Managing the Transition to IT as a Service Broker

Successfully moving to new IT structure requires focus on the human side of the equation
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>2</td>
</tr>
<tr>
<td>Introduction: IT at the Crossroads</td>
<td>3</td>
</tr>
<tr>
<td>New IT Structure</td>
<td>3</td>
</tr>
<tr>
<td>What Is the IT as Service Broker Model?</td>
<td>3</td>
</tr>
<tr>
<td>Communication: The Key to a Fluid Transition</td>
<td>5</td>
</tr>
<tr>
<td>Training and Hiring: Build a Better IT Team</td>
<td>6</td>
</tr>
<tr>
<td>Building Momentum: Early Wins Lead to Long-Term Success</td>
<td>8</td>
</tr>
<tr>
<td>Conclusion</td>
<td>9</td>
</tr>
<tr>
<td>Sources</td>
<td>9</td>
</tr>
<tr>
<td>About Rackspace</td>
<td>10</td>
</tr>
</tbody>
</table>
Executive Summary

The days of IT simply “keeping the lights on” and supporting the status quo are behind us. To remain relevant, IT must reinvent itself from its traditionally reactive role to carve out a more strategic relationship within the business. IT directors are therefore evolving IT departments toward a new role as service broker, in which they select the best internal and external services to meet business needs. While there is much discussion as to why organizations should transition to the IT as service broker model, there is little detail about how to manage that transition. This paper focuses on best practices, particularly in relation to the human side of the equation — how to communicate through the transition, hire and train the right IT staff, and build positive momentum through initial projects.
What is the IT as Service Broker Model?

Traditionally, IT departments design, build, and manage infrastructure and operational solutions that are primarily based on-premises. With the emergence of shadow IT — in addition to cloud computing, big data, mobile, social media, and other “mega trends” — these in-house solutions are proving too slow and costly to meet emerging demands.

To stay relevant, many IT departments are transitioning to a new role in which they broker services from multiple vendors to deliver the most efficient, least costly, and most timely solution possible. In the service broker model, when an LOB manager needs a new software application, IT responds by identifying the best solution, whether it is on-premises; outsourced through managed hosting; or delivered via a private, public, or hybrid cloud.

To facilitate the brokering of services, some enterprises may adopt a self-service platform. These platforms allow LOB units to make requests directly. Their requests are then provisioned automatically (following a governance approval process) through cloud services provided by third-party service providers.
Introduction: IT at the Crossroads

Not too long ago, IT organizations were the only game in town — the only place line-of-business (LOB) managers and other business users could turn when they needed support for increased workloads and new applications. However long it took, at whatever cost, IT was in control. If IT was often viewed as a cost center, it was also seen as a necessary and unavoidable one.

Today, there’s a new reality that has placed IT at a crossroads. Business users can, and frequently do, circumvent IT and seek out cloud-based alternatives that deliver the services they need — often in far less time and at less cost. In fact, a recent survey found that more than 80 percent of employees have used non-approved software-as-a-service (SaaS) applications in their jobs.¹

The unintended consequence of this so-called “shadow IT” is increased risk, but employees indicate that their top three reasons for “going rogue” are not mercenary and relate instead to a genuine desire to get business done faster and more efficiently:²

1. Employees are familiar and comfortable with the non-approved software
2. IT approval processes are too slow or cumbersome
3. Non-approved software better meets their needs than the IT-approved equivalent

As the latter two reasons suggest, shadow IT is just one part of a much larger challenge facing IT departments: the increasing perception that they are a costly, inefficient, difficult, and disconnected part of the business. Many business leaders have little confidence that IT can deliver the service levels today’s applications demand — and they now have numerous ways to circumvent IT if it fails to deliver services as quickly, reliably, and cost-effectively as desired.

A recent study underscores the prevalence of this lack of confidence in IT. The survey found that 79% of C-level executives believe that they can make better and faster decisions without IT.³ That places traditional IT departments in an untenable position, as demands keep rising, IT budgets shrink or remain stagnant, and confidence continues to drop.
New IT Structure

The IT as a service broker model has emerged as an alternative that can greatly improve IT performance and responsiveness, and at a higher level, reposition IT as a business enabler aligned with long-term corporate goals and strategies.

In this new model, the CIO’s role is to lead an IT service management organization that assures predictable delivery of compute services. The IT department shifts from its traditional role of simply managing in-house solutions to become a trusted resource for both internal and third-party services provided by a broad range of companies.

The main advantage the service broker model has over traditional IT departments is that services can be provided faster and more cost-effectively. In addition, the service broker model frees IT from the constraints of day-to-day maintenance responsibilities, so team members can spend more time engaging with LOB managers to better understand their needs and develop innovative applications and other solutions.

These benefits and more have led many IT directors to recognize the need to transition IT into the service broker model, and yet the transition has been slow in coming. In fact, although most IT and business unit executives in a recent survey felt that moving to the service broker model was a “critical business priority,” 25 percent indicated that little or no progress had been made.4

One reason for the slow adoption of the new model is that it requires a significant cultural shift in IT. Most companies do not have a service management DNA, as traditional IT departments were designed to manage applications and infrastructure, not service delivery. To guide the transition, IT directors need insight into best practices surrounding how to plan for and manage organizational change, particularly on the human side of the equation.
Communication: The Key to a Fluid Transition

Transitioning to an IT service broker model requires an entirely new service management operating structure and a seismic shift in mentality, systems, processes, and skill sets. From a personnel standpoint, companies need to identify the skill sets they need, and determine who among the existing staff is willing and qualified to execute the migration and work within the new model.

As it is for any major business realignment, communication is at the heart of the transition.

ANTICIPATE RESISTANCE

Traditional IT is component-based, not service-based. When you tell your traditional IT staff that setting up a server, supporting a network, and troubleshooting hardware errors — roles they may have filled successfully for decades — will no longer be the focus of their work, you can expect fear and resistance.

Andy Brown, former CTO and CIO at a large financial services organization, has led global companies through IT transitions. He said, “You can expect competition, hostility, and defensive behavior as internal IT staff try to justify the status quo. That’s just human nature: It’s a threat to my job so I’m going to resist it in whatever way I can.”

Jason Hagens, CEO of SWAT Systems, an IT consulting and services company, has witnessed pushback when internal IT staff are forced by their IT directors to use his company’s services. “They’re afraid they’ll lose their job, lose control, or mess things up. It’s all about fear,” he said.

Resistance is also common outside the IT department. In general, the concern across the business will be that changing IT could lead to worse response times and poor service, especially during the transition. Some business units that enjoy their existing relationship with IT may also fear that the changeover will harm what they see as an efficient system.

It is not possible to prevent all this resistance to change. However, you can anticipate it and provide more effective communication that helps limit fear-based responses. When possible, bring both the IT team and external employees in early to help with the planning process, so they feel they are part of the change — not a victim of it.

In addition, from the very start of the transition, make sure to clearly articulate the rationale and benefits of the service broker model. Explain in detail how the transition will take place, and describe specifically how business users will work with their new IT service broker. Even if the transition poses a real or perceived threat to some employees, if they fully understand the merits of the business case and how the new service broker model will work, they are more likely to come to terms with the need for change.
COMMUNICATE OPPORTUNITIES

In addition to articulating the business case, it is important to communicate the opportunities the restructuring will create for existing IT staff.

“If you offer them nothing, you will get a bad response,” said Brown. “You don’t have to position it that way instead, focus on the positives. Tell them that there will be a new service management position, an SLA oversight job — whatever the new positions will be. People who are interested in taking on a new challenge will be excited by those types of opportunities.”

Highlight benefits of the new model, such as potentially being freed from daily maintenance tasks. Under the service broker model, IT staff will have more time to focus on strategic initiatives and develop innovative applications and solutions that will help the company grow.

By clearly communicating the opportunities the service broker model will open in IT, you may be able to excite your existing IT staff about expanding their existing skill sets and stretching to fill new positions. As Brown points out, their ability to adapt and grow in this way is critical to their future in the fast-changing world of IT.

“I’ve run into a number of IT people who have run out of places to go to do the same technical jobs they used to do,” Brown said. “There's no doubt that as internal IT shrinks and shifts, those who resist change are finding it harder and harder to find jobs.”
Training and Hiring: Build a Better IT Team

Traditional IT organizations focus on building new technical platforms and systems, and providing ongoing support for existing solutions, whether custom-built or commercial-off-the-shelf. While that work demands primarily technical knowledge, the transition to the IT as service broker model creates the need for additional, more varied skills.

You may find some of the needed skills internally (with the aid of additional training). Other skills and experience will need to be brought in through new hires (see Figure 1).

The many roles within the service broker model include integrating solutions, working with vendors, and managing a variety of IT services. Among the required skill sets and qualities you will likely need to add to your existing IT team are:

- Application development
- Application architecture
- IT services integration and management
- Strategic and business-critical thinking
- Partner/vendor management

Figure 1. Changing demands in IT9
TRAIN EXISTING IT STAFF

A significant investment in training will be necessary to give existing IT personnel the knowledge and skills they need to fill their new or expanded roles. Technical knowledge will remain extremely valuable in the service broker model, as IT personnel will need to understand both existing and future technologies, including many cloud solutions.

In addition to expanding technical knowledge, training should focus on developing and honing softer skills, including communication and relationship-building. IT personnel will need to be able to work closely with vendors, communicate on a technical and business level with LOB leaders, and potentially work on teams that decide which technologies are right for each project.

“I constantly try to value strengths and leverage those where they will help us most,” said Hagens. “If someone is well-versed in applications, move him to the app level If someone is good with customers, have him focus on end-user support issues.”

HIRING NEW IT STAFF

To build the new service broker model, you will inevitably need to hire new IT staff. Before doing so, make sure that you have a thorough understanding of the structure of your new service broker model and the positions you will be able to fill internally.

Some responsibilities — such as managing internal IT resources or determining whether a job can be taken internally or outsourced — may be best handled by a current employee who has insight into your existing IT infrastructure.

However, other skills are unlikely to be found among your current IT staff. For instance, a survey by Avanade found that 44% of C-level executives believe that their IT department needs more skills in cloud services, and 43% say more skills are needed in service and systems integration.
Building Momentum: Early Wins Lead to Long-Term Success

You can communicate well, construct a well-trained IT team, and still struggle to transition from a traditional IT model to an IT as service broker model. Breakdowns can occur due to poor planning or a faulty organizational structure. To help reduce the risks, it is critical to do the following:

1. Build a service management operating model from the ground up
2. Understand and evaluate the range of service provider tools and solutions
3. Craft mutually beneficial, flexible contracts with your service providers
4. Work with the hosting provider to define and set clear SLAs
5. Transition workloads slowly and one at a time

When evaluating service providers, ask specifically about SLAs. You will want to select providers that have a proven track record of meeting enhanced SLAs on the critical and custom-built applications your business relies on. It is also important to ask service providers if they can automatically fulfill requests from self-service platforms, which you may implement as part of the service broker model.

The fifth step — transitioning workloads slowly — is an often-overlooked element of the transition Brown said, “Moving people into the service broker model slowly gives you time to make adjustments and course corrections, and it allows your IT team to overcome early mistakes without the business suffering major consequences.”

By moving slowly and accumulating early wins, or “bright spots,” you can hone processes while you also overcome any remaining skepticism and resistance, both inside IT and across the business. LOB leaders will be watching to see if the service broker model can deliver the solutions they need in a timely manner. Outsourcing a minor application can serve as a test run to help your IT team develop the necessary proficiency and confidence, and iron out trouble spots before they impact users.

“Getting quick wins under your belt will help traditional IT team members see that the service broker model really does make sense and is more efficient,” said Hagens. “Plus, they’ll likely find that they like having more time to focus on developing new IT solutions, instead of just managing day-to-day issues.”

Transitioning slowly and accumulating early wins provides one additional benefit: It enables you to examine the productivity and efficiency of the new model. You can then use those metrics, and the qualitative feedback you receive from your IT team and LOB managers, to highlight the success of the service broker model, and build executive support that will be essential as the transition continues.
Conclusions

Traditional IT departments are struggling to keep pace with accelerating business demands and the threats posed by shadow IT. By transitioning to a service broker model, IT can deliver unprecedented value to the business, free time to focus on innovation, and leave behind the perception of being reactive, tactical, and purely operational.

As with any organizational change, the key to a successful transition involves people and the proper allocation of talent. By communicating the business and technical value of the transition early and clearly, developing a more strategic-thinking IT staff, and building positive momentum through initial project successes, IT directors can mitigate the risks and complexities of the transition. You can then implement a service broker model that delivers on its promise of providing optimal IT solutions faster, more efficiently, and at a fraction of the cost of traditional IT processes.

For more information, visit www.rackspace.com
References

5: Telephone interview, June 17, 2014
6: Telephone interview, June 18, 2014
7: Telephone interview, June 17, 2014
8: Telephone interview, June 17, 2014
10: Telephone interview, June 18, 2014
12: Telephone interview, June 17, 2014
13: Telephone interview, June 18, 2014
About Rackspace

Rackspace® (NYSE: RAX) is the #1 managed cloud company. Its technical expertise and Fanatical Support® allow companies to tap the power of the cloud without the pain of hiring experts in dozens of complex technologies. Rackspace is also the leader in hybrid cloud, giving each customer the best fit for its unique needs — whether on single- or multi-tenant servers, or a combination of those platforms. Rackspace is the founder of OpenStack®, the open-source operating system for the cloud. Based in San Antonio, Rackspace serves more than 200,000 business customers from data centers on four continents.

GLOBAL OFFICES

Headquarters Rackspace, Inc.
5000 Walzem Road | Windcrest, Texas 78218 | 1-800-961-2888 | Intl: +1 210 312 4700
www.rackspace.com

UK Office
Rackspace Ltd.
5 Millington Road
Hyde Park Hayes
Middlesex, UB3 4AZ
Phone: 0800-988-0100
Intl: +44 (0)20 8734 2600
www.rackspace.co.uk

Benelux Office
Rackspace Benelux B.V.
Teleportboulevard 110
1043 EJ Amsterdam
Phone: 00800 8899 00 33
Intl: +31 (0)20 753 32 01
www.rackspace.nl

Hong Kong Office
9/F, Cambridge House, Taikoo Place
979 King’s Road,
Quarry Bay, Hong Kong
Sales: +852 3752 6488
Support +852 3752 6464
www.rackspace.com.hk

Australia Office
Rackspace Hosting Australia PTY LTD
Level 1
37 Pitt Street
Sydney, NSW 2000
Australia

© 2015 Rackspace US, Inc. All rights reserved.

This whitepaper is for informational purposes only and is provided “AS IS.” The information set forth is intended as a guide and not as a step-by-step process. Rackspace makes no representations or warranties of any kind, express or implied, as to the accuracy or completeness of the contents of this document.

Except as expressly provided in any written license agreement from Rackspace, the furnishing of this document does not give you any license to patents, trademarks, copyrights, or other intellectual property.

Rackspace, Fanatical Support, and/or other Rackspace marks mentioned in this document are either registered service marks or service marks of Rackspace US, Inc. in the United States and/or other countries. OpenStack is either a registered trademark or trademark of OpenStack, LLC in the United States and/or other countries. Third-party trademarks and tradenames appearing in this document are the property of their respective owners. Such third-party trademarks have been printed in caps or initial caps and are used for referential purposes only. We do not intend our use or display of other companies’ tradenames, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.