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Compete Better: Share More

Savvy businesses have come to recognise that sharing the right services makes them more competitive, not less so



Introduction

Despite all the hype about “cloud” in recent years, most IT providers and integrators still seem to be skirting around the edges of the most important opportunity for their clients.

There’s something to be gained from Software-as-a-Service (SaaS) applications which plug gaps in the functionality of your in-house IT. And yes, there can be savings from the careful adoption of Infrastructure-as-a-Service (IaaS), either to handle processing peaks or in support of ad hoc activities like analytics, testing or events management.

But by-far the most compelling way to extract value from “cloud” is much more fundamental and disruptive: Organisations seeking maximum efficiency and agility should release their non-differentiating business functions, and source them instead as utilities from shared-services providers.

Organisations should keep a tight grip on only that small nucleus of functions which contributes to their differentiated market position. The bits which form the soul of the business, distinguishing it from other similar organisations.

In competitive markets, the most successful companies will be those which focus their time, energy and resources much more closely on that nucleus, confident that other operations can be efficiently managed and continuously optimised by specialist providers who can also scale quickly to match demand.



It's easy to imagine that this principle should apply only in non-competing sectors, where similar organisations needn't be shy of sharing. Indeed, sectors like local government have welcomed the advance of shared services. With 600 essentially similar organisations each facing cuts of around 27%, it's hard to see how councils could react otherwise. But smart commercial organisations are following suit to varying degrees.

The extent to which they could benefit depends on their sector and their business model, but an indication is given in exhibit 1.

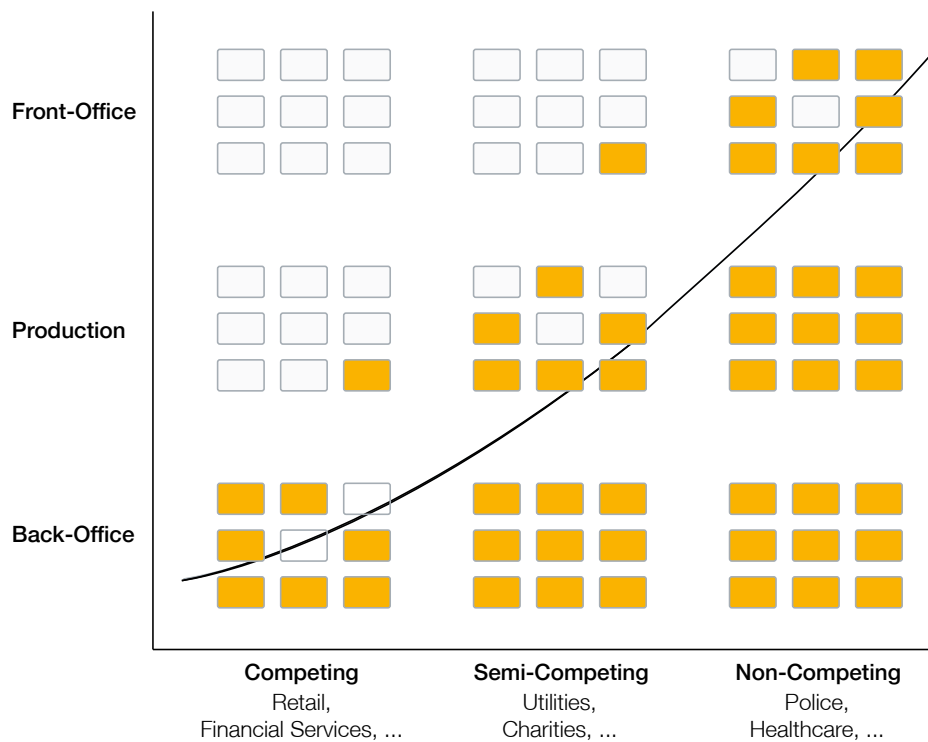
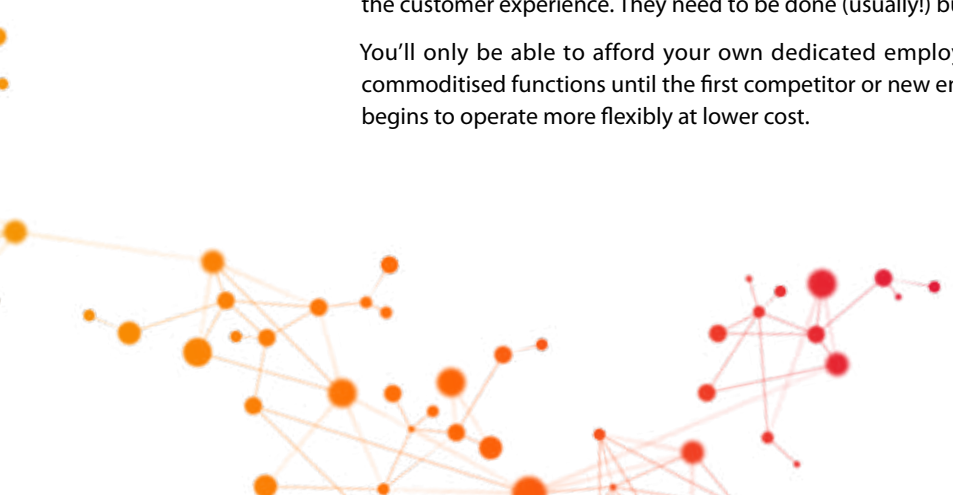


Exhibit 1 – Propensity for service sharing by sector type

Whatever your industry, you'll find that more than half of your activities make little or no difference to the customer experience. They need to be done (usually!) but they don't distinguish you.

You'll only be able to afford your own dedicated employees, processes and tools to handle these commoditised functions until the first competitor or new entrant realises that there's an alternative, and begins to operate more flexibly at lower cost.



Adoption challenges

The most urgent task is to determine which are the differentiating functions. Unfortunately the usual pattern is that everyone thinks they're different, so you'll need a method which is more objective than simply asking each of your teams for their opinion. So why not beat the rush, and act now?

The second priority is to determine with whom you're willing to share services. Will it be:

- Peers - specified organisations in your industry?
- Partners – specified suppliers, collaborators or customers?
- Public - unspecified organisations, in a public cloud?

Each option has its own pros and cons, but emotional and cultural factors often dominate the debate.

With these essential business decisions underway, you should consider some secondary questions:

Will you immediately seek to share entire business functions? Or will you adopt a phased approach, maintaining your own skilled staff initially, and seeking only to share processes, applications or infrastructure?

If the boundaries of your enterprise become more permeable, how should you best secure the confidential assets at its core?

And how about integration? How will you ensure seamless and timely exchange of information across retained, shared and publically-provided functions? And how easily will that model withstand ongoing change?



Advice is at hand

CGI's CIO Advisory practice has extensive experience working with clients to address these challenges.

We understand the marketplace of cloud and business process providers, and the possibilities they present. We recognise that the propensity to externalise a business function depends heavily upon the specifics of the individual organisation, so we've already modelled these propensities for many industries, to give you a head-start.

We're uncompromising, and can cast an independent eye over your strategic plans, and the ways CIOs propose to support them. And we're realistic, so we'll plan a sequence of steps which take account of realities such as contractual commitments, stakeholder attitudes and employee engagement.

If security becomes a concern in your shared services future, you'll be comforted to know that our advisors are backed by the UK's largest team of CESG security specialists.

We're driven to help our clients realise an optimal portfolio of IT-enabled investments, where innovation helps to produce the greatest returns with the least risk. If you share this vision then please get in touch.

Did you know?

Our advisors...

- Supported a retail bank's cloud strategy, providing and prioritising over 20 business ideas, one of which is projected to yield £5 million of benefits.
- Helped a well-known UK retailer with cloud planning, providing a shortlist of six initiatives, three of which are now in implementation with projected benefits of £2 million to £3 million.
- Conceived the Licence2Share cloud collaboration platform to the Oil and Gas sector.
- Devised cloud-based vehicle tracking and freight management solutions for the haulage industry.
- Provided the Police National Database allowing forces to pool intelligence, and act upon it quicker.

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