

From Supplier to Trusted Partner

| By Tam Harbert

As enterprises embrace cloud computing, the role of the CIO is evolving — and so is the role of their IT service providers. CIOs are becoming technology and IT supply chain managers. In addition to overseeing the design and implementation of technology, CIOs increasingly source IT services from external providers. Some of these services run on-premises; others, in the cloud. CIOs must orchestrate it all to keep IT aligned with the business.

To support this CIO transformation, IT service providers are undergoing a transformation of their own. With much of IT becoming a service, they are moving from low-level suppliers of technology to high-level, trusted partners that provide anything IT-related, but as a service. “Most of the technologies underpinning IT are coming together, converging into a service-oriented approach to IT,” says Jim Frey, Managing Research Director at Enterprise Management Associates, an IT analysis and consulting firm. “It’s an evolution in IT governance and strategy. And for global service providers, it’s a significant opportunity.”

Service companies from all ends of the IT spectrum are broadening their offerings. Some that formerly specialized in providing low-cost offshore labor are now moving into high-end consulting and project management. IT hardware suppliers now package their products as pre-integrated systems, then install, configure and maintain those systems. Previously, they relied on third-party integrators to do this work. Even telecommunications companies are becoming cloud platform providers and integrators. “Service providers are being pushed further up the stack,” says Joe Clabby, President of Clabby Analytics, a technology research and analysis firm. “They’re moving to cloud, to provisioning, automated management, big data services and business analytics.”

David Bradley enjoys a bird’s eye view of this evolution from his position as Senior VP of Global Partners at CA Technologies.

What he sees are service providers of all stripes making significant investments in cloud platforms and introducing all sorts of new services. “There are so many specialized and customized models forming, and the boundaries between and among them are blurring,” he says. “While most partners are coming from distinct and different business models, they all tend to be moving toward the common goal of offering IT as a Service, which drives innovation and business-process value to their clients.”

Service providers have also become increasingly agile in creating multiple business models and quite flexible in how they apply those models to specific customers at different times. “Service providers can be systems integrators,” Bradley says. “They can do packaged managed services. They can do outsourcing in the traditional sense. They can even provide a resale function where it makes sense.”

To compete in the new world of IT as a Service, supply chain providers are also transforming their internal operations, undergoing the same changes as their corporate CIO customers. Rather than simply developing and managing customer projects, IT service providers now run and manage a wide range of services for multiple customers in multiple configurations. The services may be on the client’s on-premises private cloud, the public cloud, the client’s private cloud in the service provider’s data center, or any combination of the above.

In this hybrid world, Bradley says, service providers must coordinate their internal activities with those of their customers. “It requires a different way of thinking about your service catalog and portfolio management,” he adds. “You have to define the services themselves as offerings, think about pricing models and explain the different ways that the customers will realize value. And this all has to be provided in a fast, secure and accessible manner.”

As CIOs transform into supply chain managers, their service providers are transforming themselves, too.

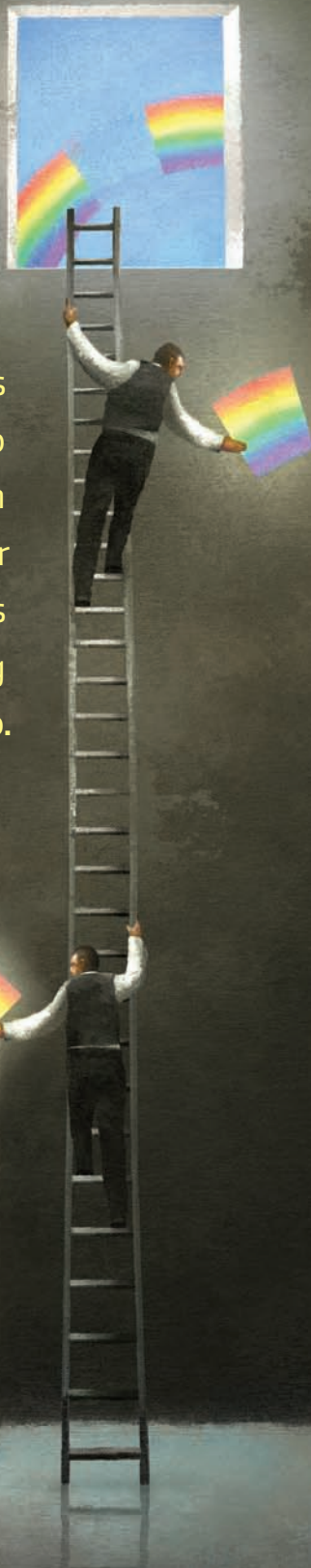


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Tata Consultancy Services (TCS), headquartered in India, is a good example of a global service provider that is broadening its services. Historically, TCS had earned approximately three-quarters of its revenue from application development and maintenance. But by 2007, that had fallen to 50 percent. It has continued to fall, reaching, in TCS's most recent fiscal quarter, less than 45 percent of all revenue.

Broader Services

At the same time, TCS has expanded its offerings in IT infrastructure and managed services, business process outsourcing, enterprise solutions, mobility, big data, digital marketing, supply chain management and consulting. Today, infrastructure services account for more than 11 percent of revenue at TCS, a growth rate of nearly 34 percent over the past year, according to the company. Similarly, business-process outsourcing now accounts for more than 12 percent of TCS's revenue, up by more than 39 percent since the same quarter last year. And enterprise solutions account for 15 percent of revenue, a 16 percent increase over the year-earlier quarter.

These moves have also changed the nature of the conversations TCS has with its customers, says Brij Gupta, Head of Alliances for the Americas, U.K. and Europe. The conversations with customers have become more strategic, he says, often involving a client's highest-level executives, including the CEO and board members. "The CIO is a prime customer, but not our only customer," Gupta says. "The discussion is no longer just about onboarding a specific solution. Now they need a services provider that can help them experience certainty for their business transformation and offer a full services play."

PM-Partners Group has seen a similar expansion of its services into the executive suite. The Australia-based company was established more than 17 years ago, running projects and supplying project management staff to corporate clients. Since then, PM-Partners has become one of the most highly accredited project management companies in Australia and has expanded its consulting capabilities to provide health checks, advice and process improvement. The company now advises CIOs and other executives on managing project portfolios, whether internal, external or both. PM-Partners can even take over a company's entire project management function, creating and operating a project management office under a "managed services model" that can also be transitioned back to the client at a later date.

This managed services model combines significant cost savings with best practices, agility and expert skills on demand. PM-Partners' consulting practice now accounts for nearly 30 percent of the firm's overall revenue, up from just 10 percent two years ago. "It's changed quite substantially, in that we've now moved to more of a shared-risk model," says Ray Wall, a Principal Consultant at PM-Partners. "More and more organizations are asking us to run the entire project and bundle in a suite of support services, rather than just provide a body or two."

Stefanini, another IT services provider, is similarly transforming itself into a global provider of high-value services. The company, based in Brazil, is expanding globally to provide

multinational corporate customers with a worldwide footprint. Stefanini was launched in the mid-1980s as an IT-training company; in the last six years, the company has increased its presence in North America, Europe and Asia through a combination of acquisitions and organic growth.

Stefanini's acquisitions have also brought new capabilities, including IT infrastructure outsourcing and ERP consulting services. In 2010, Stefanini acquired U.S.-based TechTeam Global and CXI Inc., not only expanding the company's footprint in the United States, Europe and Asia, but also increasing its capabilities in service-desk support and ERP consulting. With the acquisitions, Stefanini can now offer services in more languages, and at more locations globally. The operations of Stefanini and the acquired companies complement each other well, according to Scott Kessler, Director of IT Outsourcing Solutions at Stefanini. For example, a multinational customer that might have used Stefanini for help desk services within Latin America could now offer the same services to customers in North America, Europe and Asia.

Stefanini has also transformed the portfolio of services it offers in North America. In addition to IT service-desk services, the company now provides ERP consulting, mobile application development and support services, along with recruiting and staffing.

Converging Communications

The pull of convergence has also led global telecommunications companies to transform themselves. Verizon and other telecom giants want to provide new, additional services to enterprises, says Nik Willetts, Chief Strategy Officer for TM Forum, a nonprofit industry association of service providers (including the largest telecom companies), enterprises and other organizations. After all, he adds, communications providers are already trusted partners of large corporations, providing their expansive networks and expertise — the lifeblood of IT — as a service.

Many telecom companies are now moving to provide Infrastructure as a Service (IaaS). They also seek to bundle IaaS with third-party software and services. In this way, telecom companies will serve as systems integrators of IT services.

Willetts of TM Forum admits that when it comes to companies trying to sell IT, network and cloud services to corporations, there's quite a crowd converging. But for companies that are prepared, there will be plenty of opportunities. "We're talking about any number of combinations [of service providers], and they will have relationships where they'll compete in one area and partner in another," Willetts says. "That's going to be one of the most fascinating things to watch."

In fact, the ability of service providers to partner with one another will be essential to this new world of IT services, says Bradley of CA Technologies. "Not every partner needs to have all these different business models," he explains. "Partners that specialize in one delivery model increasingly want to be linked to other partners that can complement their offerings to better support today's hybrid IT environments."

Enterprise customers want that, too. At a recent meeting of an advisory council from the North American partners of CA Technologies, for example, senior executives said they wanted more such partnerships to help them navigate these hybrid environments. "One of the great myths about IT as a service," Bradley says, "is that it takes away all the complexity of implementation. While large and complex on-premises implementations are certainly less frequent, there is still a need to link these alternative services, to connect to legacy applications and data sources, to configure and tune them for different customer environments, and to secure the entire supply chain."

Which service providers will do that job in the future? Those that CIOs learn to trust. ■

TAM HARBERT writes about technology, business and public policy from Washington, D.C.

Evolution of the Service Providers Species

Here's how three providers are transforming themselves into trusted partners.

SERVICE PROVIDER	BEFORE	AFTER
PM-PARTNERS	<ul style="list-style-type: none"> Project management staffing and training 	<ul style="list-style-type: none"> Project delivery Project definition Business case development Project management Development of portfolio management offices (PMO) Managed PMO services Project and portfolio management consulting Project and portfolio management training Specialist contracting and extended workforce solutions
STEFANINI	<ul style="list-style-type: none"> IT training services in Brazil 	<ul style="list-style-type: none"> IT infrastructure outsourcing Application lifecycle management Data center management Business process outsourcing Custom software development Systems integration Consulting services Global presence
TATA CONSULTANCY SERVICES	<ul style="list-style-type: none"> Applications development and maintenance Enterprise solutions 	<ul style="list-style-type: none"> Applications development and maintenance Enterprise solutions Assurance services Engineering and industrial services Infrastructure services Global consulting Asset leverage solutions Business process outsourcing

DATA: Company reports

