Run Optimization: Overcoming the Biggest Barriers to Digital Transformation
Few would dispute the fact that technology is core to a company’s competitive advantage and survival. But technology is also changing fast. Technologies that were little more than concepts five years ago are now mainstream. Companies are struggling to keep up, held back by legacy systems and tight budgets.

The reality is that many IT organizations are spending too much of their resources keeping the lights on—running data centers, maintaining infrastructure, and supporting break-fix. And there is usually little to no investment in the future, in the things that will enable competitive advantage.

This is the elephant in the room that no one is talking about. It’s the biggest barrier to digitalization for many companies today. If IT is to remain relevant, it must focus 80% of its time, effort, and budget on growing and transforming the business, and 20% on run activities—not the other way around.

The disruptive nature of tech-native competitors demands IT to be run with greater efficiency and lower cost. Just as a hospital’s core mission is to keep a population healthy and a hotel to deliver superior comfort and convenience, IT’s true mission is to deliver business performance and results—not manage data centers. IT needs to transform to focus on high-value work and switch gears from run to grow.
The core questions to optimize run are: what work should get done, who should do it, and where should it be done? Figuring out the best answer to these three questions is what Run Optimization is about. It is the foundation of change and innovation, and it must be a priority on every IT leader’s agenda today.

Optimizing for success:
IT must shift its budget, people, and effort from run to grow
The Reality of Enterprise IT Today

Why is IT still viewed as a cost center, and why are IT leaders struggling to demonstrate value? Three major factors top the list: speed, cost, and time.

**IT is too slow to meet fast-changing business needs**

Digitalization is key to remaining competitive, but many organizations are hindered by legacy processes and organizational challenges that restrict operational agility, innovation, and value creation. Meanwhile, tech-native startups are upending entire industries and threatening businesses. If an organization doesn’t have an active roadmap to transform IT, there’s a good chance it will fall behind—fast.

**IT is too expensive**

The complexity of many organizations, with their fragmented business units and siloed departments, makes managing the business of IT difficult and expensive. Nothing short of a revamp in is order, but the pressure to lower costs often means getting funding for change can be nearly impossible. Still, IT leaders can transform IT through a self-funding approach—using small wins (and savings) to pave the way to bigger, more impactful projects.

**IT is too busy fighting fires**

It’s not uncommon for the demand for services to be so overwhelming that the team is forced to operate in a reactive mode. But this situation can be prevented by eliminating tedious, time-consuming tasks such as resetting passwords and restarting systems. Today, there is a wide range of automation tools and sourcing options that can free up the department to work on high-value tasks. It’s just a matter of making it a priority.
Why Zero-Footprint IT Is the Future

If you were to start anything but a software company today, chances are that you wouldn’t go out and spend a small fortune buying servers, hiring programmers, and coding apps from scratch. That might have been the case 20 years ago, but now it’s likely that you’d use a combination of cloud-based services and packaged applications with little cost upfront, paying as you go.

In today’s volatile marketplace, an organization’s speed and agility is everything. Having a large IT footprint is often a liability instead of an advantage. After all, what matters isn’t who owns the technology, but the business outcomes that technology can enable. It bears repeating: IT’s mission is to deliver business performance and results—not manage data centers.

IT services are quickly becoming a commodity, and services are soon going to be as easy to access as turning a tap to get water or flicking a switch for power. From cloud storage to machine learning, we now have access to a range of low-cost, scalable, high-performance services on demand. Anyone can develop and deploy new applications faster and cheaper, while owning little to no IT infrastructure.
The future of the digital enterprise lies in a future where the IT organization is unencumbered from running the day-to-day and is able to focus on driving innovation and growth. We believe best-in-class IT organizations will likely be a combination of these five levers:

**Insourcing:** Using an in-house team to deliver services that are a competitive advantage to the company, or in a manner that is better than what the market can provide.

**Outsourcing:** Working with a third-party provider to provide services at a lower cost and higher service level.

**Automation:** Using technologies such as robotic process automation to eliminate repetitive, low-value tasks.

**Co-location:** Deploying IT infrastructure at a co-location facility at a lower cost and higher service levels.

**Cloud:** Using a cloud-based service or hosting IT infrastructure with a cloud computing provider such as Amazon, Microsoft, and IBM.
The Three Questions IT Leaders Need to Be Asking

Your Run Optimization process should address the three biggest constraints facing businesses today: speed, cost, and time. How will you achieve the performance and efficiency to drive value for the business? A thorough examination of these three questions will uncover your path to transformation.

Question 1: What work needs to be done?

We’ve established that IT is not in the business of running data centers, nor is it in the business of resetting passwords. So the question is: what is your organization’s true mission and does your IT strategy support it? A hotel chain’s true mission might be to deliver unforgettable customer experiences, and a healthcare provider might strive to provide better treatment of chronic conditions.

Start with your organization’s business strategy. IT must be aligned with the business, or you risk focusing too much on the technology itself rather than how it can enable your organization’s core purpose. What technology capabilities does the business require? What are the business outcomes that must be achieved? What IT services are required to enable the required technology capabilities? Reach out to business leaders and customers, find out how technology can meet their needs, and rethink your IT strategy.
Question 2: Who should do the work?

Although it’s tempting to do everything in-house, as is the case at many organizations, it is now more advantageous to automate or outsource most IT services. Our experience with industry-leading companies shows that a business can typically cut costs by over 30%, while enjoying greater service levels. How? By taking a progressive approach to managing your service providers.

First, make modernization business as usual. Whether it’s an end-user service, infrastructure management, or application support, service providers should do more than just take over a function—they need to constantly make it better. The key here is to make outsourcing contracts both a service delivery and modernization contract. Service providers need to be seen as a strategic partner and be enabled to drive efficiency while also minimizing technical debt.

Then, put value first, not costs. IT leaders need to view outsourcing not as an opportunity to eliminate jobs, but rather, an opportunity to free their team from repetitive, low-value work. As the IT organization shifts from running the business to growing it, so will the team evolve from being service providers to being vendor managers.

But outsourcing isn’t suited for everything. Two types of services still require an in-house touch. The first is core competencies. These are functions that are key to driving revenue and a competitive advantage. For example, consider the personal interaction of a local bank, the unique flavor of marketing of a CPG brand, the advanced analytical methodologies of a data business. These are tasks that no one else does better.

The second is services that involve sensitive business information or processes, such as the medical records of a hospital or the financial data of a bank. Often, the risks of ceding control of vital information to a third-party are too high, leaving companies with no choice but to run a service themselves.
Question 3: Where should work be done?

For infrastructure, a cloud service provider like AWS and Microsoft Azure is generally the way to go today because it offers the most flexibility, reliability, and scalability—often at the lowest cost and risk levels.

For everything else, the world (not just India) is your oyster. There’s a global market out there—Europe, Asia, South America—with great talent. And it doesn’t have to be offshore. Many cities that were once industrial hubs, such as Detroit, are fast becoming known for their technical expertise.

Your goal as an IT leader is to find the most capable individuals at an appropriate, global market rate. And it’s likely that the best talent for supporting a service or function doesn’t exist in the same location as your corporate headquarters. You just have to know where to look.
Case Study

Do Cost Savings Justify the Risks of Outsourcing?

When a multinational healthcare technology provider came under pressure to drive costs and inefficiencies out of its bottom line, it started looking at outsourcing some of its infrastructure services. Notably, these functions were a core competency. And the company was indeed more efficient and experienced than service providers in the market.

One red flag was that the data used to run these services were high-risk data. It involved medical records and other personally identifiable information. Also, it meant compliance with HIPAA regulations would complicate how data could be managed, moved, and stored by a third party.

Another red flag was that the services gave the company a competitive edge, which posed a strategic risk if outsourced. Many service providers competed with the company in some profitable service lines, so trusting a competitor could jeopardize vital business information and processes.

Outsourcing was not a more cost-effective option, and the significant risks that come with outsourcing its core services could not be justified. In the end, the company decided to keep its infrastructure services in-house.
With the speed of change accelerating both in business and technology, it’s crucial that IT leaders go through the Run Optimization process every year. It is an ongoing, unending process of continuous improvement. It is also an opportunity to question your assumptions, explore new ideas, and align IT with the business.

Run Optimization is more than outsourcing and reducing costs. It’s about modernizing infrastructure and applications, improving efficiency, and creating value. Ultimately, it is about allocating your resources into the right projects, people, and technologies to drive business results and performance.
About WGroup

WGroup is a management consulting firm with a peer-to-peer approach to IT optimization and transformation. The team is comprised of consultants with over two decades’ experience as former C-suite executives and IT leaders. And the firm boasts a clientele that includes many Fortune 1000 companies across a wide range of industries. WGroup is known for an outcome-driven, service provider-agnostic approach that optimizes IT operations and minimizes costs.

Ready to Optimize Your Operations?

Visit us at thinkwgroup.com or give us a call at (610) 854-2700 to speak with a run optimization expert.