

Addressing IT cost challenges whilst ensuring future fitness

In these difficult times efficient, effective and business-aligned IT is vital. Many organisations need to take action to rapidly make savings, whilst ensuring core capabilities are protected, flexible and ready to support growth in the future. This paper explores the actions you can take now to address cost pressures while establishing a platform for future growth. We would be delighted to discuss our approach and how we could help with your challenge - please get in touch - our contact details are below.

Finding the Balance

Mozaic is often asked to help business and IT leaders design and deliver change that finds the right balance between:

- Targeted cost reduction, efficiency, and ensuring systems and services are performing well at all times
- Improving the customer's digital experience and reducing the time to market for new products and services

We've learnt over many years of collective experience, working with clients across different vertical sectors, that addressing these two areas can be readily achieved, provided the framework for action is clearly agreed at the outset.

This is particularly relevant today as organisations look to tighten control over their costs, while also trying not to negatively impact agility and performance in the process.

To deliver on both short term cost savings and longer term performance improvement enablers, we recommend focussing on the following four elements now:

1. Removing in-efficiencies, duplication, and constraints from within the IT organisation, and minimising the impact of unique requirements to reduce costs
2. Creating sustainable ways of working for continuous cost and performance optimisation that will continue to deliver return on investment into the future
3. Automating across the IT value chain to reduce manual work and remove organisational silos, saving time and money, and improving deployment speeds
4. Accelerating cloud adoption and establishing best in class cloud operations to increase flexibility and scalability while managing cost

Mozaic’s combination of deep experience and ‘ready to go’ collateral enable us to deliver a fast assessment that will identify and prioritise the appropriate courses of action. Our financial assessment will identify short term cost savings while our operational capability review will ensure the right frameworks, procedures, processes and tooling are put in place to enable the organisation to ‘sling-shot’ back into growth mode when the economic climate starts to improve.



Sustainable cost savings delivered

Mozaic were engaged by BP to conduct an operational and financial assessment of their Global Operations & Infrastructure, and to define the Future Mode of Operation; including a detailed analysis of how IT service would be managed.

Following this Mozaic implemented the recommendations, focussing first on cost reduction and global standardisation, and then on driving agility through the re-design of the Service Management processes and maximising use of automation.

Removing in-efficiencies, duplication, constraints and minimising the impact of unique requirements

An important focus of any optimisation review is to identify ‘wasted, non-value adding activity’ which can be removed and to define ‘new streamlined and easily scalable ways of working’ that deliver performance improvements.

Given 90% of what makes up an IT functions operating costs are consistent, regardless of industry, and can be categorised against the Mozaic standard services framework, the opportunity to optimise will exist where your business differs from the market leading standard services (see figure 1).



Figure 1 – Understanding your costs

The size and scale of the opportunities available will depend on the complexity, maturity and level of technical debt of each functional area, however in Mozaic’s experience cost reduction opportunities of between 20% and 40% are typical.

“Mozaic consistently identify cost reduction opportunities of between 20% and 40%.” David Courtley, Co-founder and Director Mozaic

Two example areas of focus for Mozaic in our initial assessments which identify savings and operational performance improvements are:

1. Roles and responsibilities of retained IT organisation vs outsourced providers

Organisations which rely on outsourcing or third party contracts often have significant duplication, constraints and inefficiencies between what work their suppliers and their in-house teams perform. We help define clear accountability and responsibility across the organisation for both internal teams and suppliers, releasing prescribe delivery approaches and enabling inefficiencies to be identified. Eliminating these unlocks cost savings and frees up internal teams to focus on value-adding activities.

2. Commercial arrangements with outsourced service providers

Despite robust negotiation strategies, aimed at reducing external spend on services, many organisations find themselves in annual cycles; asking for credits or constantly negotiating with suppliers to lower their costs. Prior to any negotiation it is vital to have clarity over the scope of service, and the quality / performance required from the service provider. This allows appropriately tensioned pricing mechanisms to be defined that will incentivise suppliers to drive efficiencies through standardisation.

 <p>Rolls-Royce</p> <p><i>Significant saving in annual IT operating costs achieved</i></p>	<p>Mozaic designed a new operating model to enable Rolls Royce to quickly respond to business needs and operate a well-governed agile IT environment.</p> <p>Following agreement of the roadmap and business case Mozaic led on the design and implementation of the end-to-end Service Architecture, Functional Model, Governance Model, Organisation Design, Process Designs and Sourcing Strategy.</p>
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Creating sustainable ways of working to deliver continuous cost optimisation

To deliver efficiency and sustainable change it is vital to balance the dynamic demands of digital business with those of legacy IT services to ensure the IT organisation:

1. is aligned with the business objectives, responsive to business change and demand, and can deliver business value at a high velocity
2. has a well-articulated and understood strategic vision and roadmap, with a clear Operating Model that brings that vision to life
3. runs as an effective business unit with mechanisms to measure performance, manage resources, recharge services and govern delivery
4. is built on a platform of reusable capabilities that are responsive to demand, provide certainty of performance and value for money.

Mozaic have an established Digital Services model, underpinned by 7 themes of Digital Excellence, which serves as a framework for measuring and delivering sustainable benefits as illustrated in the graphic below:

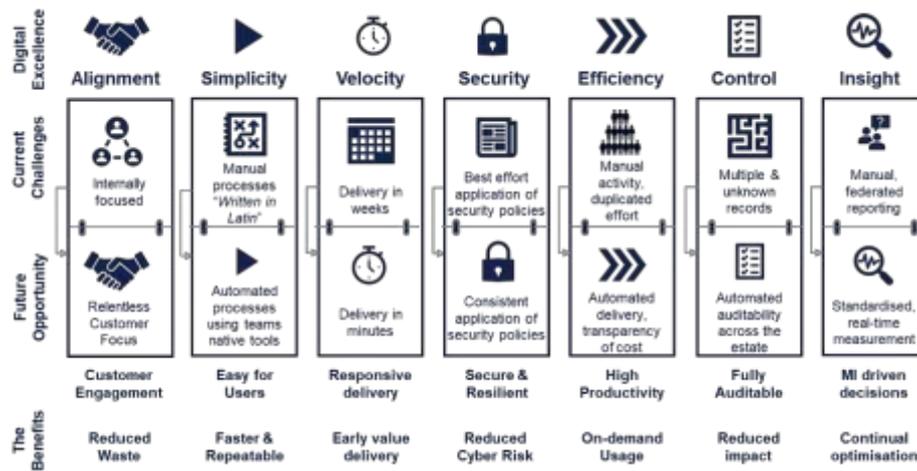


Figure 2 - Future Opportunity and Benefits

When assessing the operating model with a view to identifying cost savings and building a platform for future growth it is important to consider areas that will ensure sustainability of those savings, in particular:

1. Cost transparency and allocation

Mozaic often find that organisations have poor visibility of the true cost of their services, with them often not demonstrating value for money and the subsequent cost allocation often being challenged by the business. It is therefore essential that when assessing current costs and identifying improvement opportunities you ensure that each common capability is managed to deliver good value for money, and that each product has visibility of its cost make-up, with cost apportionment rules being agreed by all, and service pricing being based on demand levers. Having the appropriate processes, tools and governance around this will ensure that demand (of Products) and supply (of capabilities) are matched, and therefore costs are controlled and business agility promoted.

2. Governance and decision making

An effective operating model is one with clearly identified control points and governance bodies that enable decisions to be made in a transparent and effective way. This will ensure that operations don't deviate over time away from the desired / target state, and that investment decisions are timely, well informed, and aligned to strategy ensuring that capability and operational effectiveness are matured and developed appropriately.



*Performance
improvements identified*

Mozaic were engaged by the Group CIO to review the structure, organisation, costs, performance and maturity of the current IT capabilities and develop a new IT operating model in order to improve performance and agility.

Mozaic subsequently supported the delivery of the operating model changes which have delivered material and sustainable improvements in cost and agility.

Automating across the value chain

Despite introducing automation within many teams (especially in DevOps based delivery), many Digital and IT operations still rely heavily on manual processes and are hindered by siloed teams delivering across the value chain. Increasing automation and reducing organisational silos should therefore be a key focus as this will simultaneously unlock savings and improve operational performance.

Mozaic's assessments typically find that portfolio and product backlogs are managed independently of development process, development teams demand DevOps tooling independence, and infrastructure assets and service management are managed separately to development.

Organisations can rapidly overcome this inefficiency by automating across the value chain to integrating the workflow across the tool-chain while allowing each team to use the tools they are familiar with. Doing this helps to dynamically link portfolio and product backlogs to the development process, integrate the different DevOps tools across the value chain, and ensure infrastructure assets, product support and development are all managed together.

Mozaic's proven approach to measuring and continuously removing unproductive time and friction across the value chain commonly rapidly delivers approximately 20% reduction of the total product delivery effort, whilst also reducing release times from weeks to days or even hours.



**Cambridge
Assessment**

*Development effort savings
and reduced release times*

Working with Cambridge Assessment we have delivered an MVP of a new, integrated Release process, in just 8 weeks, achieving an 8% effort reduction for the product/development teams, and reducing release times from 10 days to 2 days.

It is expected that effort savings will increase to over 20% through further automation of the workflow.

Accelerating cloud adoption and establishing best in class cloud operations

Most organisations are already transitioning to / embracing the cloud, however many are doing so without a clear framework or operational capability to manage the new Cloud Estate. The result is escalating costs, proliferating un-managed cloud instances, friction between DevOps/Product teams and Service Management, lock-in to specific cloud technologies, failure to achieve migration milestones and targets, little re-use of cloud patterns and long lead times to stand-up new requirements.

To overcome this organisations, need to define the processes, governance structures and identify the automation tooling required to provision, govern, optimise, integrate and ensure compliance with existing core Service Management capabilities. Doing this will accelerate delivery of Cloud Management capabilities, automate processes to drive efficiencies, achieve closer alignment of project and operational teams, and maintain alignment of capacity and demand.

 <p><i>Significant Opex saving</i></p>	<p>Mozaic undertook a complete review of Morrisons' Technology Strategy and IT Operating model, recommending changes to commercial design, service integration, a shift to a product-centric model, and the creation of a best practice Cloud Operations capability.</p> <p>Mozaic have subsequently been engaged to provide Programme Assurance, and to develop the design and implementation plan for Cloud Operations.</p>
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Taking action now to realise short, medium and longer term benefits

It is extremely common for discretionary spend and investments to be the first budgets to be cut when responding to economic pressures, however cutting costs in the wrong areas will have unintended, longer term consequences to your business.

This is why it is important to act now in the right way, and ensure that business cases are built around delivering your business outcomes, but with smaller, incremental investments so you can start now and be ready for when your business needs you.

With this in mind the priority areas of focus should be, as described above:

1. Removing in-efficiencies, duplication, and constraints
2. Ensuring sustainable delivery of the savings
3. Automating across the IT value chain
4. Accelerating cloud adoption within an agreed operational framework

For further information on this or any other aspect of your journey to Digital Excellence please get in touch:

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