

'Dr Richard Sykes'

Inside Government

Procurement and the Cloud:  
Transforming ICT Delivery by  
*Navigating the Triple Transformation*

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# Three Fundamental and Revolutionary Developments

## 2x the Technological

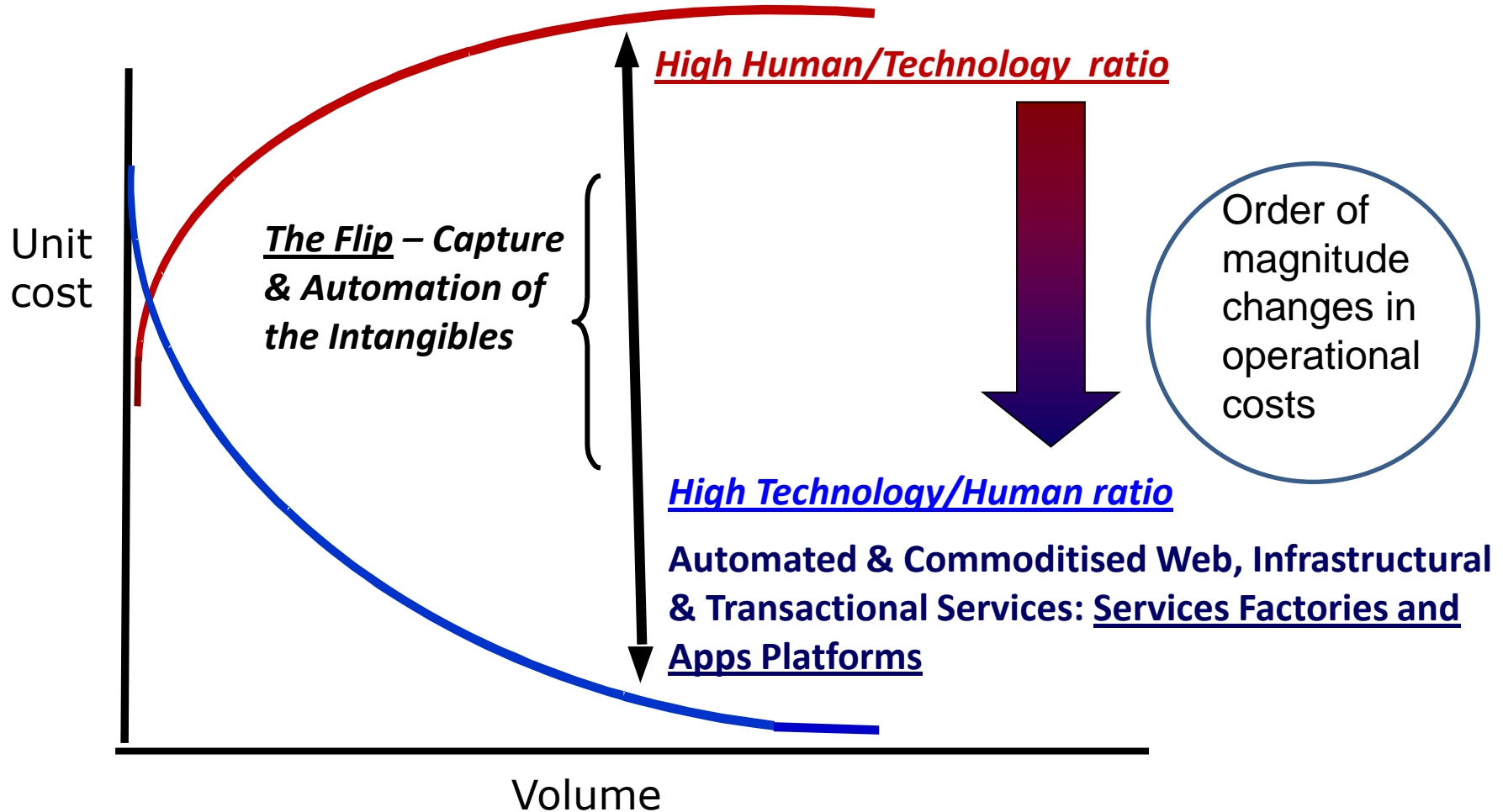
Virtualisation is enabling increasing automation of the manufacture of technology services (*the new era of Services Factories*) **plus** the practical implementation of *Service Oriented Architectures (SOA)* that enable the evolution of the (loosely-coupled) Services Stack from the (tightly-coupled)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

## Plus the Commercial

Lead players in Consumer markets (such as Amazon, Google) have exploited *Services Factories* to *deliver business processes as services over the Web*, innovating & revolutionising the commerce of technology services.

# The Automation of 'Bums on Seats' Business Models

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



Major Shifts in Cost, Procurement and Business Models

# The Consequence - A Triple Transformation Is In Play

The impact of these quite revolutionary developments is to transform the key dimensions of all three *landscapes* that scope how the ICT industry works and delivers value:

- The Technology Delivery Landscape
- The Vendor Competitive & Contractual Landscape
- The Government's Operational, Systems & Contractual Landscape

Such simultaneous transformations inevitably cause confusion – the ('the chicken & the egg' conundrum)<sup>3</sup>!

But the underlying realities of sharply raised asset utilisation (CAPEX) sharply reduced operational costs (OPEX), and sharply increased flexibility of operations (AGILITY) powerfully enable & drive change – *so change will happen, sooner or later, and likely sooner than later.*

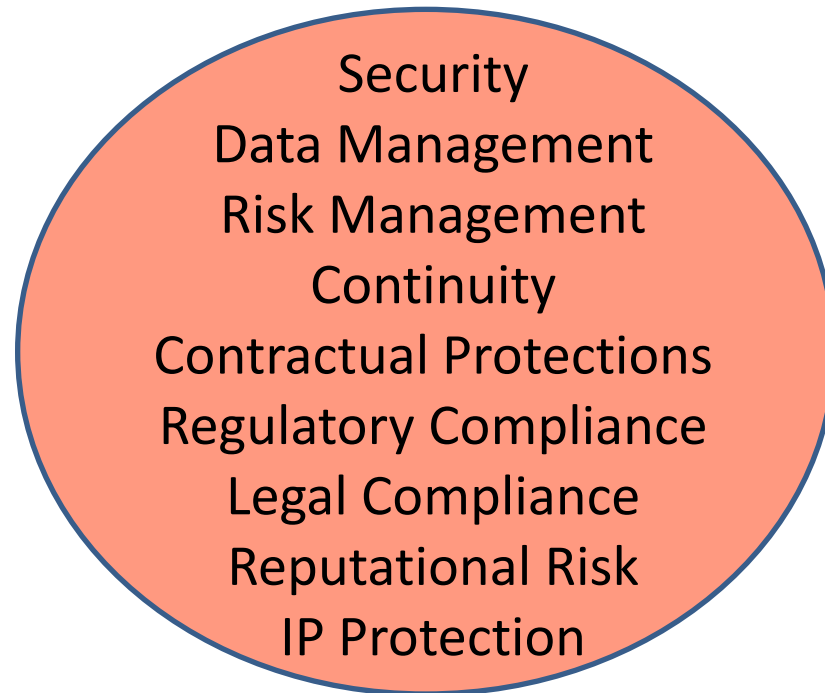
# The Triple Transformation - 1

## 1. Transformation of the Delivery Landscape

- Transformed *modus operandi* of the technology: high levels of standardisation/automation, spread of service factories, acceleration of wireless networking, replacement of desktops & laptops by ‘intelligent’ mobile ‘phones, PDAs & Pads,....
- Requires new open & proprietary standards plus new operational approaches to delivering key aspects of *assurance* – security, continuity, (seamless) service integration, testing.....
- Technology enables, humans deliver – transformational reworking of the human contribution between ‘*the factory*’ (deep expertise in automation & manufacturing operations) and ‘*the front line*’ (deep intimacy with particular applications, markets, government’s businesses with its citizens etc).

## A Key Challenge – Delivering Assurance

*How can full Assurance be delivered along the length of a virtual services supply chain? How to ensure clear lines of accountability and responsibility between the buyer and service provider(s)?*



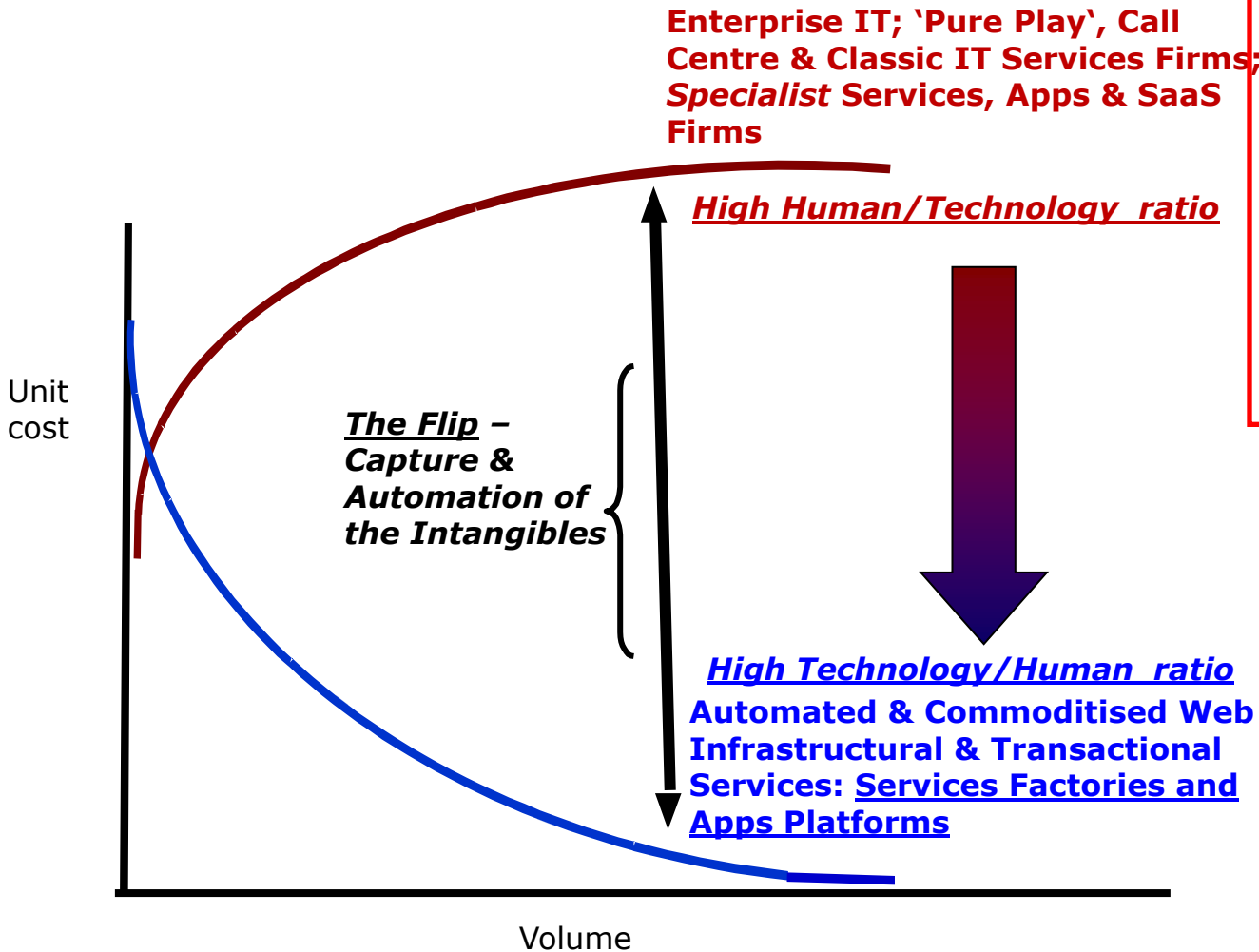
Manage defensively? ('we will not venture into Public Clouds until')?  
Manage positively ?('we will work with the ICT industry to create effective Assurance to access the strategic benefits of Public Clouds')?

# The Triple Transformation - 2

## 2. Transformation of the Vendor Competitive & Contractual Landscape

- Move to the commerce of discrete (technology-enabled, automated) services transforms the basis of competition: business models based on 'bums on seats' totally re-written by impact of virtualisation & automation.
- Facilities Management (FM) models of outsourcing replaced by Direct Sourcing of Services (DSS):
- SI as *Service Integration* replaces SI as *Systems Integration*:
- Marketing, sales and channels to market reworked, innovated & transformed.
- The commercial practice of the multi-year deal gives way to the commercial practice of services sourced 'on demand'. Vendor investment no longer underwritten by multi-year contracts, but by market positioning, market judgement and market success.

# Supply -Side Differentiation



**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 Triple Transformation - 3

## 3. Transformation of the Government Operational, Systems & Contractual Landscape

- Opportunity to restructure and migrate to directly sourced & shared standard back office and front office transactional and supporting infrastructural services.
- The challenge of a potentially radical reworking a complex fabric of established contractual relationships
- Simplified and standardised services lead to the opportunity to rationalise, re-engineer and simplify operational (business) processes
- This also potentially liberates resource to focus on those front line operations where speed of change, responsiveness, innovation, flexibility are at a premium.

# 'Platform' and 'Agile'

## 'Platform'

'.....a shared, government-wide approach to simplifying elements of IT. The aim of the platform is to bear down on costs, reduce duplication and establish shared standards. The focus here is on commodity procurement, coordinating delivery of common IT facilities and services, and setting common and open standards to support interoperability. '

## 'Agile'

'.....about becoming much more flexible, responsive to change and innovative. Development is modular and iterative, based on user involvement and feedback. Early delivery of core working functionality is the priority.'

Source: '*System Error*'  
Report by Institute for  
Government March 2011

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5. This strategy sets out the strategic direction of central government ICT and the key actions that will be delivered over the next 24 months.

The Chief Information Officer (CIO) Delivery Board **will publish a strategic implementation plan**, in collaboration with departments and HM Treasury, **by summer 2011**.

**All these initiatives will be funded from within existing spending plans.**

They are all about spending money better, rather than spending more, and will be used as exemplars of the Government's major projects methodology.

“



## Government ICT Strategy

March 2011

# Procurement in the Era of the Cloud – A Manifesto!

The procurement of *Technology-enabled Services* replaces the procurement of ICT & IT Services. Act accordingly.

End the era of Deal Making: ‘the Government is now in the business of directly sourcing services, not in the business of deal making’.

Segregate financial engineering *from* the transformational *from* the ongoing supply of services: separate stand alone contractual structures with separate specialist suppliers.

The vendor community has to transform into the new services business models to remain competitive – it has deep pockets – drive it in that direction. And press the ICT industry to deliver *Assurance* fit for the new world of virtual services and virtual service value chains.

Launch market-making initiatives to exploit the strategic weight of the ‘Government as client ‘ to speed vendor & market transformation to its benefit.

# Three Key Market Making Initiatives - 1

1. A focused Private/Public Partnership , *working closely with CESG as a team resource*, to enable HMG to securely work in Public Clouds up to & including IL3 (Incident Level 3)
  - ❖ Major cost & operational benefits of a competitive ‘Cloud’ market in infrastructural services, sourced through new generation multi-tenanted & ‘green’ data centres;
  - ❖ Ability to serve the citizen customer over the web with greater ease, flexibility and security

*Market making* through a framework procurement of *infrastructural services* that encourages new investment [plus new vendors with proven *services factory* experience] in a key *UK infrastructural resource* that will sharply reduce underlying Government operational costs, raise its green profile, and contribute to the international competitiveness of the UK ‘shore’.

## Three Key Market Making Initiatives – 2

2. A focused transformational drive within HMG to provide both national and local government with standardised back and front office transactional services.
  - ❖ Exploiting the *services factory* model, and enabling effective process simplification – both key to driving out costs and to delivering the green agenda
  - ❖ Genuine bespoke requirements delivered as front-edge variants on standardised services (consider how salesforce.com does it) where possible

*Market making* through a framework procurement for *standardised transactional services* that as far as possible exploit existing Cloud-sourcable services (desk top, payroll) and craft anew [‘revs and bens’!] where required.

## Three Key Market Making Initiatives – 3

3. Design the Apps Store around a G-Cloud *Platform* [*G-Platform?*] that seamlessly inter-links Infrastructure & Exostructure, and provides the necessary Assurance required by HMG.
  - ❖ Sharply simplifies technology service sourcing & procurement
  - ❖ Enables both innovation and ‘bespoking’ through re-use, extension of existing service & software structures
  - ❖ Enables smaller tech enterprises (SME’s) to more easily present innovative service ‘offers’ directly into the Government market place - reaping the benefits of the creativity and ‘Value for Money’ they can provide

*Market making through market enabling* – an effective segregation of ‘the consuming’ from ‘the computing’ to enable more effective focus of front-line service resources – and to open the door to the SME community.

# Thank You!

## Dr Richard Sykes FRSA

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