

'Dr Richard Sykes'



The Cloud Computing Future: The Sourcing Balance – In-house vs 'the Cloud'

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Board Member, Intellect

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Two Fundamental Transformations in Play

There are two fundamental & interlinked transformations in play that are steadily (but also radically) re-writing our options for exploiting information technology in our businesses.

The underlying enabler? Look to Moore's Law at work – a continuing exponential reduction in the underlying cost of data processing.

This reality is currently endlessly reducing the *cost to deliver value*.

The *value delivery equation* is rooted in the well established three dimensional framework of '*People, Process and Technology*'.

All three dimensions are now in major interactive flux

Re-writing many long established certainties in the sourcing debate

Two Fundamental Transformations in Play

The Technological

Virtualisation is enabling increasing automation & transformation of the manufacture of technology services (*the new era of Services Factories*) **plus** the practical implementation of *Service Oriented Architectures* (SOA) that enable the evolution of the (loosely-coupled) Services Stack from the (tightly-coupled) Technical Stack.

The Commercial

Lead players in Consumer markets (Amazon, Google,) have exploited *Services Factory* to *deliver business processes as (consumer) services over the Web*, innovating & transforming the commerce of technology services - this *new commerce* is now starting to impact both Enterprise and Government service procurement.

Two Fundamental Transformations In Play

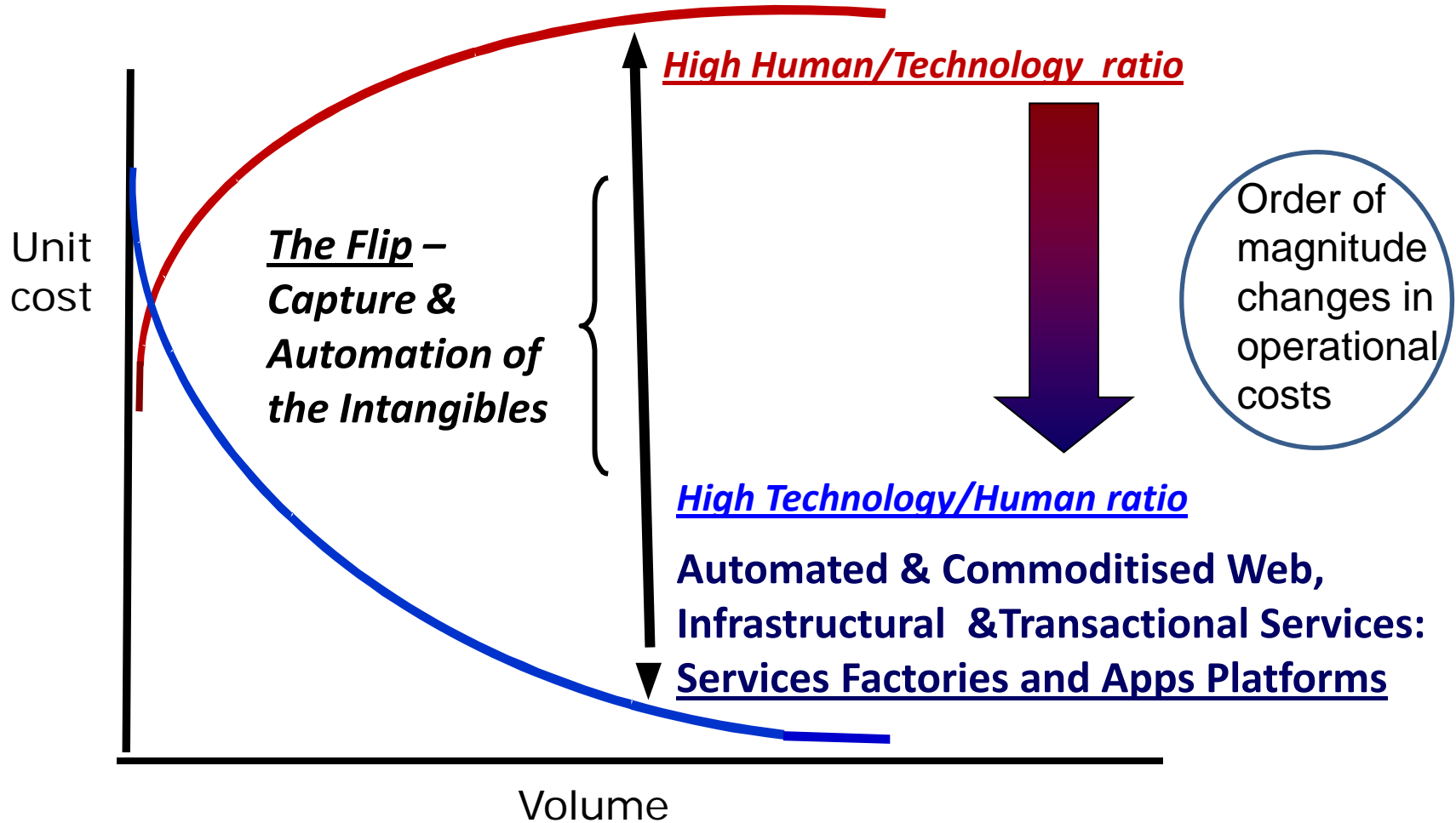
The key features of the *new commerce*

- An emerging market place of discrete technology services that can be directly supplied/sourced over the networks/the Web.
- An emerging services 'offer' that is about 'sourcing as required, paying as used', and that eschews license fees & term contracts.
- An emerging re-focusing of the human contribution to the *value creation* and the *delivery* of technology services.


People, Process and Technology

Transforming the Human Contribution

Enterprise IT; 'Pure Play', Call Centre & Classic IT Services Firms; *Specialist* Services, Apps & SaaS Firms



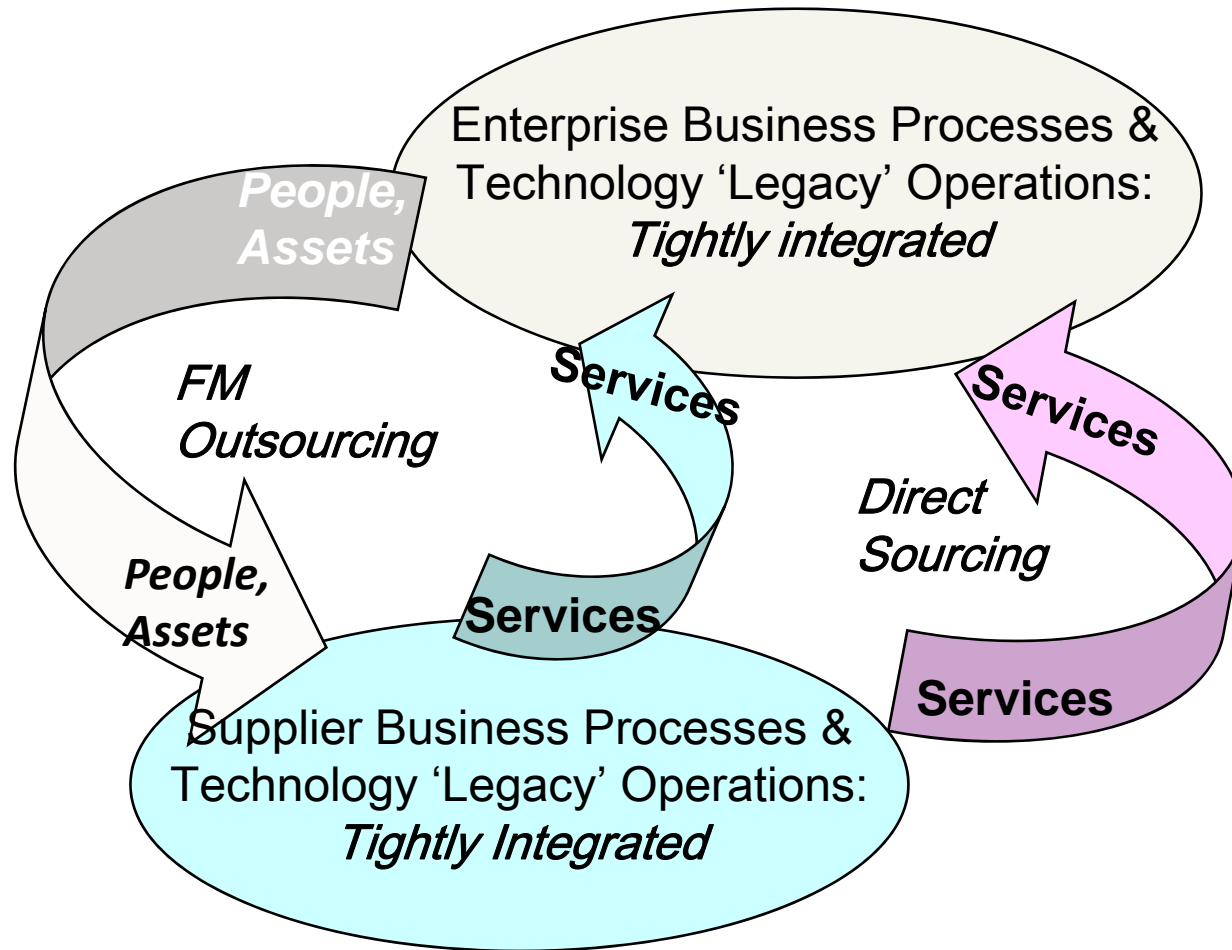
'The Cloud' (at its most fundamental)



*A Competitive & Global
Market Place of Discrete &
Directly Sourceable
(Technology-Enabled)
Business & Consumer
Services: Available On-
Demand over the Web &
Paid For As Used*

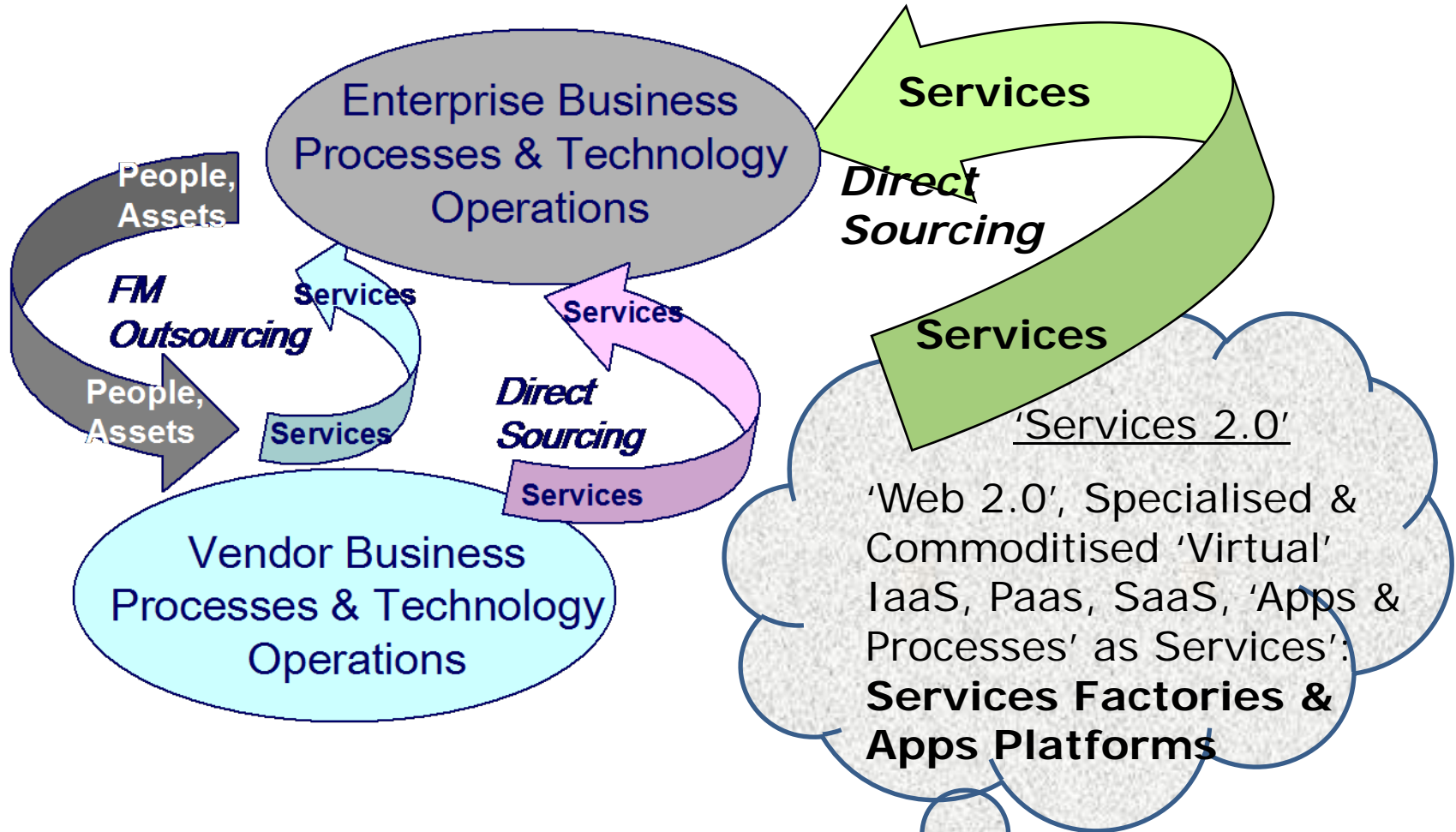
A Very Different but Competitive Commerce

Classic Outsourcing: The Facilities Management (FM) Outsourcing Model



***The World of the Tightly Coupled
and of SI as Systems Integration***

The Direct Sourcing of Services (DSS) Model



Tightly Coupled & SI
as Systems Integration

Vs.

Loosely Coupled & SI as
Services Integration

The Cloud Sourcing Model

The IT Services sector has classically developed business models that are:

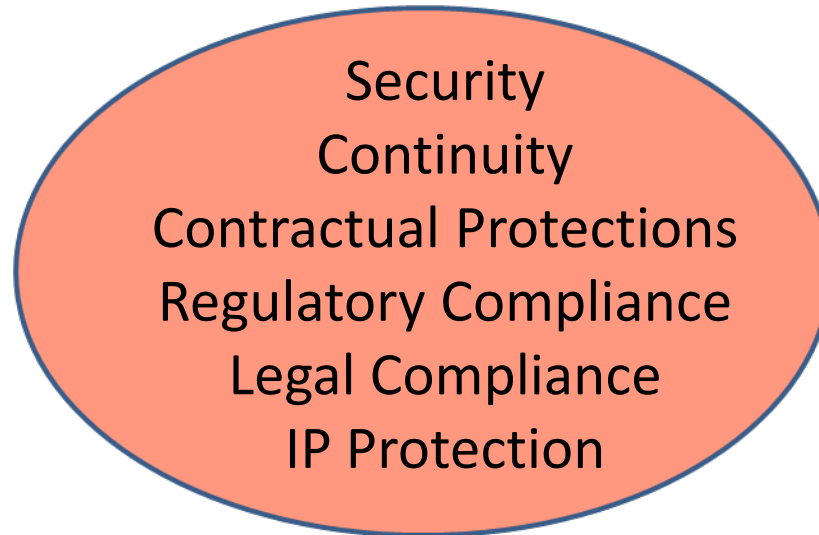
- *people intensive*
- based on face-to-face *direct supplier/client engagement*.
- significantly based on term contracts
- ✓ delivery of *Business Assurance* contractually embedded

Cloud Sourcing business models are:

- *technology* (rather than people) *intensive*
- significantly based on *on-line & automated* supplier/client engagement.
- significantly do not require term contracts
- ? delivery of *Business Assurance* in the virtual world?

The Key Challenge – Business Assurance

How can full Business Assurance be delivered



along the length of a virtual services supply chain?

Key policy issue:

manage defensively ('we will not venture into Public Clouds until')? **or**

manage positively ('we will work to create effective Business Assurance to access the strategic benefits of Public Clouds')?

The Brakes on Cloud Sourcing

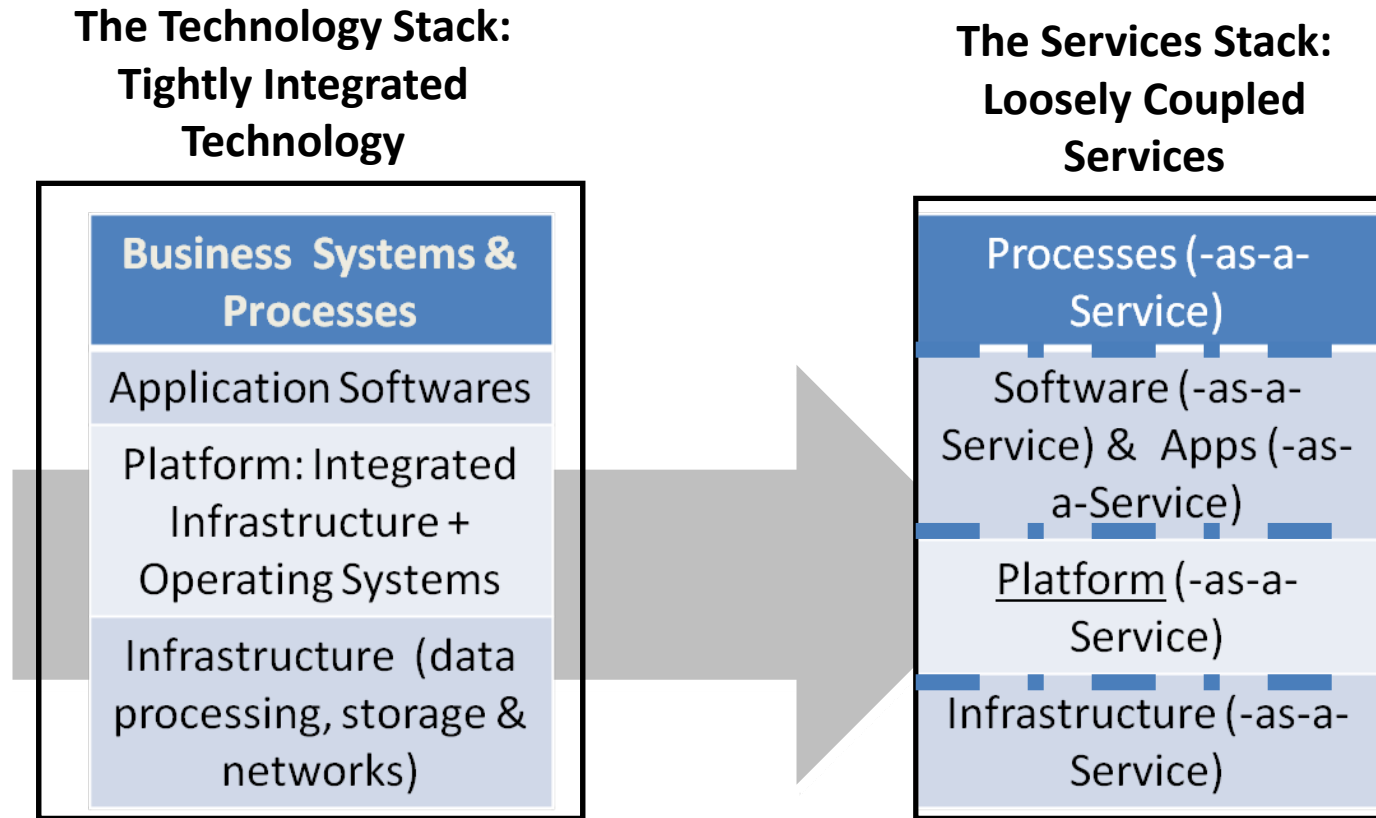
Cloud Sourcing potentially allows a business to sharply reduce operating costs while gaining new degrees of operational agility & flexibility - and simultaneously reducing its demand for capital.

To effectively benefit from the new DSS model & Cloud Sourcing requires ***significant systems transformation and a major shift in procurement processes*** for most clients.

The DSS model and Cloud Sourcing requires most established suppliers to ***(re-)position and transform their business models*** if they are to remain competitive.

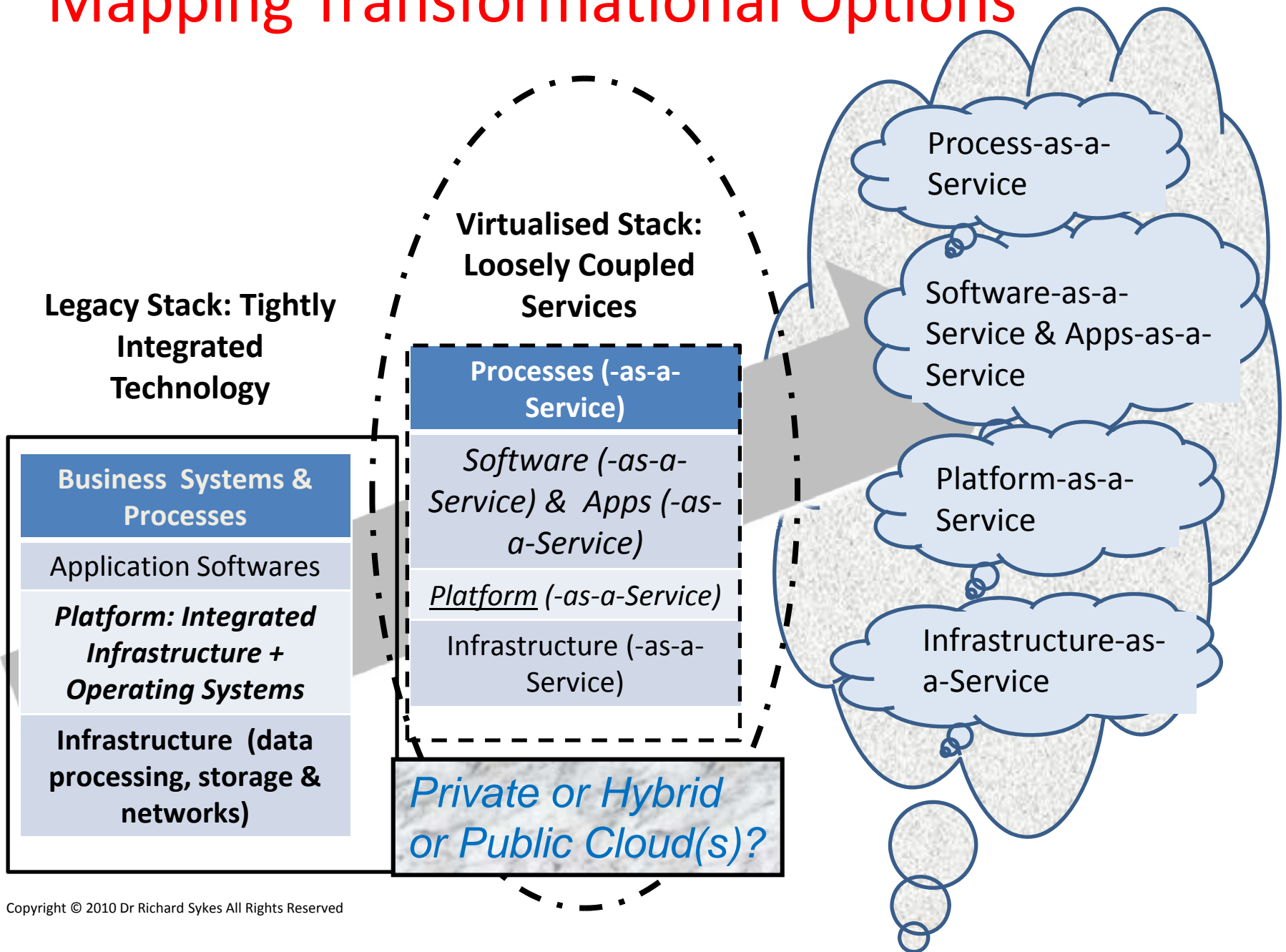
Two simultaneous transformations of business models and the systems that underlie them – not a recipe for overnight change. Factors enabling change are very real, so change will happen.

The Vital Transformation – Disintegrate!



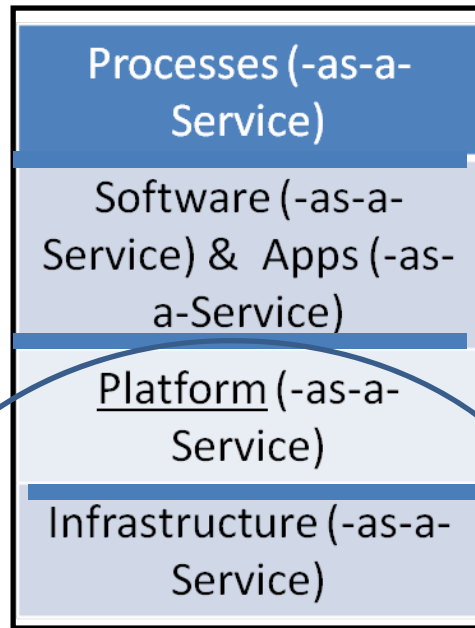
The major current barrier to change in Government & Enterprise:
– much current uptake at the periphery (web services, software dev). Major corporates driven by moves to standardise generic requirements across business units.

Mapping Transformational Options



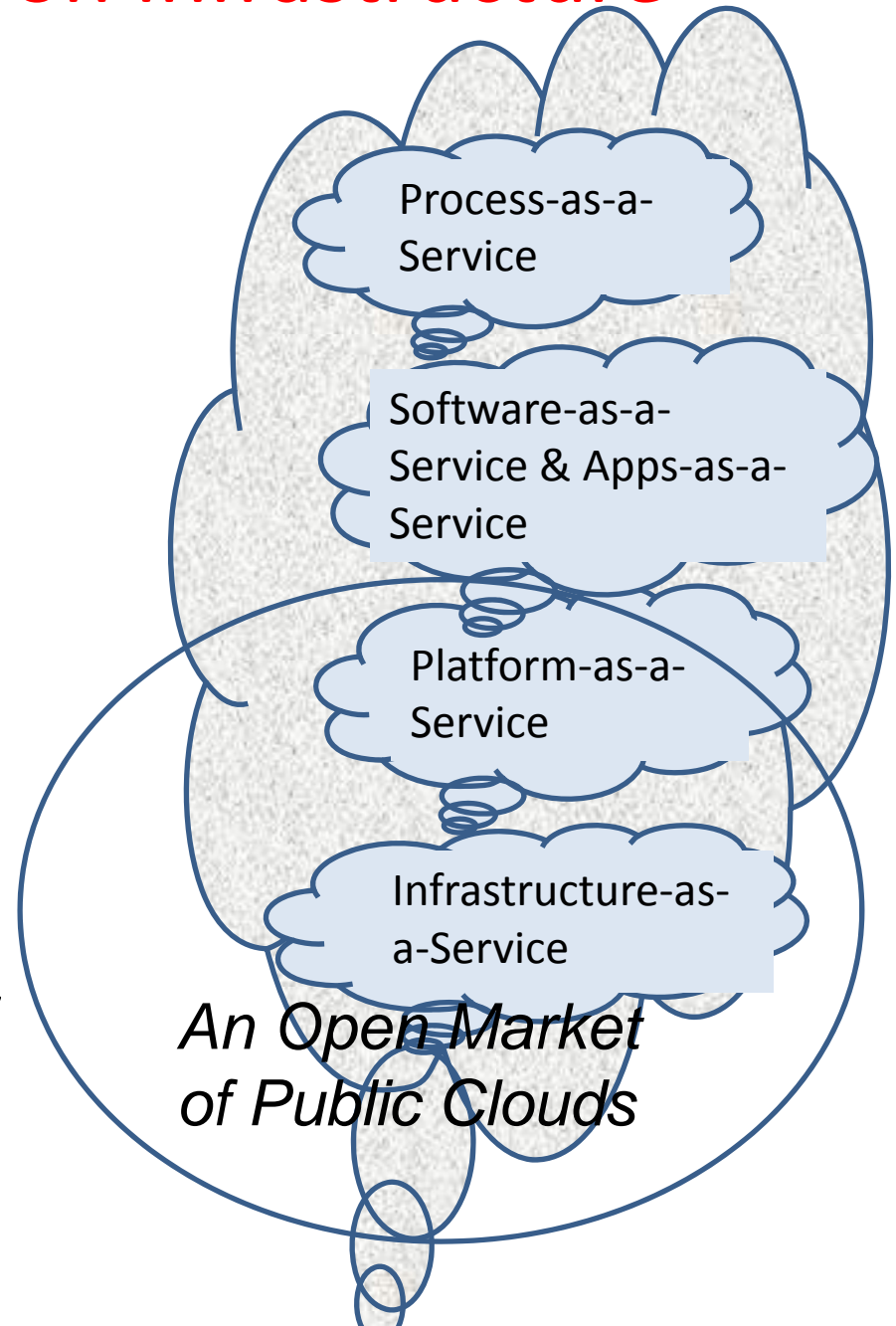
Key Strategic Decisions on Infrastructure

The Services Stack: Loosely Coupled Services



*A Private Cloud
called G-Cloud*

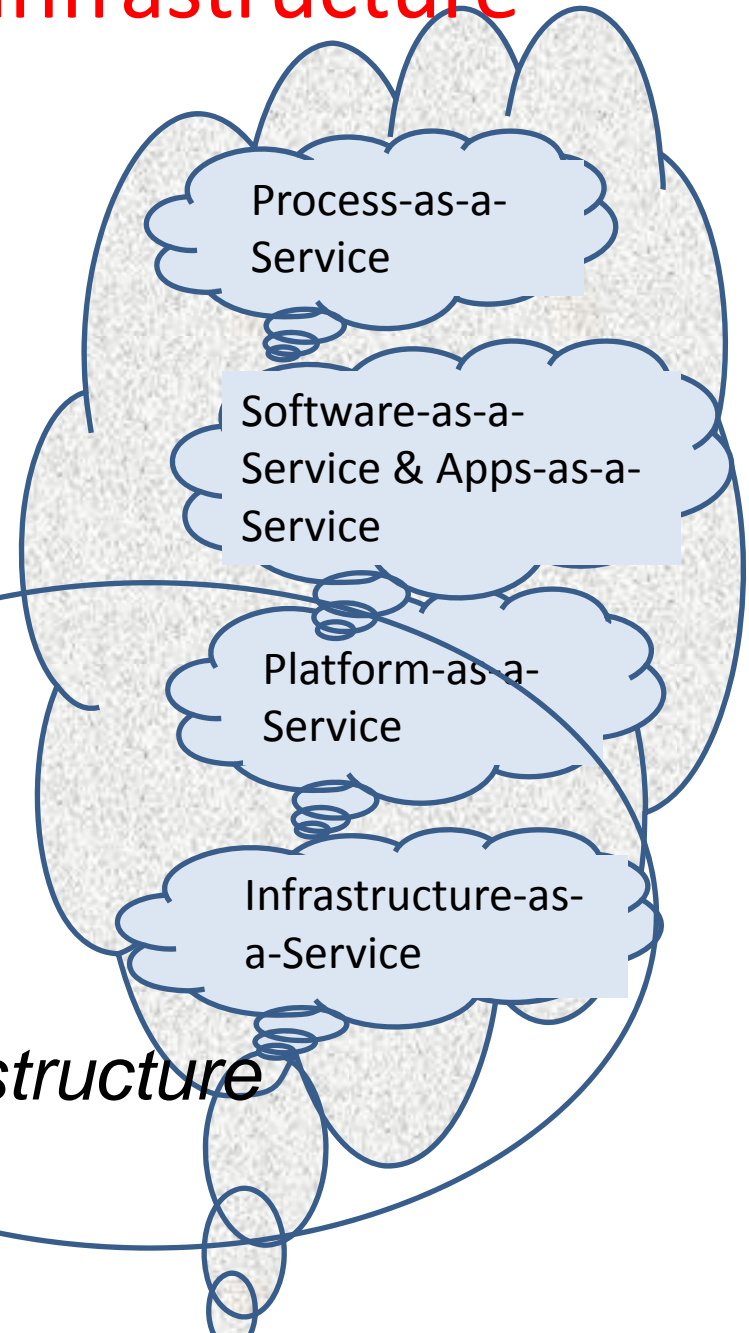
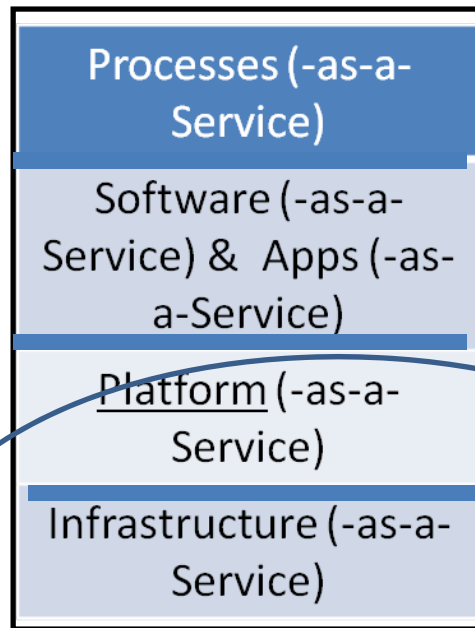
**or/
vs**



*An Open Market
of Public Clouds*

Key Strategic Decisions on Infrastructure

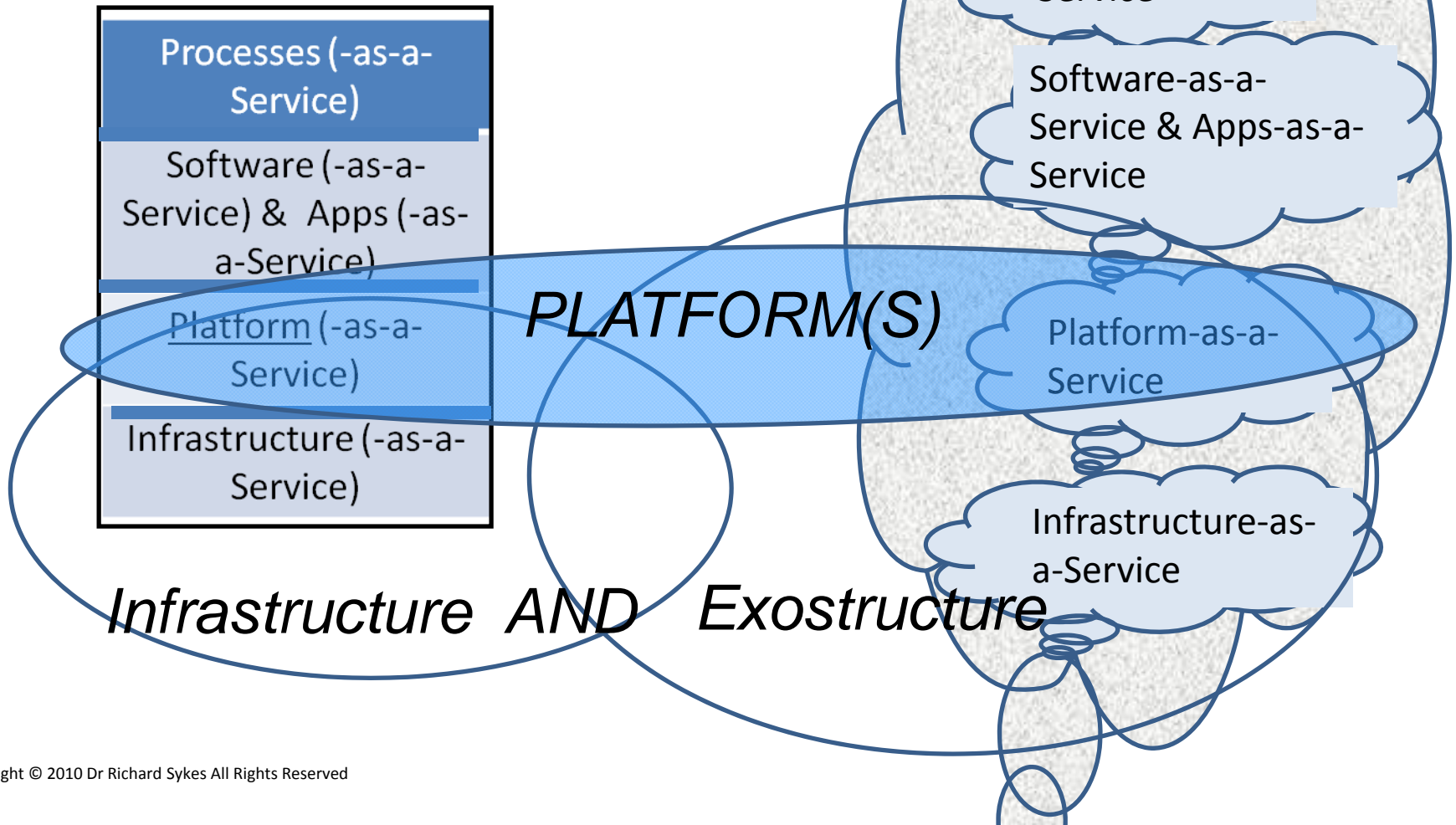
The Services Stack: Loosely Coupled Services



Infrastructure AND Exostructure

Key Strategic Decisions on Infrastructure

The Services Stack: Loosely Coupled Services



The Roots of 'Edge' – It's the People, Stupid!

Three *Measurable* Propositions

Proposition #1

'Edge' lies increasingly with the human contribution (*human capabilities*) to the exploitation of technical capabilities for value

Proposition #2

'Edge' is learnt by 'doing it' better than the competition – and maintained by continual innovation and fresh learning gained in fighting to keep ahead of the competition

Proposition #3

Roots of 'Edge' lie in a broad spectrum of human capabilities, from deep *technical professionalism* to deep *application professionalism*: delivery of a specific 'Edge' requires a specific blend of human *competencies + skills + experience*

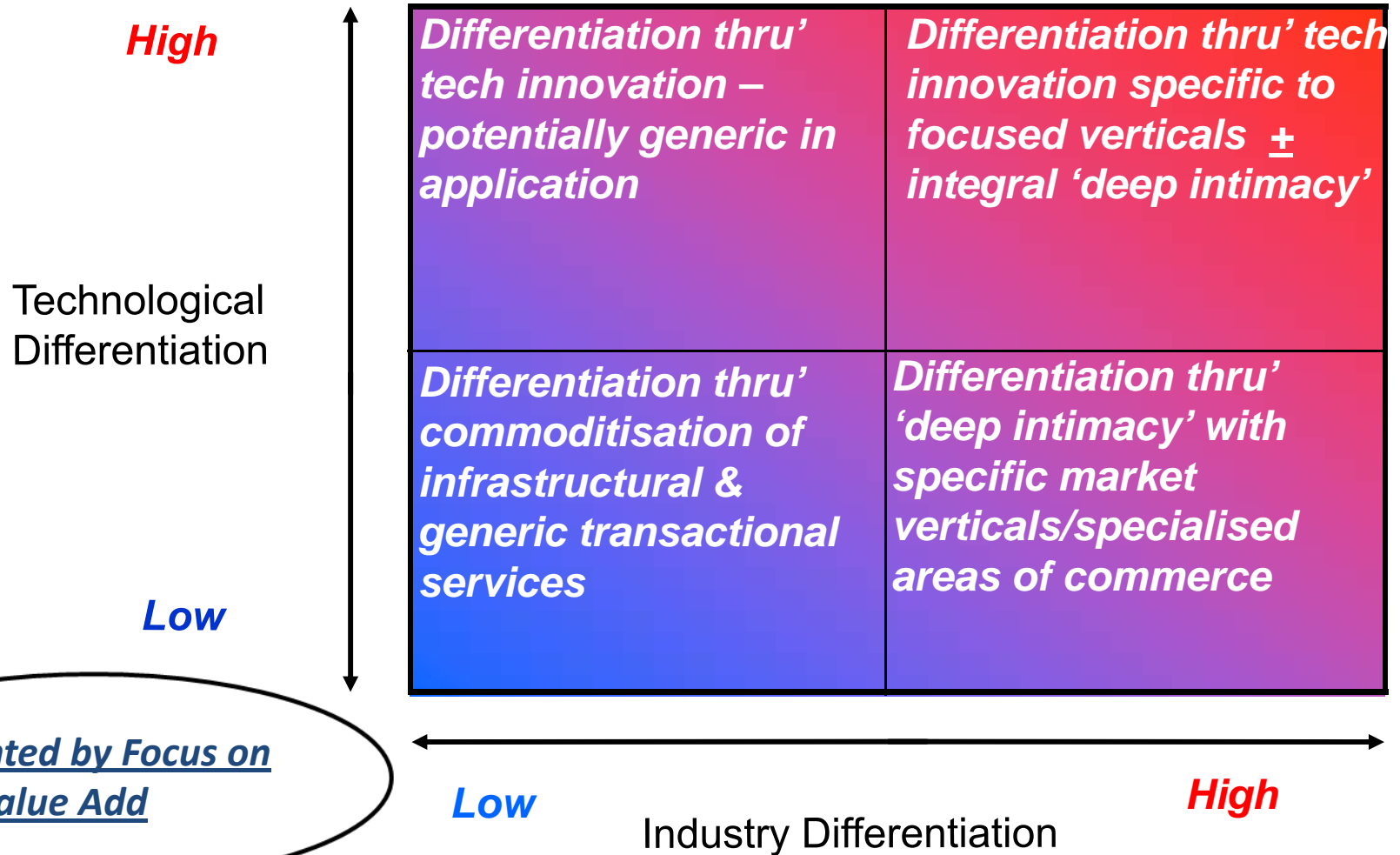
Breadth of the Human Capabilities Spectrum



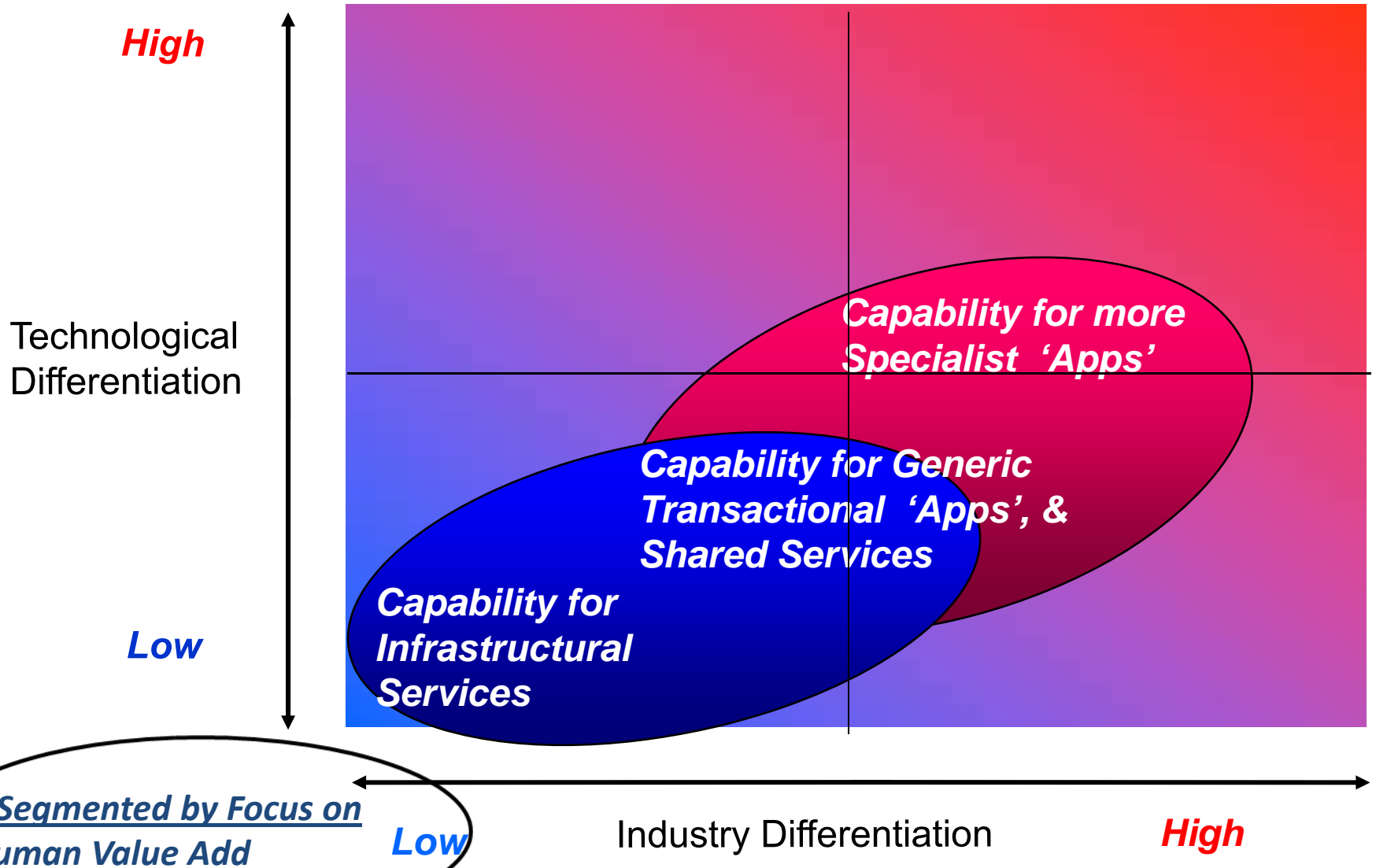
**Technical
Professionalism**
*(/Potential for
Differentiation)*

**Application
Professionalism**
*(/Potential for
Differentiation)*

Roots of Business Model Differentiation*

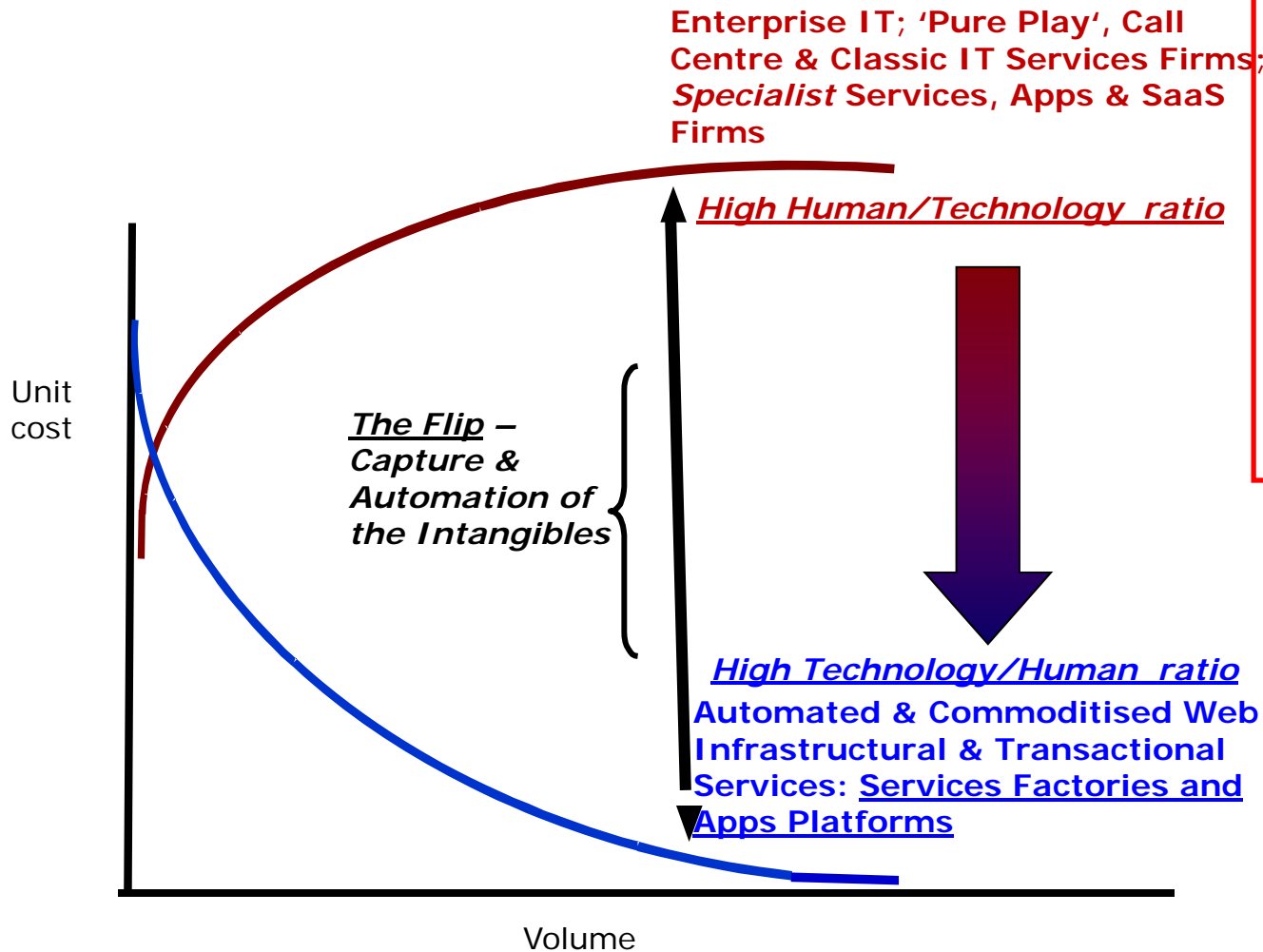


Resourcing & Focusing the ICT Team*



* Segmented by Focus on Human Value Add

In-House vs. Supply-side & 'the Cloud': Re-Focusing the Human Contribution



Focus: delivering high application specificity: Specialty end-application-aligned services

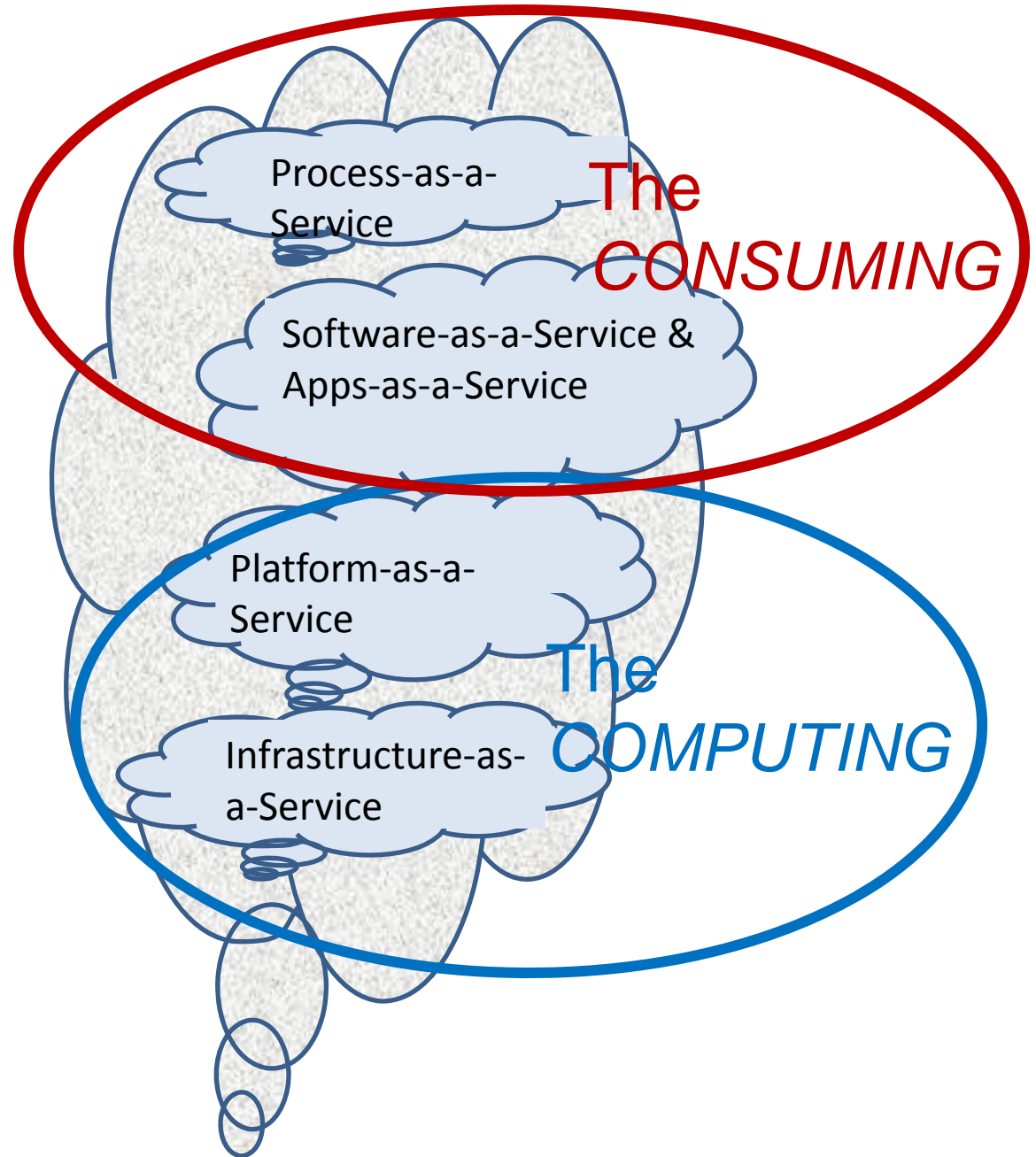
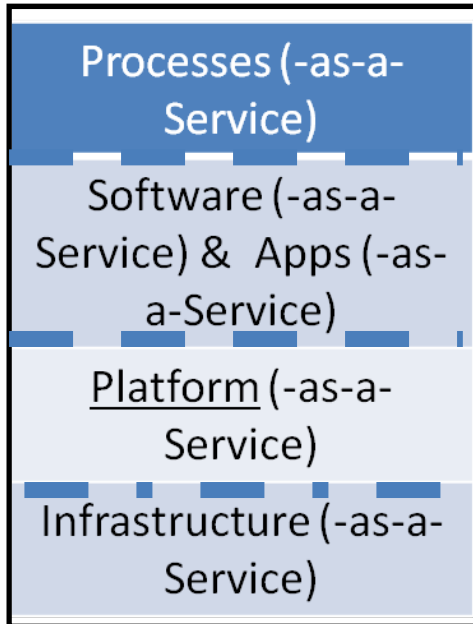
Tuned to specific end-market requirements. Strong partnership orientation & commercial capabilities
MARKET & CUSTOMER FOCUS & INTIMACY TEST

Focus: making technology 'sweat the assets' (high utilisation, reliability, security & flexibility):

Commodity manufacturing skills plus service orientation & capabilities
SERVICE FACTORY MANUFACTURING TEST

The Strategic Sourcing Implication?

The Services Stack: Loosely Coupled Services



Thank You!

Dr Richard Sykes FRSA

A strategic advisor in the transformation *as business services* of technology and business process sourcing, outsourcing and offshoring business models, including through the agency of 'the Cloud'.

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