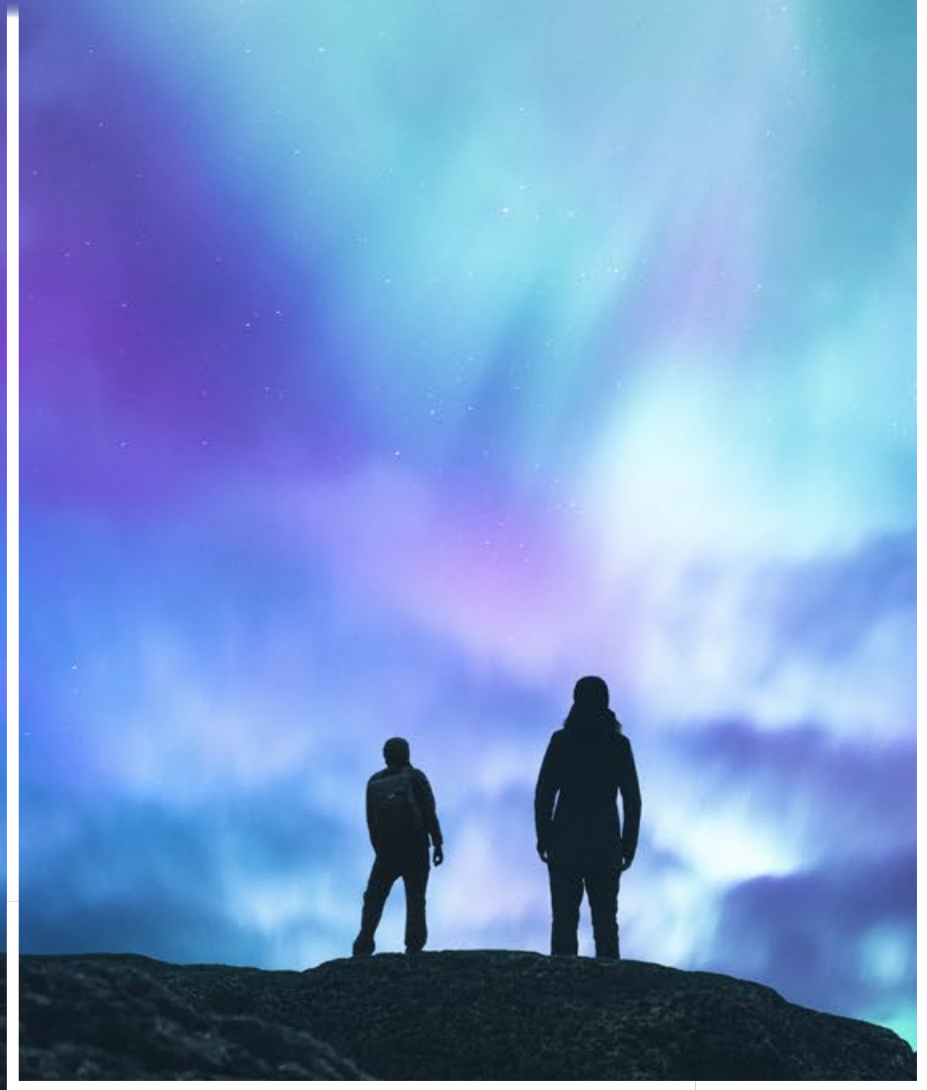# RETHINKING THE "SERVICES" IN MANAGED SERVICES

Powered Evolution

KPMG

SO MUCH MORE THAN "RUN YOUR MESS FOR LESS"

Before the cloud, Information Technology Outsourcers (ITOs) would pitch their services as "we'll run your mess for less" – the "mess" being all of the complexities involved in supporting an on-premise solution, including maintaining the datacenter, network infrastructure, servers, operating systems, applications, databases, identity and access management (IAM), and more. ITOs could achieve the "for less" part through economies of scale and offshoring. The net deliverable was exactly the same as if you ran it yourself – a software application with five-nines availability – but with lower costs and fewer headaches.

It's now a shared model of responsibility.

The cloud has shaken this model up, but it's far more than just a shift in where the servers are located. Cloud software providers handle most of the same "mess" as the ITOs did – most, but not all. It's now a *shared model of responsibility*. While cloud companies handle the infrastructure and the applications, you're responsible for the configurations, IAM, your data and more – specifically, things that are unique to how you use and govern the software's capabilities as opposed to how another company might.

Put another way, the cloud has abstracted business processes from the underlying technologies used to enable them. Features and even entire applications can now be turned on or off, or scaled up or down almost literally with the click of a mouse. That means that the deliverable for IT is no longer a software application with five-nines availability; now it's a business outcome. It's about what you do with the software instead of how that software is run.

A TECTONIC SHIFT

This tectonic shift is having a profound impact on the role of CIO. Modern IT's mission is evolving from supportive to entrepreneurial. It's becoming an equal partner in defining the business itself, a business enabler instead of a cost center. Agility, innovation, collaboration and value creation are now its goals – something borne out by our most recent **Harvey Nash/KPMG CIO survey**.

In the 2020 survey, 44% of CIOs reported that one of IT's top investments is improving the customer experience and engagement. 42% said that their organisation's business activities will transform significantly or even radically over the next three years, with new products or services that are equal to or more dominant than existing ones, or entirely new revenue models. Of course, IT and the CIO are playing a key role in enabling this transformation, and given the agility and flexibility it provides, the cloud is one of their key weapons. The 2020 survey reports that 42% of digital leaders are investing in distributed cloud technologies and 34% in SaaS marketplace platforms. Large scale SaaS implementations were up 7% over the previous year.

This shift doesn't mean that the "mess" on the CIO's plate has gone away, however. It means that there's an entirely new "mess," if you will – a new set of responsibilities to manage that's different in almost every way from the old. This one isn't about data centers and servers and whatnot; it's about connecting the digital dots to create flexible, efficient, end-to-end business processes that fully align with business strategies, and continuously re-align as those strategies evolve rapidly.

It means that today's IT leaders are now expected to be business and strategy experts, too. Not long ago, it would be difficult to imagine someone in the CIO role who didn't understand network topologies or know their way around a command line. Now it's becoming increasingly difficult to imagine someone who doesn't have an MBA.

And yet, even with these new responsibilities, CIOs are still expected to support legacy infrastructures, enhance cyber security, improve network reliability, implement new systems and architectures, support stay-at-home employees and more. To quote the noted industry observer Mr. T: "I pity the fool" who tries to bear that responsibility by themselves.

It's about connecting the digital dots to create flexible and efficient business processes

IN THE SURVEY...

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MODERN MANAGED SERVICES FOR MODERN IT

While the challenges are different, what hasn't changed is the value of having someone "run it for less with fewer headaches" – if anything, it's become more appealing given IT's expanding set of responsibilities. The challenge is finding a managed services provider designed and equipped to handle the new mission instead of the old – one that has redefined the "services" in managed services to match IT's modern mission (spoiler alert: it's going to be us).

Many ITOs have yet to make the changes necessary to take this on. They're still staffed to keep the servers running and the operating systems patched – things the cloud providers now handle. Instead, you need a firm with a completely different set of skills and tools – specifically, a firm capable of helping you define and execute on a Target Operating Model. The TOM defines the desired, ideal future state of your organisation, including the roles, functions, processes, capabilities and controls you must have in place to execute on a business strategy and realise its goals – especially when moving at the pace that today's cloud solutions enable.

Consider the rapid-fire updates you'll get from SaaS providers, for example. Gone are the days when significant updates would come once every three to five years. Now they come as often as every 3 months. You're responsible for assessing the impacts they have on your business, starting with security, privacy and compliance. They may require employee training. They may affect existing business processes. They may even enable entirely new business opportunities.

As they say, transformation is a journey, not a destination. It never stops moving. Even the most impressive TOM, therefore, requires regular reassessments and periodic updates to ensure it remains optimised to handle rapidly changing technologies, market conditions and business requirements.

Do you have the people, processes and governance in place to handle such a dynamic environment? While a technologist surely can configure a SaaS solution or feature, will they understand the implications of that configuration on compliance or on your business strategy, or spot the potential new business opportunities it might enable? Without these capabilities, you're failing to extract the full value from your investment in the cloud. You're leaving money on the table along with your lunch, that a competitor – who gets those same updates – might be ready and eager to eat.

The 2020 KPMG CIO survey bears this out. It found that 51% of respondents said they will increase managed services as part of their service delivery model with 45% saying they will keep managed services the same. The top reason they cite for outsourcing is access to skills not available in house (47.55%) followed by the ability to free up resources to focus on the core business (41.26%). After cyber security, the next most difficult-to-find skill they reported was organisational change management – arguably a recognition that the business and organisational impacts of transformation are at least as significant as the technology impacts.

51%
of respondents said they will **increase managed services** as part of their service delivery model
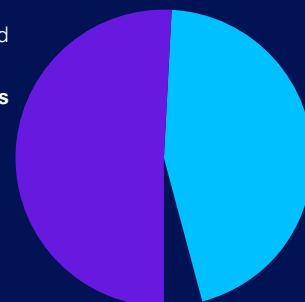
45%
said they will **keep managed services the same**

THE BEST OF BOTH WORLDS

For more than 20 years, we've built our reputation as a leader in business-lead transformation. Key to that leadership position was our early recognition of the shift in IT's mission – and the need to balance technical expertise with business expertise to help IT leaders succeed at this modern mission.

Unlike business-only consultancies, we've invested in our technology skills and solutions – our **Powered Enterprise** solutions and **Powered Evolution managed services** being the prime examples. Our 12,000+ technology professionals have the resources, the engineering expertise, the battle-tested tools and the close alliances with leading technology providers to deliver on your vision at the accelerated pace demanded of today's IT leaders.

And unlike technology-only firms, we have the breadth and depth of cross-functional business expertise to help you recognise the business and organisational implications, and help you exploit every opportunity and sustain every advantage.

Don't pursue your transformation journey alone. If you'd like to learn more about our managed services solutions, shoot us a message. We'd like to hear about your transformation goals and challenges.

a leader in business-led transformation.

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ABOUT POWERED EVOLUTION

Powered Evolution is an on demand service specifically designed for you to continually optimise our Powered Enterprise functional transformation. It is delivered in the same way as the Powered Enterprise program, through a highly-skilled and effective multi-tier global delivery network that provides local and market insight together with global process and technical resources to keep your function at its peak.

Find out more

KPMG.com.au