Overcoming the "Utility" challenge

THE WAY WE **WORK** WILL NEVER BE **THE SAME**

Ed Carmo

Agenda

- Context
- Desired Outcome
- Approach (overview)
  - GTM
    - business outcome centric
    - Technology centric (commodity)
- Benefits for
- Next steps

Context

Why IT as a Service
Enable Digital Enterprise

Critical Success Factors

- Moving from Capex to Opex
- Faster Time to Market
- Improved ongoing support
- Easier to deploy new
    (digital) services

Key Considerations

- World-class Value Chain (Supply Chain)
    - Reference Architectures
- Service Structure
- Digital Transformation Roadmap
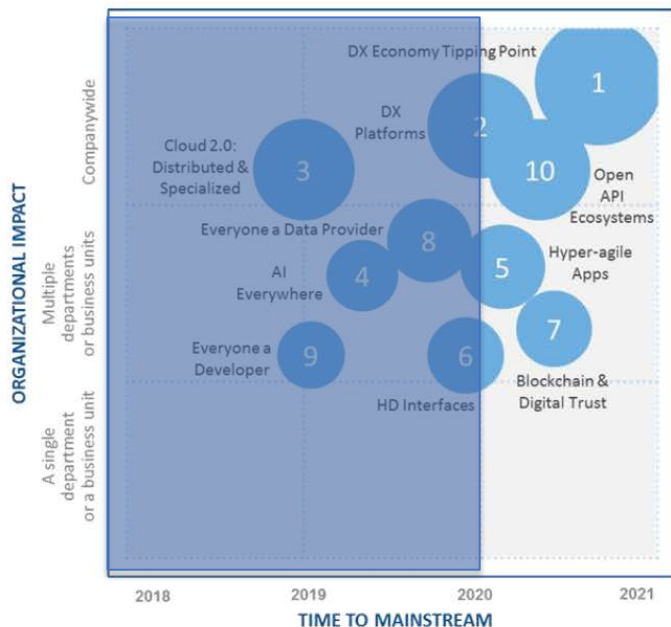- Financial Model

Time To Market

Operational Efficiency

Savings

It is happening already

IDC FutureScape: Worldwide IT Industry

ORGANIZATIONAL IMPACT
- Companywide
- Multiple departments or business units
- A single department or a business unit

Chart labels:
- DX Economy Tipping Point
- DX Platforms
- Cloud 2.0: Distributed & Specialized
- Open API Ecosystems
- Everyone a Data Provider
- AI Everywhere
- Hyper-agile Apps
- Everyone a Developer
- Blockchain & Digital Trust
- HD Interfaces

TIME TO MAINSTREAM: 2018, 2019, 2020, 2021

Note: The size of the bubble indicates complexity/cost to address. Source: IDC, 2017

1. By 2021, at least 50% of global GDP will be digitized, with growth driven by digitally-enhanced offerings, operations and relationships; by 2020, investors will use platform/ecosystem, data value, and customer engagement metrics as valuation factors for all enterprises.

2. By 2020, 60% of all enterprises will have fully articulated an organization-wide digital transformation (DX) platform strategy, and will be in the process of implementing that strategy as the new IT core for competing in the digital economy.

3. By 2021, spending on cloud services and cloud-enabling hardware, software and services will more than double to over $530 billion, leveraging the diversifying cloud environment that is 20% at the edge, over 15% specialized (non-x86) compute, and over 90% multicloud.

4. By 2019, 40% of DX initiatives will use AI services; by 2021, 75% of commercial enterprise apps will use AI, over 90% of consumers will interact with customer support bots, and over 50% of new industrial robots will leverage AI.

5. By 2021, enterprise apps will shift toward hyper-agile architectures, with 80% of application development on cloud platforms (PaaS) using microservices and cloud functions, and over 95% of new microservices deployed in containers.

6. By 2020, human-digital (HD) interfaces will diversify, as 25% of field-service techs and over 25% of infoworkers use AR, nearly 50% of new mobile apps use voice as a primary interface and 50% of consumer-facing G2000s use biometric sensors to personalize experiences.

7. By 2021, at least 25% of the G2000 will use blockchain services as a foundation for digital trust at scale; by 2020, 25% of top global transaction banks, nearly 30% of manufacturers and retailers and 20% of healthcare organizations will use blockchain networks in production.

8. By 2020, 90% of large enterprises will generate revenue from data-as-a-service - from the sale of raw data, derived metrics, insights, and recommendations - up from nearly 50% in 2017.

9. Improvements in simple ("low-/no-code") development tools will dramatically expand the number of non-tech developers over the next 36 months; by 2021, these nontraditional developers will build 20% of business applications and 30% of new application features (60% by 2027).

10. By 2021, more than half of the G2000 will see an average of 1/3 of their digital services interactions come through their open API ecosystems, up from virtually 0% in 2017 - amplifying their digital reach far beyond their own customer interactions.

It is not only about Technology
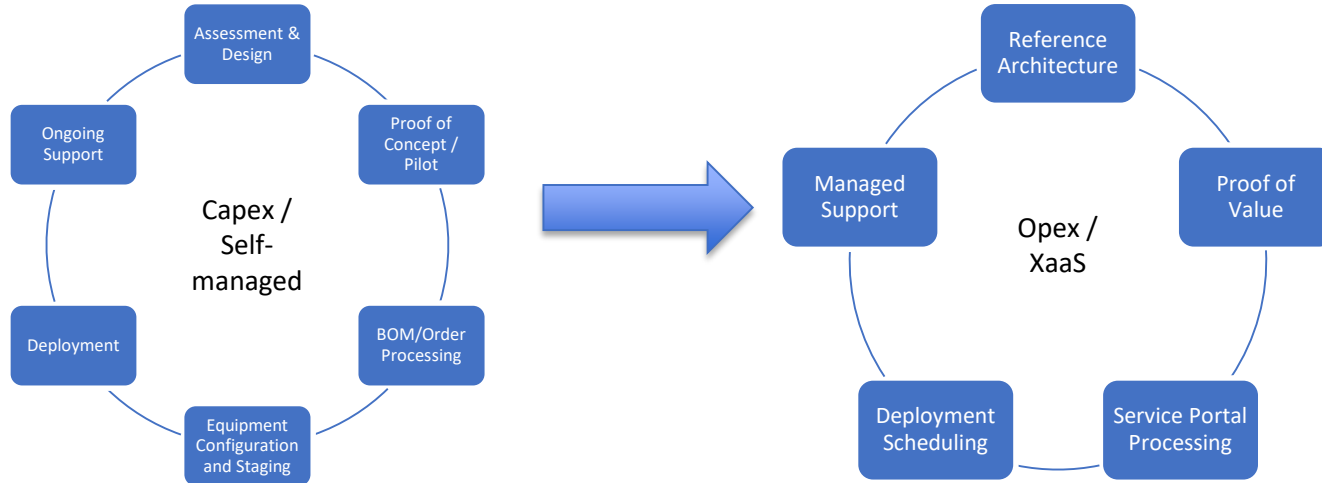
DevOps automation and orchestration is not enough anymore to drive DevOps success. Enterprise organizations must think about continuous improvement, value stream visibility and measurement, real-time compliance and more.

Business is Pushing IT to Evolve

Technology is a
business strategy

Outcome (not Dev) is
the kingmaker
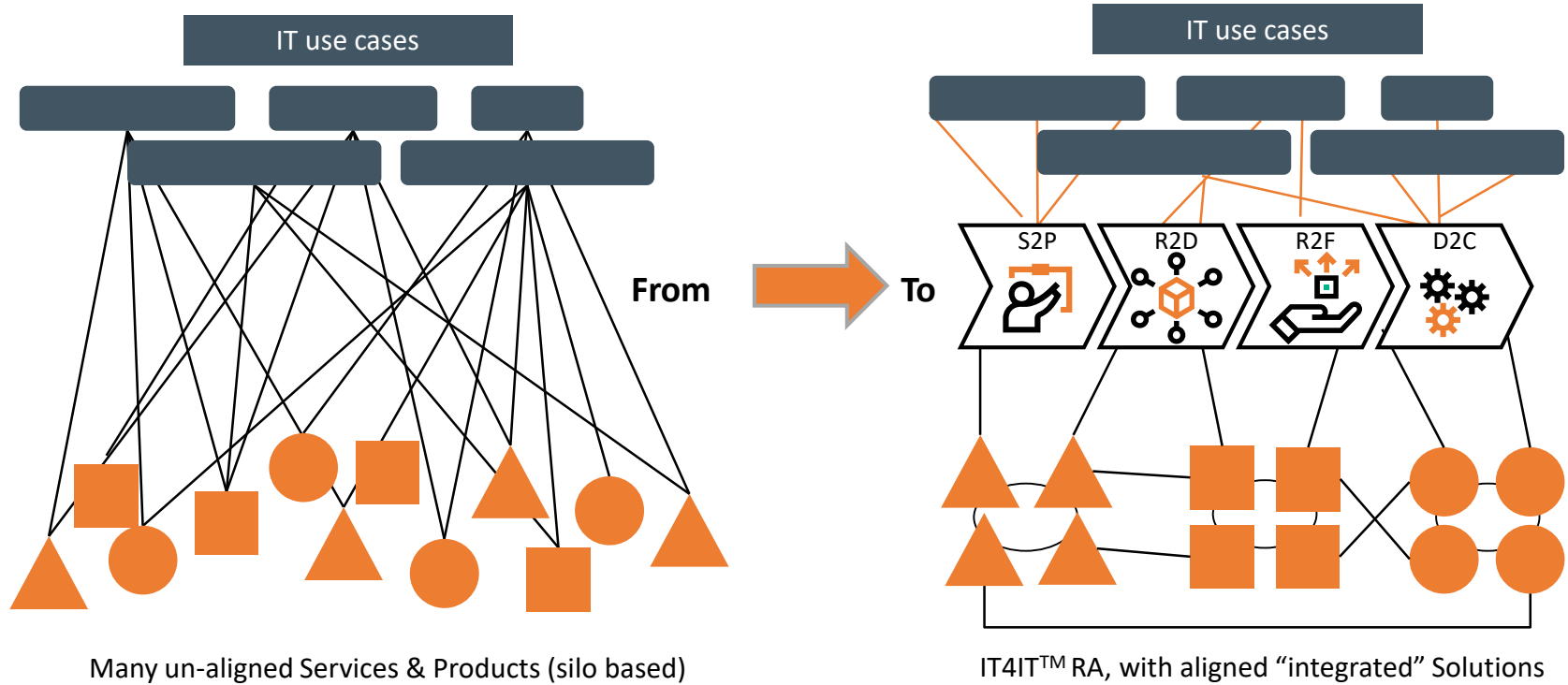
DevOps is driving
<u>culture</u> shifts

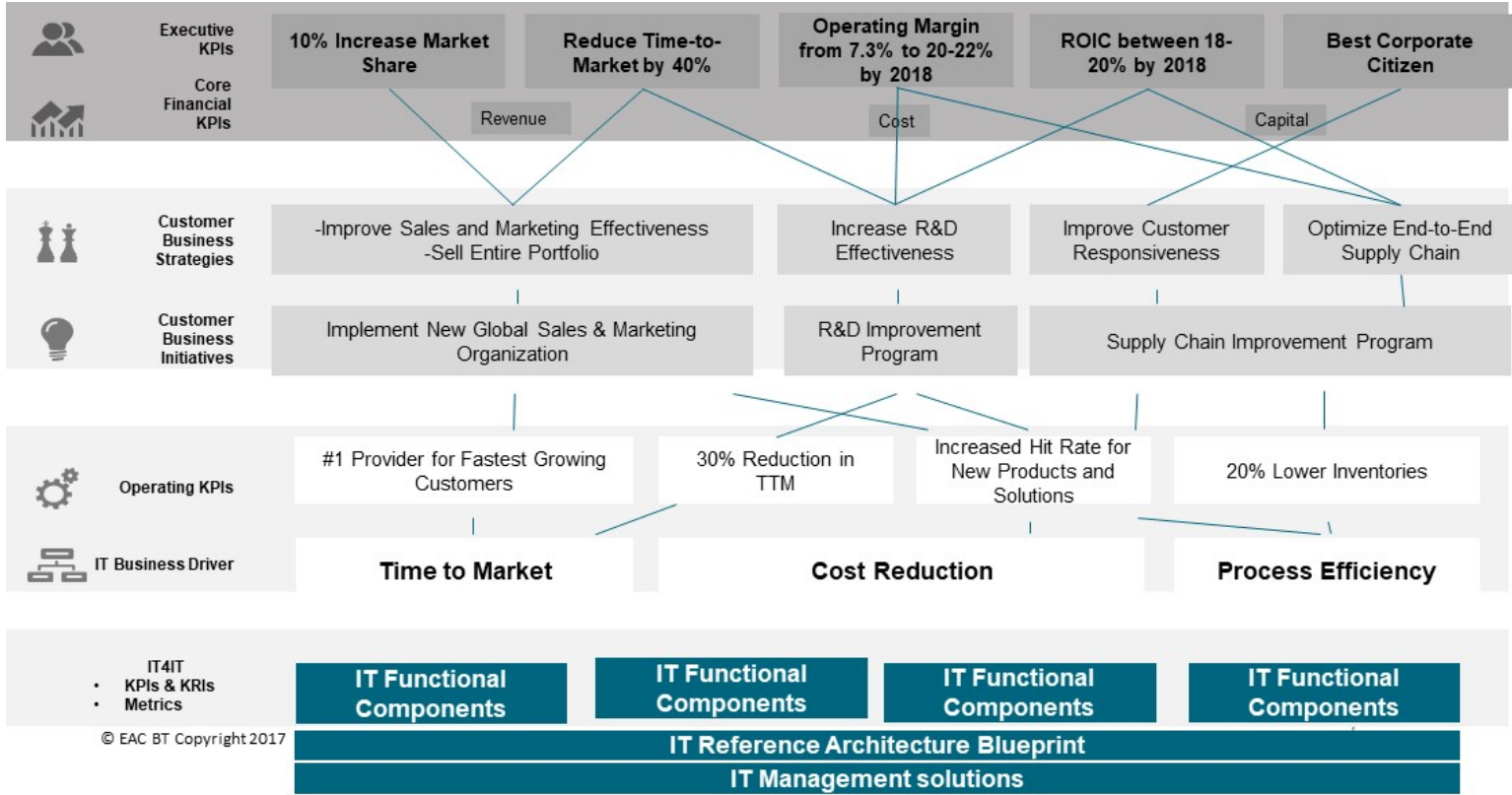**Shadow IT** is
everywhere

Desired Outcome

Are you Driving Transformation or being driven by it?

IT must effectively deliver business outcomes

Many un-aligned Services & Products (silo based)

IT4IT™ RA, with aligned "integrated" Solutions

Allows different entry-points

Entry Points

- CEO
- Business Initiatives
- DevOps
- Operational Efficiency

Run [AWS/Azure/Google/IBM]

Executive KPIs		**10% Increase Market Share**	**Reduce Time-to-Market by 40%**	**Operating Margin from 7.3% to 20-22% by 2018**	**ROIC between 18-20% by 2018**	**Best Corporate Citizen**
Core Financial KPIs			Revenue	Cost	Capital	

Customer Business Strategies:
- -Improve Sales and Marketing Effectiveness -Sell Entire Portfolio
- Increase R&D Effectiveness
- Improve Customer Responsiveness
- Optimize End-to-End Supply Chain

Customer Business Initiatives:
- Implement New Global Sales & Marketing Organization
- R&D Improvement Program
- Supply Chain Improvement Program

Operating KPIs:
- #1 Provider for Fastest Growing Customers
- 30% Reduction in TTM
- Increased Hit Rate for New Products and Solutions
- 20% Lower Inventories

IT Business Driver:
- **Time to Market**
- **Cost Reduction**
- **Process Efficiency**

IT4IT
- KPIs & KRIs
- Metrics

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IT Functional Components (×4)
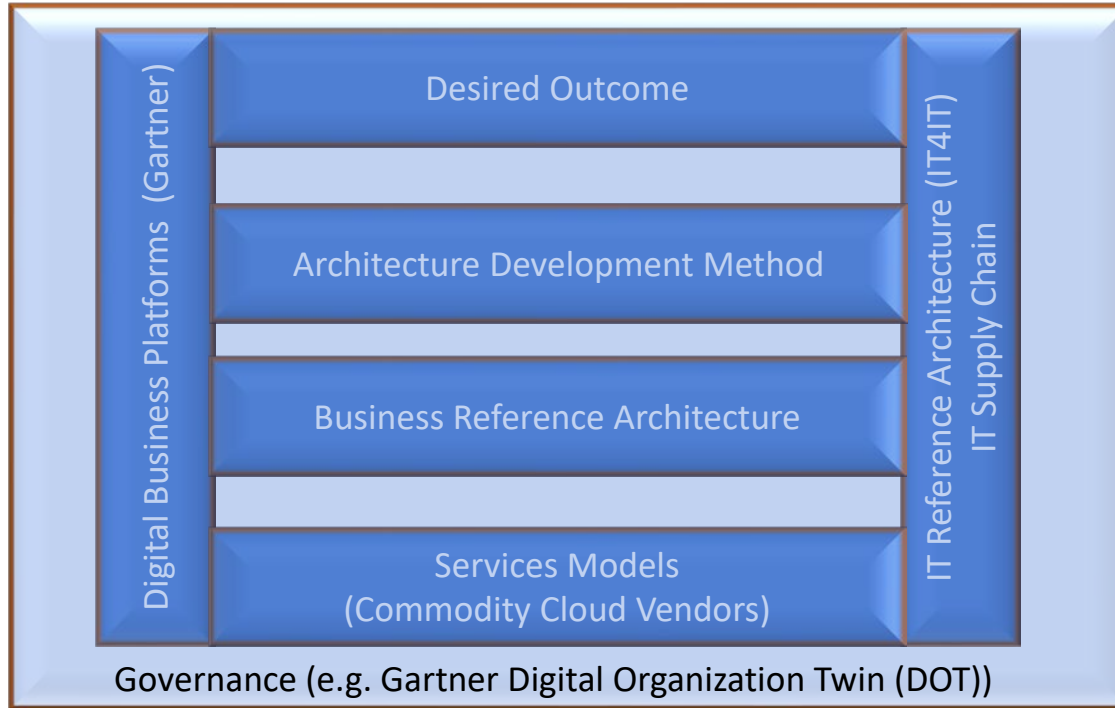
IT Reference Architecture Blueprint

IT Management solutions
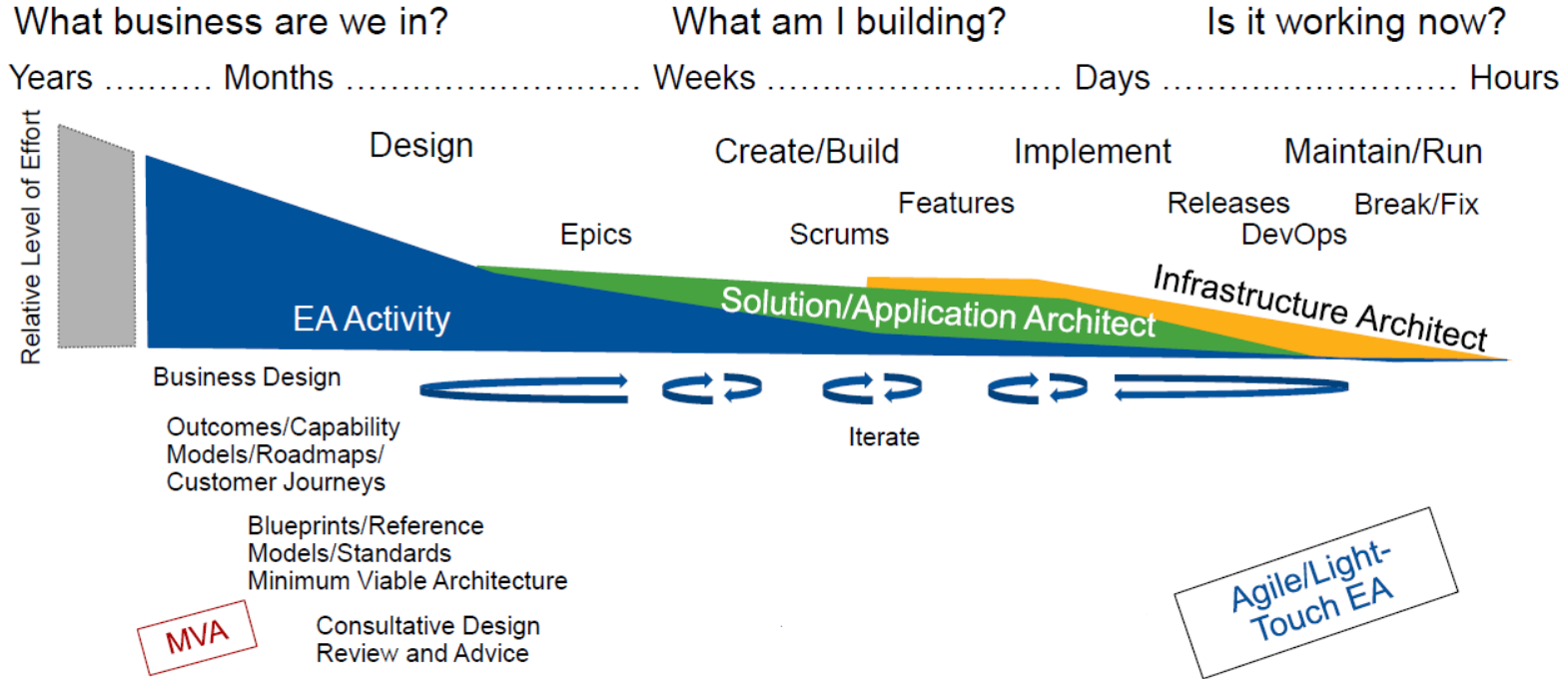
Approach

Desired Business Outcomes

Must take into account the entire framework (not only the Commodity & Utility Layers)

Alignment between architectures and desired outcome

Ensuring Digital Transformation Success

Source Gartner 2017 "Use EA to Ensure Your Agile Development Succeeds" (G00303415)

Start by defining Business Outcomes

E.g. Using IBM **DataFirst** Method

Start Anywhere

Focus on your largest business opportunities

Fill the Gaps

Strategy.
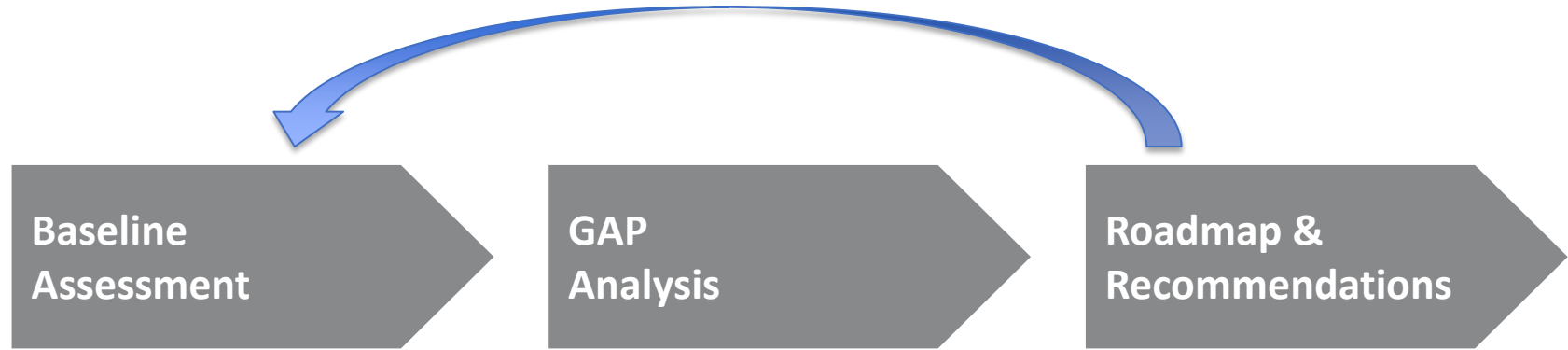Expertise.
Skills.

Build Value at Every Step

Become a data driven culture, one initiative at a time.

Aligning (Transforming) IT Management

Aligned with Business Outcomes (leverage IT4IT)

Baseline Assessment

GAP Analysis

Roadmap & Recommendations

Assessment

Maturity Level Current Performance (KPIs)

IT4IT Reference Architecture

Pain Points Identification & Analysis

Initiatives Roadmap Potential Improvement (Value Engineering)
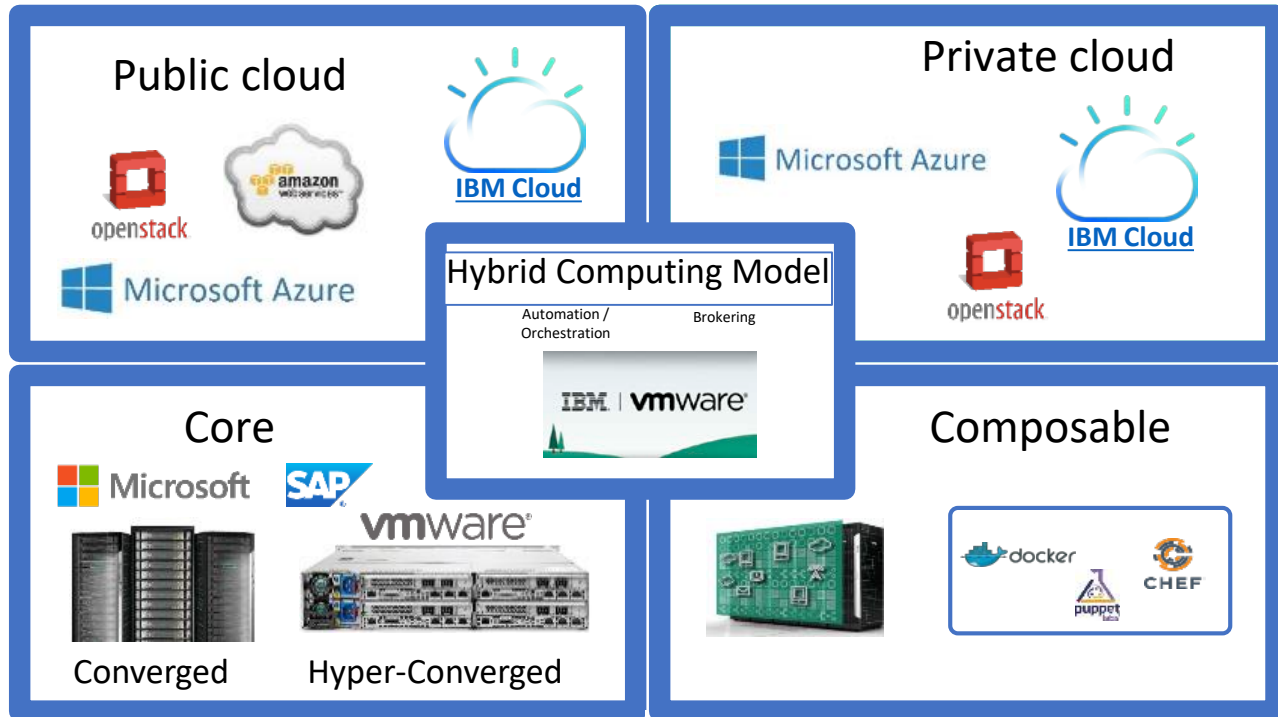
Blueprint

Financial Benefits & ROI

KPIs/KRIs

IT4IT Reference Architecture

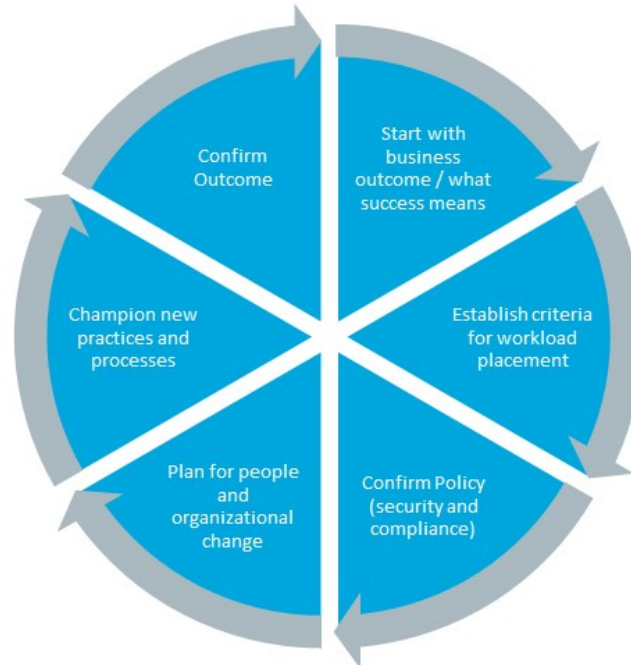# Alternatively, in cases where Clients may focus on Cloud as commodity

This unique approach ensures the desired/tangible outcomes

….delivered in Sprints

» General Approach

Plan & Execute Your Transformation to Hybrid

Benefits

It's time to Plan & Execute Your Transformation to Hybrid

With US

Proven Results

- Strategy to Portfolio (S2P)
  - Energy and Utilities - 50% reduction in service time to market.
  - U.S. State Government - 30-40% increase in service success

- Requirements to Deploy (R2D)
  - Computer Services Company - 30% less production defects
  - Large Global Telecommunications Company - 50% in mobile testing cycle time

- Request to Fulfill (R2F)
  - Large Healthcare - 84X Improvement in service delivery time, $61M savings – 5 years
  - IT Technology – Reduced service deployment time from 3 weeks to minutes

- Detect to Correct (D2C)
  - Financial Services - 70% Improvement in service MTTR, 5 Million in annual savings
  - Federal Government – 30-40% reduction in service downtime

Case (2017): US SaaS Company

Strategy: acquire software companies with clients who are hungry for success. Transform these companies and strengthen and grow client relationships to deliver business outcomes the clients.

Many different BUs, aggressive focus on profit

Main Goals: Saving & Operational Efficiency
KPIs:
- Uptime
- SLA (goal: eliminate SLA fines)
- Customer Satisfaction
- Operational Cost

- 4 Months project (2 months sales cycle)
- 2 years IaaS roadmap
- SLA fines reduced to zero (in 3 months)

Case (2017): Latam Retail Company

Franchise operating in Latin America and the Caribbean.

Pain Level					
Technology Readiness					
Organization Effectiveness & Process Maturity			1:Low - 4:High	1:Low - 4:High	1:Low - 10:High
Strategy to Portfolio	Enterprise Architecture		1.42	1.89	7
	Policy		1.45		4.53
	Service Portfolio		2.50	2.12	5.73
	Portfolio Demand		2.24	1.95	5.35
	Proposal		3.00	1.78	6.17

Main Goals: Saving & Operational Efficiency

KPIs:
- Accurate Visibility into Overall Demands From Business
- Service Portfolio Rationalization
- Stewardship of IT Investment

- 4 Months project
- 2 years IaaS roadmap
  - IT4IT S2P & R2F Functional Components
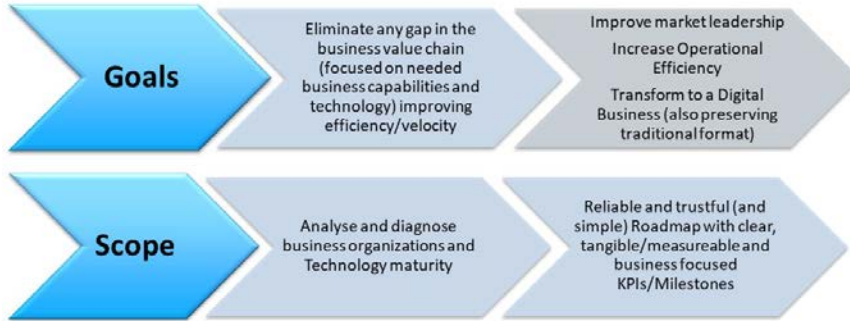- 230% ROI (Rationalization)

Critical Success Factors
1. Balance People, Process, Technology
   1. Replace current technology/SW
   2. Implement EA & Policy Functional Components (Sep/2017)
2. "Time-to-Market" (Latency)

Case (2017): Brazilian Healthcare Company
(Assessment and Recommendations only – Not implemented)

Goals
- Eliminate any gap in the business value chain (focused on needed business capabilities and technology) improving efficiency/velocity
- Improve market leadership
- Increase Operational Efficiency
- Transform to a Digital Business (also preserving traditional format)

Scope
- Analyse and diagnose business organizations and Technology maturity
- Reliable and trustful (and simple) Roadmap with clear, tangible/measureable and business focused KPIs/Milestones

Note:
ORACLE ULA (Unlimited License Agreement)
Services with Accenture and IBM
Using IaaS (local provider)
Lack of Solutions/Products/Services is not a problem

Goal

| EBITDA e EBITDA Ajustado (R$ MM)	3T17	3T16	Var. 3T17/3T16	2T17	Var. 3T17/2T17	9M17	9M16	Var. 9M17/9M16
Lucro líquido consolidado	113,3	74,2	52,6%	70,6	60,4%	295,3	342,2	-13,7%
(+) IRPJ / CSLL	61,7	49,6	24,3%	47,4	30,1%	153,1	(0,5)	-30234,5%
(+) Depreciações e Amortizações	56,8	52,7	7,9%	58,0	-2,1%	173,0	163,7	5,7%
(+) Despesa financeiras	52,4	46,4	13,0%	37,9	38,2%	130,9	130,0	0,7%
(-) Receitas financeiras	(37,4)	(38,5)	-2,8%	(34,2)	9,4%	(111,0)	103,9	
EBITDA	**246,7**	**184,4**	**33,8%**	**179,8**	**37,2%**	**641,3**		
Margem EBITDA	**45,0%**	**35,3%**	**969bps**	**35,1%**	**996bps**	**40,9%**		+246bps
Despesas com Programa de Opções de Ações	1,1	8,0	-86,0%	2,5	-54,3%	10,7	15,0	-28,8%
Venda da Potencial	-	-	N.A.	40,6	N.A.	40,6	-	N.A.
Juros e multas sobre mensalidades em atraso	17,3	15,6	11,0%	13,6	27,9%	46,2	42,1	9,7%
EBITDA ajustado	**265,1**	**208,0**	**27,5%**	**236,4**	**12,2%**	**738,8**	**588,6**	**25,5%**
Margem EBITDA ajustada	**48,4%**	**39,9%**	**853bps**	**46,1%**	**228bps**	**47,1%**	**40,6%**	**652bps**

Next Steps

How could we proceed?

How to engage (pilot)?
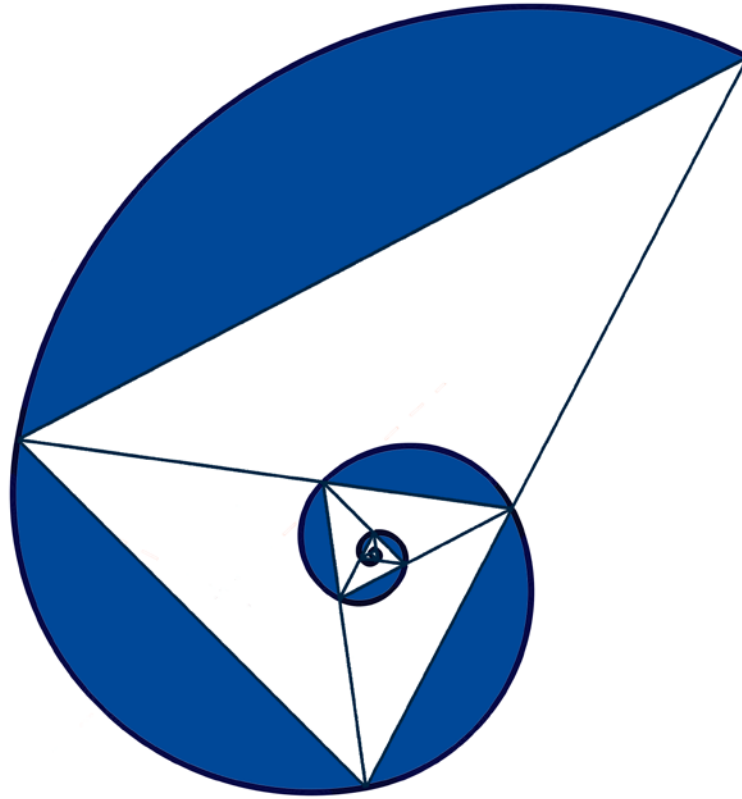
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