

SPEED BUMPS AHEAD:

Navigating Five Key Challenges to Network Transformation

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EXECUTIVE SUMMARY

Making the move from legacy platforms and antiquated technology to current and future standards such as cloud, Session Internet Protocol (SIP) and Unified Communications (UC) offers the potential of significant benefits. These include cost savings, business agility and scalability and true alignment of technology solutions to business requirements.

Alluring as these benefits may be, the journey to the desired end state is not always a smooth and seamless one. Indeed, vendor promises notwithstanding, transformation initiatives are often characterized by unanticipated complications and obstacles. Under the best of circumstances, a successful project involves a great deal of behind-the-scenes heavy lifting in terms of planning, preparation and implementation.

This ISG white paper examines key challenges related to network transformation. Drawing on practical experience and observations from client engagements, the author explains how to address five specific issues that client organizations frequently struggle with, namely:

- Aligning the project with business needs
- Defining a strategy and roadmap
- Creating a valid, vetted business case
- Ensuring organizational readiness
- Developing a sourcing approach



CXO EXPECTATIONS AND NETWORK DIRECTOR CONCERNS

From the boardroom perspective, network transformation is about annual cost savings of 20 percent to 40 percent, enhanced operational efficiency from leveraging innovation, streamlined infrastructure and alignment of technology to business requirements. Specifically, the vision encompasses tying new technologies to increased sales, improved manufacturing processes and higher profits.

For the network director in the trenches, the concerns are far more prosaic, and focus on the existing architecture's capabilities to accommodate future requirements around mobility, bandwidth growth and video on demand.

The technology migration from the current state to the new model is another concern, and raises a range of issues regarding operational and security risks – such as, for example, voice over IP and email storage. Financial impacts and remediation options must be considered, and policy and governance structures must adapt to facilitate change and end-user adoption. In many cases, growing bandwidth demands are accompanied by shrinking budgets.

The disconnect between the C-level vision of network transformation and the devil in the details reality of implementation can create a number of challenges. Here we examine five specific issues and how they can be addressed.

ONE: BUSINESS ALIGNMENT AND SUPPORT

An understanding of business requirements and how the technology initiative will address those requirements is key to an effective network transformation. While the importance of ensuring that alignment would appear to be obvious, in many cases it's lacking. For one thing, solutions are often designed with a narrow focus by technologists who, left to their own devices, tend to favor gold-plated or technically focused solutions that are not fully aligned with business needs or, even worse, that the business can't afford. Relatedly, vendor proposals are often defined more by vendor capabilities and preferences rather than customer needs.

Business context, meanwhile, is critical, as a retailer's requirements will be very different from a healthcare insurer's or a bank's.

Addressing this gap requires effective communication between business and IT stakeholders (including vendors) so that all parties understand requirements and potential benefits of the solution, as well as potential pitfalls. This ongoing dialogue is necessary to ensure that the solution aligns to the customer rather than the vendor, and that benefits are identified and tracked throughout the implementation journey, rather than relegated to a vaguely defined future state. The end result should be IT goals that clearly map to business goals.

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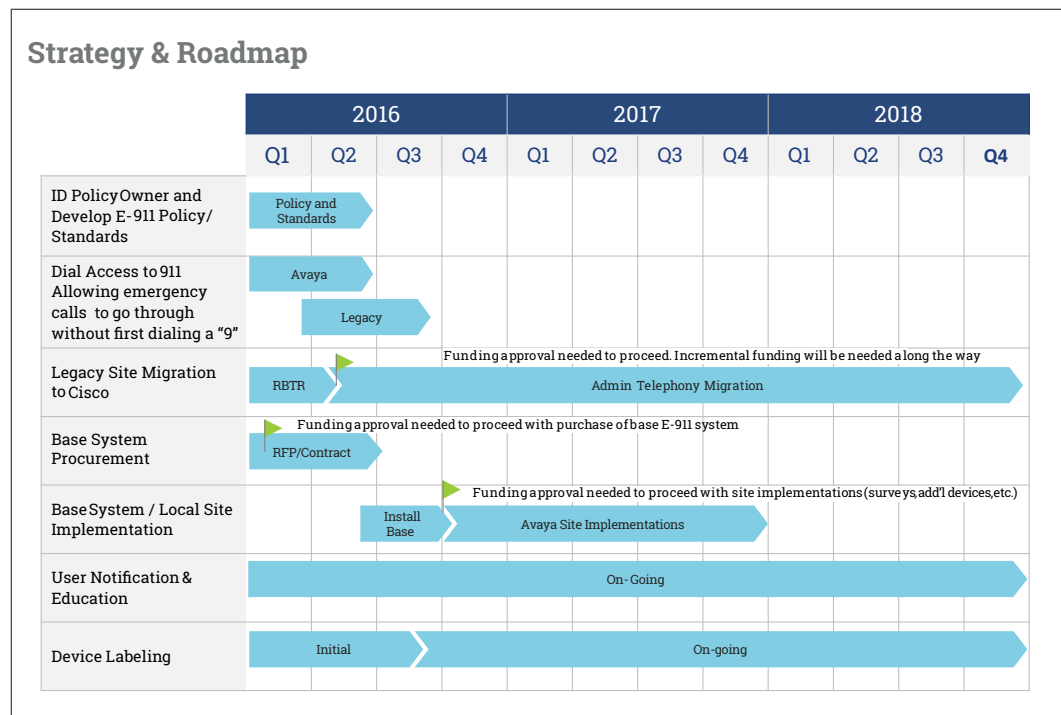


TWO: INFRASTRUCTURE STRATEGY & ROADMAP

A second common challenge to transformation is articulating a technology strategy and building a technology roadmap that identifies and anticipates risks associated with infrastructure and its ability to support the new operating model. A big picture, long-term perspective – one that projects a three- to five-year horizon – is imperative, as is attention to detail and consideration of how specific changes will impact existing services and other projects. Ideally, the client organization builds consensus and sets guide posts to enable the strategy to adapt and accommodate inevitable changes in requirements. The simple act of committing the strategy and roadmap to paper, and providing opportunities for dialogue with staff, vendors and business stakeholders ensures clarity as well as improved understanding of the direction.

The problem clients typically experience here is to, on the one hand, become mired in details and lose sight of the long-term goal, or, on the other, to overlook the critical details, which leads to disruption and negative impact on services during the transition, or competition for resources from other efforts.

A multi-faceted approach that breaks down the long-term goal into specific milestones, impacts to funding and required steps can strike the required balance. Decomposing the project into discrete components can demystify the concept of “strategy” and link progress to concrete, trackable progress. The chart on the next page illustrates a breakdown of activity ISG prepared for a bank that was implementing an E-911 strategy for its mobile users.



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THREE: BUSINESS CASE

An effective business case for transformation clearly articulates the investment required for the initiative and sets expectations regarding potential problems and obstacles. In terms of ROI, anticipated dollar savings as well as benefits such as revenue creation, speed to market and the cost of obsolescence must be factored.

Many clients neglect to provide this comprehensive perspective. Specifically, business cases often fail to adequately address the downstream impact of transformation in terms of revenue creation, lost revenue avoidance or other opportunity costs. Other soft dollar costs not typically considered include second-year operating costs, cost savings generated outside of the typical budgets or costs centers, and impact to managed services or outsourcing relationships such as ARCS and RRCS.

When the positive impacts are not considered, the business case is weakened. If negative impacts are understated, meanwhile, sponsors will lose credibility with the executives who signed off on the project's funding.

Working with a global cruise line, ISG developed a comprehensive business case for SIP implementation that included hardware, software, transport under existing contract, resourcing and additional implementation costs. As the chart on the next page illustrates, the business case specified investment requirements and used baseline spend to calculate savings over time. Leveraging the standard forms and reporting mechanisms typically used by the client's finance organization, meanwhile, made the analysis more relevant to key stakeholders.

Current Cost (SIP Addressable) Baseline vs SIP Optimization Final		
Services	Current Baseline Annual Spend	Future Architecture/SIP Optimized Annual Spend
Current Private WAN (MPLS and Private Line)	\$4,721,007	N/A
Future Private WAN (New Architecture)	N/A	\$3,985,717
Current Internet Connectivity	\$692,146	N/A
Future Internet Connectivity	N/A	\$757,536
Existing Voice Access	\$1,321,500	N/A
TDM Leave Behind Cost	N/A	\$15,000
DID Cost	N/A	\$27,720
Current LD Usage	\$7,051,375	N/A
Future LD Usage	N/A	\$4,054,133
SIP Session Costs	N/A	\$184,032
Future SIP Circuits (DCE and DCC)	N/A	\$432,000
	\$13,786,028	\$9,456,138
	Annual Forecasted Operating Savings	\$4,329,890
	Percent Savings	31.4%
	LD Savings from Contract Write-down	\$1,419,070
	LD Savings from SIP Effort	\$1,578,173
	Initial Investment - LOW	\$3,499,490
	Initial Investment - HIGH	\$4,509,870

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FOUR: ORGANIZATIONAL READINESS

Identifying the organizational characteristics necessary for a successful transformation, and then ensuring that those characteristics are in place, is another key challenge. Since the future state involves new technologies and requires new skill sets, identifying key partners for build and run functions is essential.

Additionally, the transformational future state may require a retooled organization. As hosted or virtualized platforms and outsourced and managed services become larger portions of an IT shop, skills such as governance, vendor management and business relationship management need to be developed and refined. Maturity levels in these areas are as important, if not more so, than technical skills. Businesses must carefully consider the direction of their organization and talent as they lay out their strategy and roadmap.

FIVE: SOURCING STRATEGY

A final imperative is an effective sourcing strategy that aligns the transformational journey with procurement best practices. Identifying future requirements in terms of specific services – such as mobility, cloud and SIP – is essential. The challenge here is that the sourcing partners best-suited to execute the transition and manage the desired end-state are not necessarily those delivering services prior to the initiative.

Developing the sourcing strategy for a transformation presents an opportunity to address end-state requirements, transition challenges and suitable organizational fit. Specifically, effective negotiations can identify savings to invest in and fund new technology. That said, cultural fit is essential, and, in the long run, often trumps up-front cost.

A sourcing event that takes a holistic perspective and considers factors such as technology direction, business needs and organizational trajectory ensures proper cost as well as cultural alignment.

ISG recently worked with a retailer seeking to implement a network strategy to support a shift from a U.S.-focused business model to a more global approach. While the incumbent provider was delivering satisfactory service, a sole source model didn't align with the move to global operations. Working with an operational plan and network design developed by ISG, the client moved to a regional vendor strategy and reduced MPLS spend by 24 percent – much more than could have been achieved by renegotiating with the incumbent. More importantly, by partnering with experts in each geography, the client was able to address its global growth targets with flexibility and responsiveness.

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TAKEAWAYS

Enterprises that underestimate the complexities of a network transformation do so at their peril. The journey requires extensive preparation and planning and flawless execution, as well as ongoing communication with key stakeholders.

By focusing on the key stages of aligning the project with business needs, defining a strategy and roadmap, creating a valid, vetted business case, ensuring organizational readiness and developing a sourcing approach, executives can avoid the pitfalls and deliver and exceed business expectation

ABOUT THE AUTHOR

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Manny Moss has more than 20 years of practitioner experience in IT outsourcing, with areas of expertise that include data center, network and telecom and services procurement. He has led transformation initiatives in the retail, healthcare and finance sectors, and has a track record of delivering millions in annual costs back to the business through the adoption of leading edge technology, outsourcing, contract negotiation and expense management.



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