



I D C T E C H N O L O G Y S P O T L I G H T

New Partnerships for Delivering Infrastructure Accelerate Innovation by Reducing the Cost of Taking Risks

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This Technology Spotlight examines the development of new IT consumption models that are more service oriented, making it easier for service providers and systems integrators to deliver IT resources when and how customers need them to support business transformation. This paper also looks at CGI's secure cloud programs and the company's innovative partnership with Hitachi Data Systems (HDS), which uses a risk and revenue sharing model that aligns hardware costs with services revenue. This approach enables service providers to deliver business innovation to customers while also enabling more profitable engagements.

The Transformation of the Datacenter Requires New Innovation

The "datacenter" has a long history. Originally, datacenters were the rooms in corporate headquarters that held mainframes and peripherals. With the advent of client/server computing in the 1980s, large companies built standalone datacenter buildings with unique HVAC, cabling, resilience, and security features to accommodate a growing installed base of computers, storage devices, and network gear supporting mission-critical applications.

In today's world of cloud, mobile, social, and analytics technologies, which IDC calls the 3rd Platform, the datacenter and the equipment within it are changing yet again. Adjusting to this changing datacenter landscape and exploiting these changes to speed business transformation are critical challenges for IT leaders.

Most datacenters built prior to the 3rd Platform were optimized to support companies' systems of record. They focused on managing and sharing information with internal employees. With the advent of the Internet and the mobile explosion, companies now spend more of their money on systems of engagement and systems of insight (big data analytics) and systems of action (Internet of Things, or IoT) that are external facing and much larger in scale.

Additionally, these new workloads are highly variable in nature. They have short useful lives and are quite bursty by design. This demand for capacity on demand without hard precommitments doesn't match up well with enterprise IT budgeting models. Rather than directly deal with the capacity planning issues posed by these applications, companies increasingly want to "rent" IT resources from IT suppliers and services providers, transferring the task of building and running elastic datacenters.

Rather than focus solely on the benefits of private cloud versus public cloud, enterprises are more interested in what IDC calls hybrid IT. Hybrid IT is about the recognition that infrastructure decisions will be distinguished by location and variability of use as well as the desire to more tightly link internal and service provider staff for delivery of more effective services. On-premise infrastructure must support workloads where latency or data control requirements mandate local access to IT resources. Many advanced healthcare and industrial IoT services have those requirements. Service provider–based infrastructures (traditional hosting, hosted private cloud, and public cloud) will be those where the values of operational efficiency, concentration of compute and data, and the ability to support wide data distribution are critical.

Enterprises' View of IT Consumption Models Changes Requirements

The 3rd Platform of computing disrupted how enterprises consume capacity — from traditional onsite IT to a plethora of choices such as cloud service providers (CSPs), hosted private clouds, and public cloud providers, as well as increasingly complex combinations of all of these options. The new IT consumption models require more service orientation, with the underlying premise that these services can be delivered when and how customers want them with a charge based on actual usage — a flexible service model. In fact, IDC research indicates that customers plan to devote nearly 30% more of their IT spend to provider-based cloud services over the next two years, away from isolated spending for equipment, software, and services to be deployed in their own datacenter. This shift toward service providers is starting to change service provider and vendor relationships too, specifically around consumption economics.

Today the main challenge for IT service providers and enterprises is that they want to buy units of IT and limit the amount of time and staff dedicated to managing their infrastructure. Critical drivers for these partnerships include predictable expansions with less overprovisioning, speed of deployment, availability, and integrity. The key payoff of these drivers is reducing the costs of taking risks in business innovation with regard to IT investments.

These new IT consumption requirements have triggered demand for new payment models that match the accelerated pace of new business initiatives. Another factor driving this change is a shift from capex budget models to opex budget models. This shift is gaining traction in most organizations, and it is driving the requirement for new payment options. CFOs are already demanding new payment models from their internal business unit partners, and they are turning to their IT partners for more innovation and flexible payment solutions.

For service providers, the goal is to remove the capital investments for infrastructure and to use these capital resources on services with a higher return and more profitability. Put another way, service providers want to reduce the costs of taking risks with regard to infrastructure and instead invest in higher value-adding services such as service integration and management (SIAM), IT/cloud brokerage, and managed security. All of these engagements have similar requirements for flexibility, security, and capacity/consumption options. In these rapidly evolving IT consumption environments, with changing business objectives and service-level agreements (SLAs), innovation is also becoming a critical requirement.

This innovation requirement is an increasingly significant trend. IDC research indicates that for most cloud deployments, enterprises want to work with a trusted partner that understands their current business needs and objectives while also having the agility to respond to rapid changes. Lately, we are observing that enterprises and their services partners want to take this trusted partnership to a new level. Enterprises are asking for a shared risk model with their partners, which must then develop better risk-sharing relationships with IT product suppliers. A risk-sharing model between IT vendors and service providers requires creative financial models and commitments from both parties, which enterprises can take advantage of to reduce their own risks.

Considering CGI's Partnership with HDS

In January 2015, HDS and CGI announced a series of new joint offerings that provide clients with secure enterprise cloud storage services (storage as a service, disaster recovery as a service, and archiving as a service) in addition to cloud storage solutions that enable access to critical data from mobile devices and desktops. The agreement provides clients with enterprise-grade cloud services powered by HDS and CGI services that remove many of the capex barriers often raised when enterprises work with service providers. The service has gained significant critical mass and has become the de facto standard of delivery in many of CGI's global datacenters.

CGI and HDS entered this partnership because they recognized that traditional service provider models did not recognize the new market realities of the 3rd Platform, specifically the financial hurdles, or the investments that are often required to facilitate customer engagements. By entering into a true partnership that involves a shared risk model and a willingness to innovate beyond traditional offers, HDS and CGI can provide solutions that are agile and reduce the costs of taking risks.

The core of this agreement focuses on three key pillars:

- An innovative financial model that observes the whole environment, regardless of the existing IT solution, and that is able — within a few months — to provide a solution that reduces costs and provides infrastructure flexibility to meet the rapid changes and requirements in this competitive environment (HDS and CGI share the risk in this partnership and match costs to revenue.)
- Technology innovation that deploys solid technology solutions from HDS with an expectation of continued innovation throughout the partnership (Relying on the reputation of HDS as a market leader for IT innovation and reliability, CGI selected HDS as a partner that is focused on the same goal: providing customers with a flexible, agile, and risk-sharing model.)
- Operational innovation that uses automation to reduce overall people resources and improve operational efficiencies for each engagement (Automation is a key part of the engagement because it frees personnel to focus on revenue-producing initiatives instead of maintaining infrastructure.)

IDC believes this new approach is better aligned with what companies need going forward because it specifically removes the up-front capital outlay that often derails these transactions and offers an agnostic approach to infrastructure solutions. By removing these hurdles, the CGI/HDS partnership accelerates service innovation to projects with a higher business return. The CGI/HDS partnership is targeting complex engagements involving hybrid IT managed services such as SIAM, IT/cloud brokerage, managed security, and digital transformation and modernization. The new CGI/HDS partnership has been well received in the market, with new engagements in North America and the Nordics region.

Challenges for CGI and HDS

One key challenge for CGI and HDS is that in the past, many on-demand offerings from suppliers were perceived by customers as simply a product positioning strategy for software and hardware suppliers that were trying to protect their installed base within customer datacenters. Others believed that such offerings were merely a services extension opportunity for integrators and service providers.

A growing number of IT organizations will ask CGI and HDS to support the increasingly diversified portfolio of cloud services (on-premise and off-premise) on which their companies depend. These organizations need to manage a growing range of assets in multiple internal and third-party datacenters. They are implementing a hybrid IT operations model with their own staff and their managed services provider partner.

Put simply, customers want CGI to become a facilitator of business transformation, not just a provider of hardware, software, or managed services. In this facilitator role, CGI will need to enable use of multiple cloud/datacenter options, provide financial flexibility to remove budget roadblocks, assist with network rationalization, and ensure data security and control.

Essential Guidance

For 3rd Platform–based businesses, speed and agility are key to driving innovation. These organizations need IT infrastructure and organizational practices to both initiate change and adapt to outside disruptions. Business leaders can't wait weeks or months to deploy or scale new applications or services.

The first step in this journey is designing and deploying an IT solution that business leaders want to use. IT organizations around the world recognize the importance of designing the right environment for their business, and they are looking to their IT hardware, software, and service suppliers to select the right system designs and define service catalogs that address the needs of developers and business analysts.

Organizations must recognize that the most important step is to "not be a victim of their own success" as developers outstrip the ability of the IT team to fund and procure more capacity. They need a partner that can help them operate a sustainable hybrid IT environment that can meet all future needs and reduce the costs of taking risks. This is especially critical in IT budgeting and financing.

Businesses should demand that their technology partner help achieve a balance between the accelerating pace of technological change and the increasing unpredictability of asset acquisition associated with the new IT world. Finding the right technology partner to create a sustainable IT platform not only allows future-ready enterprises to get more effective use out of their own assets but also provides a platform for greater levels of organizational flexibility, availability, and control at the business level.

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