IDC TOPLINE

Hybrid IT – Enabling Enterprise Agility

July 2015

Sponsored by CenturyLink

In the modern era of accelerating disruption stemming from the broadening adoption of the 3rd Platform's technologies — with cloud at its core — no business is safe from the onslaught of a new breed of competitors. Any business that thinks it is immune to competition or chooses to maintain "business as usual" risks being left behind.

Up and coming 3rd Platform-enabled companies are proving to be more nimble, through lower capital expenses and operating in markets with minimal investment and presence. While they may not have been considered a significant threat, many are starting to outpace and out-innovate market incumbents, and are a growing source of concern for the traditional "brick and mortar" businesses.

According to IDC's C-Suite Barometer, increased market competition and finding new customer segments and business models, whilst managing the issue of increasing costs, have been and continue to be the top non-financial business concerns of CEOs across the Asia/Pacific region (see Figure 1). Businesses will have to find ways to overcome these challenges and fight off new, born-in-the-cloud competitors offering global products and services and a new customer experience. IDC's opinion is that a hybrid IT strategy that can leverage both on- and off-premise technology, services and skill sets will be the key differentiator for Asian organizations in the 3rd platform era.

Figure 1

New Competitors and Rising Costs Top Non-Financial CEO Concerns

N=1,452

Source: IDC's Asia/Pacific C-Suite Barometer, 2015

While CEOs have a clear understanding of their business challenges, IDC's Asia/Pacific C-Suite Barometer research also shows that the IT strategy of many organizations may not be optimized for success moving forward. Over 50% of the more than 1,400 C-level respondents said that they

are either using IT to drive productivity gains or following what others are doing. This may have been a reasonable strategy in the past, but not any more in the 3rd Platform landscape.

Ingredients for Success

So how should businesses evolve their IT strategy to enable enterprise agility? At the highest levels, the three pivotal areas to create a robust IT strategy are innovation, risk mitigation and cost efficiency.

Taking a hybrid IT strategic approach will allow businesses to focus their resources on mission-critical systems and applications on-premise, whilst allowing businesses to tap on additional external skills and resources on systems and processes off-premise to mitigate risk and also provide an added innovative competitive advantage.

Hybrid IT is a more comprehensive approach to IT strategy. It can entail a mix of outsourced and in-housed IT services, including data center colocation, managed hosting, managed services, network and cloud, and through this process there is also the ability to leverage external skill sets that are currently difficult to locate and retain.

Many organizations are already running some form of hybrid IT model, leveraging on- and off-premise systems and infrastructure, but generally as discrete silos of processes. Few have a holistic hybrid IT strategy that enables them to grasp the most value from this strategy.

So how can organizations improve in this area?

Innovate to Transform

Enabling business innovation and IT transformation is more critical than ever to future success. In the race to stay ahead of the competition and drive this new innovation agenda, businesses must embrace new business models enabled by cloud and mobile computing.

In 2014, IDC defined the new marketplace as a "tech economy" in which technology has become a lynchpin upon which virtually all businesses need to transform themselves. Transformation can either be in the form of business models, data management, new skills or the plethora of digitized processes in which to communicate with customers and business partners. To illustrate this point, IDC predicts that smartphone growth in 2015 across the Asia/Pacific region (excluding Japan) will be 23.8%. In direct response to this mobility trend, it will be important for all businesses to provide enhanced support of mobile devices for internal users to boost productivity as well as enable external mobile services to capitalize upon the increasing e-commerce opportunities.

As cloud computing has irrevocably changed the approach to internal IT systems, there are strong underlying economics and agility potential in a well-implemented hybrid IT solution that leverages cloud technologies, unmatched by any previous technology set. IDC has identified **hybrid IT as an important transformation strategy**, and requires a radical review of how IT systems are procured and deployed. However, the general readiness for such transformation is elusive for a significant percentage of businesses as IDC's Asia/Pacific Transformative Infrastructure Index indicates that less than 10% of organizations are currently able to fully realize the value of what a hybrid strategy has to offer.

To facilitate business and IT transformations, enterprise IT will also need to stay in step with the changing workplace as **employee roles and responsibilities "evolve".** For example, infrastructure management is no longer a competitive differentiator. Differentiation has shifted to applications leveraging 3rd Platform technologies, and more importantly, to the data that these applications can capture and process in large quantities and rapid frequency. However, it is not always necessary to hire the best talent, and in many areas the talent is scarce anyway. A smart hybrid IT strategy is one that can also tap into the experience and expertise that is available within the workforce of the vendor organization that is selected, and by treating such vendors more as business partners, to better leverage the relationship advantages, rather than just being "sold to".

The evolution towards the 3rd Platform environment demands new skill sets, many of which are in short supply in the Asian markets. Working closely with partners can help rapidly address skills shortages, which is important to ensure successful execution in these new areas. Therefore, when it comes to datacenter design, having a hybrid IT strategy is fast becoming a critical success factor.

Mitigate Risks for Success

The adage "no risks, no reward" remains, but failure to mitigate risks can have significant impact on business growth and brand perception. Key focus areas for mitigating risk include security, disaster recovery, and right skilling.

IT security is a major concern for all organizations. Whether compliance reasons or operational requirements, the threat level has exploded and few organizations are safe. Cloud computing is frequently cited as being "unsecure" by many of those with little or no knowledge, and yet for the enterprise cloud providers, this is the heart of their business model and a core capability. To put cloud security into perspective, IDC expects that in 2015, 60% of all services for security will be dependent on cloud-enabled tools and service delivery.

Disaster recovery is, by its nature, an unpredictable process. Nobody knows how and when a disaster will strike, or for how long an outage will last; however research from IDC's Transformative Infrastructure Index indicates that 43.9% of respondent organizations are likely to have less than 20% of applications up and running in real time in the event of a disaster. Whether or not this is the business critical 20% remains to be understood, but the fact remains that almost half of all organizations would have to cease most aspects of operations in the event of a disaster.

There is a misconception that the concept of governance, risk and compliance (GRC) is often considered to be the realm of the IT department. Whilst IT is generally responsible for providing the reports for GRC audits, the reality is that it is a companywide initiative, defined largely by the industry appetite for risk and corporate philosophy. Therefore, the responsibility for decisions needs to span beyond traditional domain areas. For many, the solution is the engagement of external partners with experience in the previously defined transformation processes.

A number of organizations in Asia have already taken the right steps toward a hybrid IT approach in which they focus solely on mission-critical applications that can offer the competitive differentiation demanded in the current environment, permitting the organization to focus on "best-of-breed" in-house talent to maintain these mission-critical systems while relying on IT partners to both manage the no-critical applications as well as help them move to the next level on the digital transformation journey.

Drive New Levels of Cost Efficiencies

The top three approaches for organizations' to best realize cost savings, are right scaling, fit for purpose, and shifting expenses from capex to opex, assuming this is a desired financial strategy.

There is a fine balance to be made between investing in new technologies for the sake of it and ensuring that they deliver incremental value to the business, which is no wonder that the top two business priorities for 2015 are finding operational efficiency and productivity gains as well as companywide cost savings, as shown in Figure 2.

Top Business Priorities for 2015
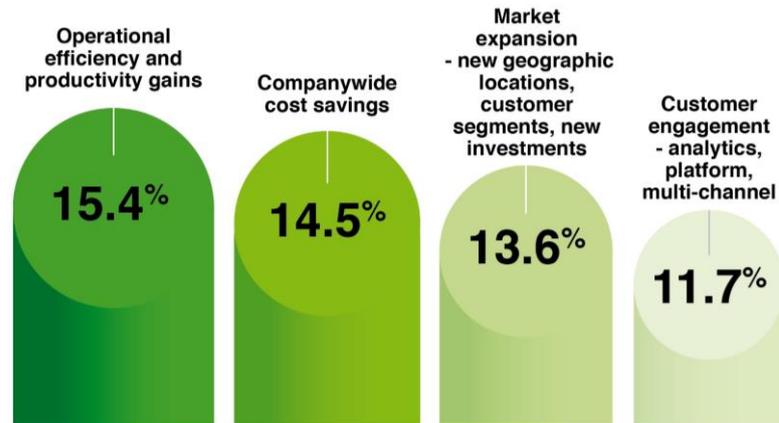
N=1,421

Source: IDC Asia/Pacific Transformative Infrastructure Index, 2014

In the past, these goals were typically driven by IT investments, but for many organizations the savings from IT are now well down the path of diminishing returns. Contrary to these two bottom-line focused demands, the next four business priorities are all about expansion and growth.

It used to be necessary to architect mission-critical systems to have sufficient capacity to respond to intermittent peak workload demand. The advent of server virtualization on the x86 platform has helped to reduce the need to overinvest in capacity to service peak demands. With the advent of enterprise cloud service providers, the potential to leverage off-premise compute, storage, and even software licenses, via a third party, is rapidly becoming the "norm". Consequently, organizations no longer need to build often unused capacity into their IT systems, to cater for potential spikes.

This is also where a third-party solution plays a key role as it enables organizations to move the expense of IT from a capital expense to an operational expense; thereby having a more positive impact on the overall financials of the organization.

Essential Guidance

IDC has long advocated a hybrid IT environment as one that is both most cost-effective as well as one that permits the organization to focus only on the core applications, systems and processes that enable digitally transformational organizations to move to the next level, and by so doing be more effective and profitable than other, less transformed competitors. However, there are a few key considerations that need addressing around this issue.

Core principals should be:

■ Establish a hybrid IT strategy

■ Find a partner that has the potential to help you grow your business through partnership with service providers' that have both local, regional and global connections (depending upon your business requirements) and a strong financial base.

■ Ensure your partner has both sufficient security skills and knowledge of the legislative environments in which you currently, and wish to operate in the future.

■ Highly transformed organizations need to be flexible, and this is also a characteristic that a service provider partner should be able to demonstrate.

Armed with these core guiding principles, the ability for an organization to commence the necessary digital transformation to be successful in the 3rd Platform is far more positive than those that are doing nothing to transform.