantees
- Manage vendors and avoid vendor lock-in
- Enterprise clients require IT support to ensure technical and service problems are isolated and resolved
- Standardized services will improve efficiencies and lower costs
- Lowers risk and ensures security and compliance are not violated

**Why does the organization need cloud services?**
- Business department driven demand
- Operational cost reduction
- Improved agility – Reduced time to market
- Reduction of Capex funds
- Allow people to focus on value applications
- Growth & competitive initiatives

![Changing Mix of IT Environment](image)
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Adopting Cloud requires significant Change Management. The following diagram highlights typical approach followed for cloud services managed by the internal IT department.
Adapting the Sourcing Strategy
It is important to understand the business objectives.

It is important to identify the right reason for adopting the Cloud (e.g. reduce cost, increase scalability, renew infrastructure etc.) and align the Cloud philosophy on the basis of business objectives.
**Key objectives of creating an enterprise Cloud Roadmap**

- Define the cloud opportunity, establish direction, assess the application of cloud technology within the enterprise context, assess the deployment options, frame the service provider market, and plan the roadmap for cloud services.
- What is the value that cloud computing can drive to the enterprise?
- Understand how cloud-based services fit within the context of existing technology plans and sourcing strategies.
- Evaluate internal skills and capabilities as well as provider service offerings and capabilities.
- Assess the relative cost, architecture, and skills impacted by applying cloud technologies to core business applications.
- Frame the risk and an organization’s readiness for the adoption of cloud technology.
- Understand the management framework needed for the enterprise to manage Cloud Services.
A detailed and thorough analysis across multiple factors needs to be conducted in selecting apps/services for the cloud.

**Cost / Benefit Analysis (TCO modeling)**

**Performance and Architectural Fit**

**Control and Governance**

**Security and Risk Management**

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Cloud Enabled Applications & Services
Cloud Computing is changing the outsourcing ecosystem and pronounced effects will be seen in the next 2-5 years. Some of the major impacts on the ITO and BPO industry are highlighted below:

### Impact on ITO

- Enables IT Service Providers to deliver end to end services regardless of the various platforms, applications and technologies involved
- Traditional IT outsourcing services has always been tangible - servers, data centers, networks, applications etc. Cloud Services is changing all that with flexible, asset free IT services available on an as-needed basis
- Increasing variability and elasticity in ITO managed services pricing
- Organizations will further reduce development / acquisition of applications for non-core/non differentiable processes as these will all be accessible in the cloud

### Impact on BPO

- BPaaS provides the complete end-to-end business process management platform for the management of unique business process
- Most commonly outsourced business process will move to a BPaaS platform. This will mainly include Payroll, HR, and AR/AP/GL.
- Client will pay for service on a subscription model that can be modified easily based upon volume and usage requirement
- Cloud Services will make business processes more standardized and process centric

**Concluding Remarks**

Where does the Cloud take the Sourcing Industry

Cloud Computing is changing the outsourcing ecosystem and pronounced effects will be seen in the next 2-5 years. Some of the major impacts on the ITO and BPO industry are highlighted below:
Thank You

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