Succeed in the Cloud with Service Lifecycle Management
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Executive Summary

There is no question that the cloud is changing IT forever. The question is, will it spell the demise of the enterprise IT department as we know it, or will it be a catalyst for the rebirth of IT as a more strategic, innovative, and service-oriented business function?

The emergence of the cloud has ended IT’s traditional monopoly on service delivery. But it does not have to be a threat to IT. It can spark the transformation of IT into a more valuable and relevant business resource. To get ahead of the intense pressures and elevated expectations of the cloud era, IT needs to focus on the opportunities cloud presents. Specifically, IT must shift its business and operational model from “sole provider and builder” to a hybrid delivery model that uses a mix of traditional and cloud-based delivery (private, managed, or public). This way, IT can become an agile business partner that brokers, integrates, and manages services rather than builds each service from scratch.

This paper shows that by accelerating the adoption and widening the footprint of management methods such as service lifecycle management, IT can turn cloud into an opportunity to transition smoothly into a new world of hybrid delivery. It also presents five specific actions senior IT management can take to expedite this transition with minimal risk and disruption.

Lead or Follow?

Right now, the cloud is often used to circumvent IT rather than to implement new IT initiatives. In fact, research has found that lines of business (LOBs) are adopting the cloud 2.5 times faster than the IT department\(^1\), and this conclusion is consistent with the experience of Micro Focus\(^\text{®}\) professional services consultants in recent customer engagements. The reason is simple: The cloud gives LOBs new options. They can get everything from email services to business-critical applications such as CRM and ERP from a plethora of software-as-a-service (SaaS) vendors—often faster and for less money than through the internal IT department.

This shift is putting competitive pressure on IT. It is also signaling an almost tectonic shift in the relationship, from IT dictating what is available to customers demanding what they need. CIOs are essentially driven to rush in and plug the holes in order to retain control and relevance, sometimes against their better judgment.

This move to the cloud is now well underway. More than a third of current IT budgets are now allocated to cloud solutions, according to IDG Research\(^2\), and 86% of respondents in a recent CIO survey said they now have cloud projects in progress or planned\(^3\). However, in their haste to adopt the cloud, CIOs may be missing an opportunity: the chance to make this transition a game changing process. By embracing the service lifecycle approach and hybrid delivery model rather than confining themselves to a marginal role.
by following the path of “IT as usual,” CIOs can truly meet and exceed the expectations of the business and the demands of their customers.

Make no mistake—the transition to a hybrid delivery model will happen with or without the cooperation of the IT department. IT will survive this adventure—if only because information services will continue to rise in importance. But the question is what role will it play in the hybrid era? Will it be one of many providers in a fragmented market? Or will it be the linchpin of an integrated, hybrid supply chain of next-generation information services?

For enterprises that see the hybrid delivery model as an opportunity to revitalize IT, a service lifecycle approach is more important now than ever. Simply put, such an approach is needed to make the transition to hybrid delivery successful. By taking a lifecycle view of IT services, organizations can increase the velocity of IT service delivery and operate effectively and efficiently, without sacrificing control.

**Where Service Lifecycle Management Fits: Dispelling the Myths**

Management methods such as service management (of which service lifecycle is a part) have been around for years. The question often arises, “Wasn’t service management supposed to address service lifecycle management? Aren’t we done yet?” The question itself indicates that there are significant misconceptions that must be addressed.

**Myth #1: Cloud Removes the Need for Service Management**

The first and most vexing misconception is that cloud actually diminishes the need for service lifecycle management. Nothing could be further from the truth.

This is exemplified by executive pressure on IT to adopt the cloud model because senior stakeholders see it as a more efficient, cost-effective way to get needed IT services: Simply migrate IT functions to the cloud and you can increase business agility, cut costs, boost efficiency, and improve service levels—or so the thinking goes.

It’s easy to see where this notion came from. Two decades ago, when IT first began outsourcing, one of the common mistakes was to focus on short-term benefits, such as cost reduction, while neglecting long-term implications such as the loss of control and flexibility over the entire IT supply chain. As a result, many CIOs found that reality did not deliver on the promise, but locked into rigid, multi-year mega-contracts, they could do little about it.
Today, as more and more IT functions become available “as a service,” we must not make the same mistake believing cloud is just a 21st century version of outsourcing, all about immediate cost savings. We must instead take a longer term, end-to-end view on service delivery. We must strive to unleash all the benefits of cloud through hybrid delivery. After all, just because you now procure something as a service does not remove the need to manage that service. In fact, it is quite the opposite. The inherent composite nature of hybrid delivery requires service lifecycle management—including functions such as ongoing performance management, upstream and downstream management of the supply chain, total-cost-of-service management, and so on.

Therefore, all the management functions still need to exist. Yes, procurement is now (partially) done elsewhere, but IT remains accountable and must retain control and flexibility. Moreover, the retained IT organization (in other words, the part of IT that remains within the corporation) must use the service lifecycle management approach to build a value network with all its partners to sustain service delivery.

**Myth #2: Service Management Is a Project**

Many business leaders seem to be under the impression that service management is something you implement once, and then move on to other projects.

A quick look at the way IT departments actually implemented service management and its associated ITIL processes seems to underscore the point. While many companies have undertaken service management initiatives:

- Very few companies have implemented the entire set of service lifecycle management processes.
- True service lifecycle is very rare.
- The framework itself is agnostic and, in its core, capable of meeting the requirements of the cloud era, however, most actual implementations are not. All too often, the technology selected for implementation had a specific way to implement a given set of processes, so the implementation was tied to technology rather than best practices.

Moreover, many business leaders think their company has completed its service management initiative because they believe that service management is only about the operational process side of an IT organization (for example, change management, incident management). Last but not least, they spent money on assets such as tools, process guides and designs, and training, but they failed to convert these into competencies for the organization.

The fact is, service management wasn’t, isn’t, and never will be about processes—it’s about competencies. It’s about integrating people, processes, and technology into a “new normal” to achieve sustainable
business outcomes: increased agility, efficiency, and economies of scale. That is why the move to service management is an essential, ongoing, evolving journey, not a destination. Success requires the adoption and internalization of a service lifecycle approach, not just the deployment of selected ITIL processes.

Myth #3: “IT in the Future Hybrid World” Does Not Require a Transformation

Many CIOs hate to see the word “IT” anywhere near the word “transformation.” In their minds, change breaks things—and transformation breaks everything.

The move to a hybrid delivery model does require a transformation. It demands a change in the way we think and act in delivering IT services, how lines of business are engaged, how IT manages relationships with its stakeholders, and how IT is supposed to add value. But the transformation to hybrid delivery need not disrupt current service delivery. It can be done gradually, building on successes.

And it is not a transformation IT can avoid or postpone. In the next few years, virtually all IT organizations will morph into some form of a hybrid service provider. The question is whether this will be through their own initiative or because reality forced it upon them.

The next section describes how to get started on the road to hybrid delivery with minimal friction and maximum payoff for the business.

Service Lifecycle Management as a Path to Hybrid Delivery: Five Steps to Success

Every business is different in its approach to and previous experience with service lifecycle management. However, there are a few concrete actions virtually every business can take to maximize its success with it in the era of cloud computing. Here are five steps you can take now to get started right and extract maximum value.

#1: Specify the Benefits You Expect From the Hybrid Delivery Model

Begin by identifying the benefits from the point of view of the primary beneficiaries—your customers. What we at Micro Focus hear the most, is that the drive to cloud by the business is fueled by the overall "IT experience." The current generation of IT-literate business people has expectations based on the way it uses technology outside of work, so will always consider internal/work IT as failing when it feels like it is so much harder to deal with. So while shifting from capex to opex may seem like, and to IT is, a benefit, it is largely transparent to customers. Will it improve their satisfaction from IT? Will it make it cheaper for them?

Follow by enumerating the (impactful to your organization) advantages of the hybrid delivery model (for example, fast deployment of resource pools, the ability to swap capex for opex, the flexibility to choose among multiple suppliers, better information availability at a lower price). This will help all stakeholders understand the urgency behind adopting more effective service lifecycle management practices, as it will clearly link what IT is doing to the customer experiences of the service.
You may also uncover benefits IT may not have considered previously. For example, the ability to accelerate and monetize innovation. A recent survey by McKinsey & Company demonstrates this as a challenge. Eighty-four percent of global executives said they believe innovation is extremely important to their growth strategies—but 94% said they were unsatisfied with their innovation performance.4

By shifting to a hybrid delivery model, the IT organization can facilitate and accelerate innovation. For example, by moving certain functions to the cloud via a Platform-as-a-service (PaaS) offering, IT can allow new applications to be built, tested, and iterated faster—so development teams can explore and find the “big ideas” that lead to bigger revenue. And with the cloud, innovation need not be a huge project; small teams with small budgets can innovate with the full cooperation of the IT department, not through a back door or “shadow IT.”

#2: Implement a Governance Framework That Will Allow You to Manage Your New Operating Model

One of the under-valued benefits of hybrid delivery and cloud is supplier decoupling. Like the restaurant that can switch to another butcher if the meat is not up to standards, the business and retained IT organization can swap suppliers in days—rather than being tied up in a lengthy contract that is almost impossible to break.

Depending on what needs to be delivered to the business, the retained IT organization can pick and choose which supplier is best qualified to do so. This requires thorough governance, however, and this is a competency that must be extremely well developed in a hybrid delivery model.

This, however, creates a services supply chain that is inherently composite, dynamic, and constantly shifting based on business needs. The old, monolithic operating model, where managing suppliers approximates to managing the services they deliver, will be unable to provide a flexible enough operating model. The new model must be based on service integration and management to be able to manage a multi-supplier ecosystem. We see this framework consisting of:

- **Governance**—outlines the governance framework across suppliers and the interface toward the business units
- **Business management**—ensures alignment of IT service delivery with business demand, optimal sourcing of IT services, and financial transparency
- **Operational service management**—management and control of performing suppliers and coordination of operational cross-supplier activities and issues

#3: Rationalize Who Should Deliver Which Services

In the hybrid delivery model, IT will retain and build upon certain core competencies while allowing others to take over the rest. Thus the IT organization will need to examine its portfolio and determine which workloads, applications, and services are “strategic” or core to the new model, and which are “contextual”

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or non-differentiating. The resulting “competency matrix” (or library) can then form the foundation for the new business architecture for IT, built upon service lifecycle management principles and concepts.

Care must be taken to ensure that decision making revolves around who is the best supplier for a given service, not who is the cheapest. While cost is paramount, other factors such as value-add, service levels, ease of integration, flexibility of migration, should also play a role in decision making. Each organization may have a different set of parameters—some may be constrained by regulatory compliance while others may be more concerned with security.

In assessing services and workloads, technical and business process dependencies should also be considered. For example, services that integrate with or feed data to other services are more likely to depend on internal core competencies, and in most cases should be kept in house, at least initially (for example, custom applications that are based on legacy architectures, run in data silos, or have specific regulatory requirements).

Once the services have been categorized according to the organization’s strategy and business dependencies, you can begin to consider which type of cloud and vendor is most efficient and cost-effective for delivering that service.

### #4: Start Focusing On and Developing Competencies

Most companies, to date, have not gone further than the implementation of some ITIL processes and have not ensured these processes have been fully adopted. Perversely, this sometimes creates more silos rather than reducing their number. Often, other processes and tools were left on the shelf, becoming nothing more than underused assets.

Developing competencies begins with a thorough integration of all assets and full adoption/internalization of the new capabilities, thus building something the organization is using effectively and efficiently to create value. Evolving competencies to thrive in the hybrid model continues by expanding the scope of competencies from the traditional change/configuration/incident/problem management to other areas such as demand management, strategy generation, service portfolio management, and service catalog management.

Equally important, IT will need to alter the way it manages this expansion. Simply implementing more processes and declaring it “done and dusted” will only yield marginal value-add. IT should only be satisfied when a process-focused methodology (such as ITIL) leads to new competencies. For example, the process has been applied, fully adopted, is being widely used, and is delivering tangible business results.

A more complete focus on competencies can be achieved by following a framework incorporating the “streams” and “stages” below. This will enable the retained IT organization to develop a robust competency architecture and assign responsibilities to roles and functions in a much more agile fashion than it does now.
As shown in this diagram, competencies are a set of integrated operating architectures (including organizational structures, departments, functions, jobs), process architectures (including processes, work instruction, roles, and responsibilities) with data models and data architectures—all supported by a full blown “ERP for IT.”

A company’s business model, governance framework, strategy, and the required competencies drive how the operating models, organizational structures, processes, RACI models, data models, and automation are designed. At the same time, automation, data, process, and operating architectures enable the proper execution of competencies if they are well integrated, adopted, and internalized.

![Diagram of business model, competency architecture, and ERP4IT](image)

**Figure 1.** Framework for developing competencies

**#5: Transition to the New Model Incrementally, Building On Success**

In general, it makes sense to get started on the path to hybrid delivery with relatively low-value or low-risk services, or with applications that fully exploit the advantages of the cloud (services with unpredictable demand that could benefit from the cloud’s elasticity).

In some cases there may be a particular SaaS, PaaS, or IaaS vendor that offers precisely what is needed to deliver a specific service—for example a trusted partner with expertise in ERP or a commercially proven CRM service. This can provide an easy inroad to a hybrid delivery model; you can start by transitioning certain departments or LOBs while also maintaining internal capabilities initially, and move more to the cloud model as its benefits are proven.
Another choice many customers begin with is a private cloud for development/test environments, thus establishing a real use case where a hybrid delivery model can be developed, tested, and refined.

## Conclusion

There is no business without IT, and the IT organization must run like a business. The truth of that statement is more evident than ever in the cloud computing era—and the opportunity has never been greater for IT to solidify its stature as a service-oriented organization, key to the growth of the business it serves.

Service lifecycle management provides a way forward. By enabling IT to transform itself into a service broker and multi-source service integrator, it allows IT to focus on its core value proposition: delivering new sources of innovation, competitive advantages, economies of scale, and better business results.

### Micro Focus: We’re Here to Help

Wherever you are on your road to cloud computing and the implementation of service lifecycle management, Micro Focus is ready to provide assistance through its broad portfolio of professional service offerings. For more information, please visit [www.microfocus.com/csaservices](http://www.microfocus.com/csaservices)

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