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In Transition: Shifting from Tactical to Strategic IT

If IT innovation moved like a freight train gathering steam a decade ago, today there's no stopping its progress. With each digital transformation, markets jump on board and quickly adapt their expectations. Can your IT department keep up with the momentum or is your enterprise at risk of being left behind?

Shifting from Tactical to Strategic IT

Agile, tech-savvy firms have disrupted product and service paradigms in nearly every industry, forcing others to react, play catch-up, or lose relevancy in their markets. Rather than throw in the towel to these nimble disruptors, businesses are finding ways to become more agile themselves by transitioning IT to a strategic role in the organization, rather than a tactical one.

Only when IT gets out of the business of running infrastructure and fighting fires can they shift their focus to technology projects that amplify customer engagement, employee collaboration, and otherwise support digital transformation. In this way IT, and the company as a whole, become more responsive to market opportunities than ever before.

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Not too long ago, the term innovation was synonymous with "high risk" in IT circles. Not anymore. Now innovation is a means of survival for executives and a mandate for IT departments who want to move their organizations ahead or at least keep up with their competitors.

Across all industries, customers' and employees' expectations grow with each digital transformation in the market. And with the promise of analytic platforms and artificial intelligence, plus the scalable processing power available from cloud services, there is no longer any excuse that customer and employee expectations can't be met.

Digital Transformation and Market Disruptors

In every industry a handful of companies are pushing the technology envelope a little farther than the rest. They reinvent processes, smooth out inefficiencies, and disrupt markets by giving customers new capabilities they sometimes didn't even know they needed. And once they have those capabilities, there's no turning back. The rest of the market has no choice but to follow suit.

Speed, agility, and data analytics make the difference between companies who react and those who lead. No industry is immune, but organizations in healthcare, manufacturing, finance, and tech services are under the most pressure to transform. Companies have little choice but to self-disrupt when others in their industries are dramatically altering the competitive landscape.
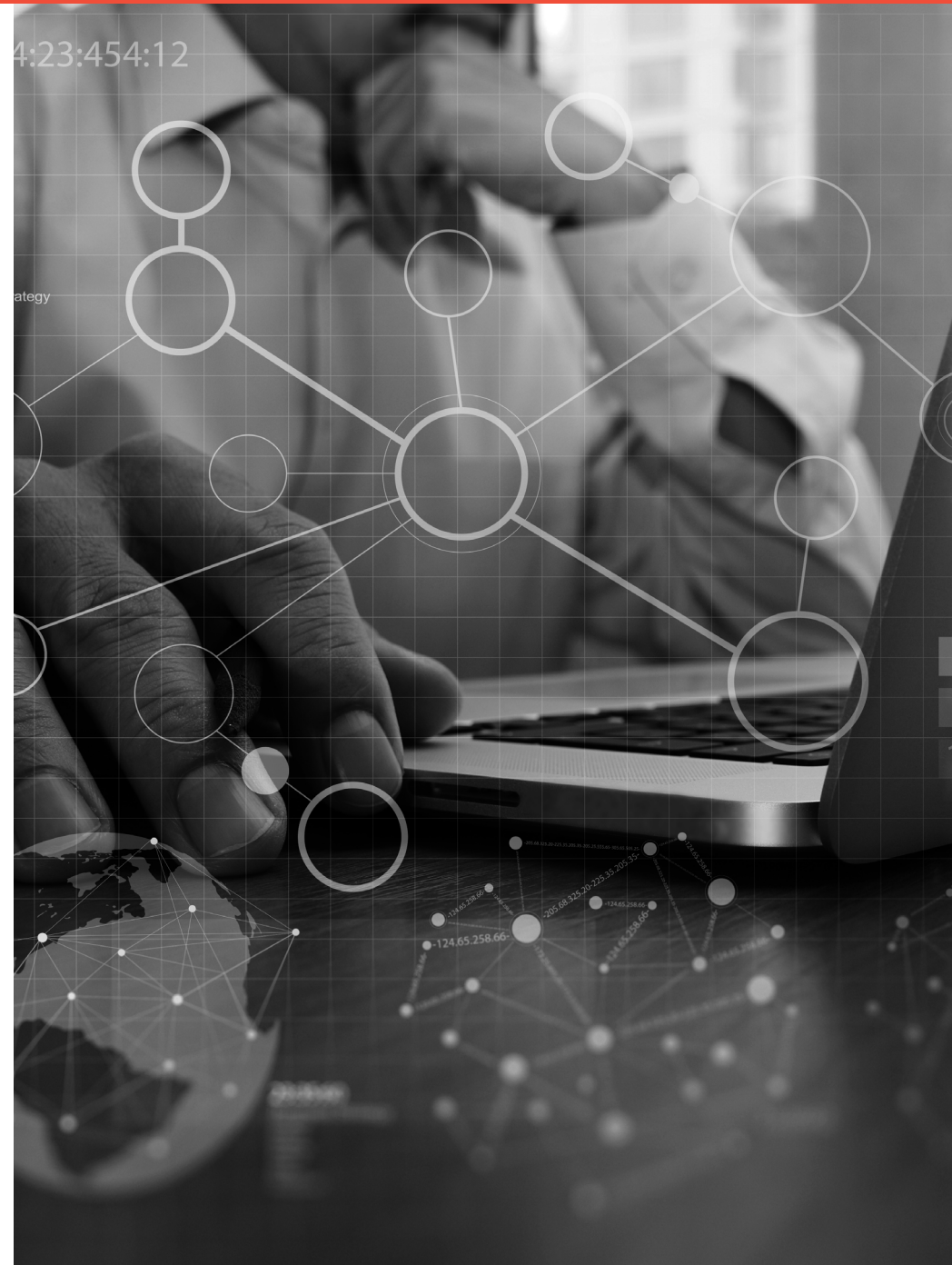
INDUSTRY	DRIVERS AND DISRUPTORS
Healthcare In the healthcare industry, providers and medtech companies are investing in technologies that improve efficiencies, virtualize care, and aid diagnosis.	Big data and data analytics Data interoperability AI and predictive patient care
Manufacturing The drive for new revenue streams, cost efficiencies, and customer experience fuel digital transformation in manufacturing.	IoT Automation AI Machine learning
Financial Services Considering the mobile habits of the next generation of banking consumers, it's not surprising to note the industry's rapid pace of change in peer-to-peer payment, mobile banking, and online lending.	Blockchain AI Cloud
Technology Services Technology companies are leveraging flexible consumption models and data analytics to speed time to market and deliver higher service levels to their clients.	Software as a Service Infrastructure as a Service Cloud-based services Client automation

Customer Expectations

Innovations in customer service have changed the competitive landscape entirely. Today's customers expect more than just "better" service, they expect self-service. They expect personalized, automated, and always-on service. Just as telemedicine made clinic visits optional and mobile banking introduced check deposits by smart phone, digital transformation is reshaping customer interactions. Businesses are being challenged to eliminate their customers' pain points and enhance the end-to-end service experience—because if they don't, someone else will.

Employee Demands

Workforce demographics are changing. Accustomed to social connectivity and mobility in their daily lives, millennials expect modern tools, convenient methods of collaboration, and mobile data access on the job. Many seasoned professionals demand the same. Companies who can supply these capabilities to employees will have a much easier time attracting and retaining high caliber workforces.

Cloud

Cloud is the great equalizer. Data is at the center of digital transformation, and cloud enables any size company to turn data into a strategic asset. Managed cloud services make it possible to scale resources and increase IT performance in an environment built with stronger security and compliance in most cases than on-premise standards. No longer constrained by data center limitations, IT can deploy micro systems, make faster progress on projects, enable new business models, and support content sharing across devices. Tech leaders certainly aren't shy about adopting flexible cloud-based consumption strategies: according to research by Deloitte, 91% of CIO's in technology companies have already done so.

Advancements in Automation, Analytics, and AI

Data is gathered in every transaction, every process, and every communication. It used to be enough to store and protect it. But with smart science such as machine learning, artificial intelligence, and data analytics platforms, organizations are now turning that data into actionable business intelligence. They use it to power automation, boost profitability, and predict customer needs. There is much to be gained by companies who forge ahead with these technologies, and high risk to those who fall behind.

There's no stopping the momentum of innovation. That train has already left the station. The only question is how to reshape the enterprise IT department so it has the resources and skills to go along for the ride.

"**Nearly 100% of C-level executives say IT-led innovation is critical not just to growth, but to their company's survival.** But only half of them think their IT department moves quickly to adopt and lead innovative projects."

What's Holding IT Back

Operational tasks consume IT resources. They keep engineers up at night. In some cases, just adding one or two special projects a year pushes the limits. Business interests lose out to IT resource constraints time after time. When the IT department is simply too busy keeping the lights on - deploying and managing infrastructure, systems, and security - they can't do much else.

In traditional tactical IT organizations, by the time changes are approved and funded, the business goals have often already changed. If they don't have enough resources committed, the right skillsets, and the capacity to support them, special projects get off track or derailed entirely.

Operational Gaps

Operational gaps in IT greatly impact business results, and not in a good way. Common causes of operational gaps include weak documentation, a lack of functional training, and poor communication between IT and business units. 9 Without diligent cross-functional communication and strategic planning, it's impossible for leaders to capitalize on market opportunities.

Skills Gap

Having access to the right skillsets at the right time is especially critical to innovation. Unfortunately, IT departments often face the largest gaps in areas where the most digital innovation is occurring. Today, AI, automation, and application integration are among the top seven skills gap areas. 2 As quickly as technology is evolving, the most sought-after skills could be different again next year. The fluidity of emerging tech confounds IT departments who are doing their best just to keep up with daily operations.

In a recent survey, nearly 100% of C-level executives said IT-led innovation is critical not just to growth, but to their company's survival. But only half of them think their IT department can move quickly enough to adopt and lead innovative projects.8 How can IT departments support the innovation and agility necessary to stay competitive and relevant in a time of technical disruption? Adding more internal resources is rarely the best solution, and with budgetary pressures it's probably not even an option.

TOP IT SKILLS GAP AREAS

1. Emerging tech, i.e. IoT, AI, automation [59%]

2. Integrating different apps, data sources, platforms, devices [59%]

3. Cloud infrastructure / cloud apps [57%]

4. Digital business transformation / modernizing legacy HW or SW [57%]

5. Cyber security [55%]

6. Software or app development [55%]

7. Data management / data analytics [53%]

"Being able to integrate new software quickly enough, and having efficient people to do so."
-- Senior IT executive in professional services industry

Based on NET gaps (moderate gaps + significant gaps)

The fastest way to shift out of tactical mode is by moving some of the biggest resource-hogging operational functions to third-party service providers. In this way the IT department can focus resources on strategy: becoming an integral player in the company's ability to react, profit, and grow in fast-paced markets. They can put their best people to work on high impact business projects. Ultimately, businesses evolve to a higher level of IT maturity faster and healthier.

Organizations typically fall within one of four levels of IT maturity, ranging from reactive and tactical at level one to proactive and strategic at level four. At the highest level of maturity, IT departments no longer allow themselves to be limited by the tactical overhead of the data center or the hardware in it. Instead, they strategically leverage third-party managed infrastructure, software, and cloud services to achieve business objectives.

Without a doubt, transitioning away from tactical, operationally focused IT makes some decision makers uncomfortable. They worry they're giving up control of their infrastructure or compromising IT job safety. The fact is, in the hands of third party service providers, operations

like IT infrastructure upgrades, security, and data management become easier to control. And with those distracting and time-consuming tasks moved out of the data center, members of the IT department can hone their skills on strategic objectives instead.

"**Procuring technology:** By 2022, more than half of the world's IT dollars will be spent on IT-as-a-Service."

Outsource Operational Tasks

With less energy directed toward tactical operations, the enterprise gains control over two of IT's most precious assets: time and resources. When those assets can be reallocated to business transformation, innovation follows. Through innovation comes business agility, and agility drives growth.

Companies simply should not spend valuable resources on managing data center overhead anymore. Here's why:

► Cost control and reduction – With managed services, capital investment budgeting gives way to predictable operational expenditures. In addition, gaining economies of scale on the tactical side frees up dollars to invest on the strategic side.

► Freedom to focus – With someone else maintaining the infrastructure, the IT department can shift its focus from maintenance to transformation and from reactive to proactive.

► A better, faster, stronger environment – Managed service providers offer power, capacity, and security levels that would be prohibitively expensive for the average company to maintain.

► Deep bench, broad expertise – Service providers support data center operations with industry best practices, high service levels, and a deep bench of certified professionals (whom the enterprise IT department never has to worry about hiring, training, or back filling during vacations).
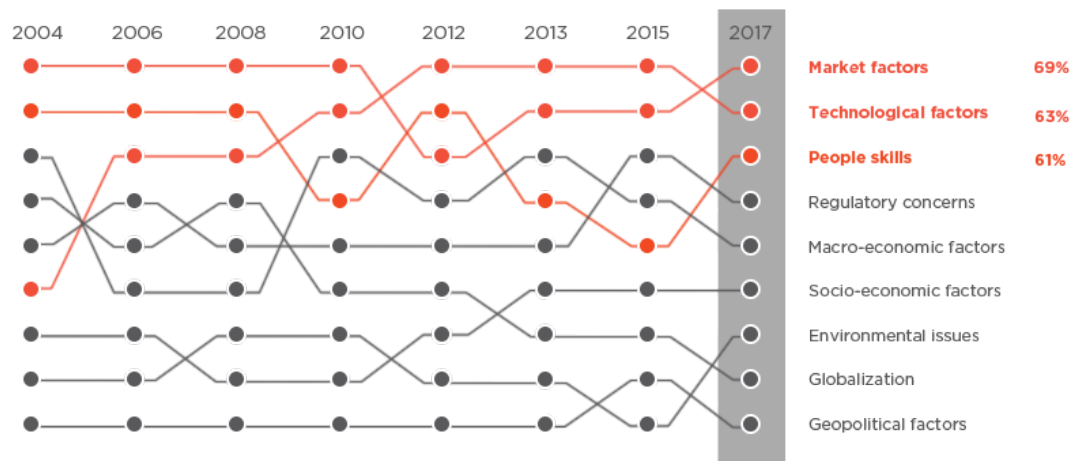
Optimize the Data Center

Data center optimization used to mean upgrading aging infrastructure and using power and space capacity more efficiently. Now it means shifting applications to the cloud and outsourcing on-premise operations to focus attention on activities that align IT with core business objectives.

The best IT functions to outsource are the ones that someone else could do better and more cost effectively. For most mid-size enterprises, that would include:

► Data storage and disaster recovery

► Security

► Database administration

► Cloud hosting

► Core infrastructure

Back to the future

Market factors and people skills are on the rise

	2004	2006	2008	2010	2012	2013	2015	2017	
Market factors									69%
Technological factors									63%
People skills									61%
Regulatory concerns									
Macro-economic factors									
Socio-economic factors									
Environmental issues									
Globalization									
Geopolitical factors									

Q: What are the most important external forces that will impact your enterprise in 2-3 years? (select up to five)

"As we continue to move productivity tools off-prem, our security architecture must extend beyond our data center to encompass an increasingly mobile workforce. With Microsoft Office 365 as our secure virtual worksite and Synoptek providing NOC, SOC, and virtual CISO oversight, we've achieved a much higher level of data security than we ever could on our own." **VP of Information Services at American Pacific Mortgage**

In IBM's Global C-suite Survey, concerns over maintaining people skills jumped from 5th place in 2015 to 3rd place today. Market and technology forces rounded out the top three.7 In another study, the percent of executives naming cyber security as one of their greatest concerns jumped from 24% to 40% in the last year.4 Few enterprise IT organizations have the in-house expertise to address these concerns on their own.

Service providers in the business of supporting cloud and infrastructure services offer power, security, skill sets, and efficiencies of scale that no corporate IT department could match. And why even try when someone else's investments, expertise, and engineers can be leveraged at a fraction of the cost?

"**Time matters when providing care to patients, so we have to be responsive 24/7.**" At Yampa Valley Medical Center outsourcing the help desk resulted in better patient care by improving user access to critical hospital information systems.

Transform Business

Particularly in the finance, healthcare, technology and industrial products industries, many IT departments have taken the initiative on their own to move toward flexible outsourced provisioning models. Other industries have been slower to make the transition, but almost all companies will shift some aspect of IT operations over to third party providers within a few years. In fact, analysts expect that more than half of all IT spending will go to IT-as-a-Service by 2022.5

With less dependence on hardware acquisitions, training, and ramp up schedules, an agile enterprise can move ideas quickly from concept to implementation. IT can work in harmony with the C-suite, creating business value, responding to new market opportunities, and supporting business transformation.

IT organizations who've matured to a level in which they are strategically integrated into business operations typically share three traits in common. Strategic IT organizations:

1. Embrace change
2. Contribute to business outcomes
3. Encourage IT personnel upskilling and participation in business planning

Conclusion

Nearly 40% of CEO's say the speed of technological change keeps them up at night.4 That statistic demonstrates how digital transformation is pervading the enterprise. Technology is no longer a tactical endeavor left to IT. It is the driving force of business, and enterprises that keep moving down the traditional IT track will eventually find themselves at the end of the line. Instead, organizations should strive to fully integrate IT with business operations.

Outsourcing day-to-day operational tasks allows the IT department to shift its focus from a tactical, "keep the business running" focus to playing a pivotal and proactive role in the way the company engages its customers and pursues new opportunities.

Those companies who succeed in capturing, analyzing, and pulling real value from their data will transform customer relationships and readily adapt to market forces. Time is of the essence: the rate of digital innovation isn't slowing down anytime soon.

"**Synoptek has the expertise** to make IT simple for you."

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