



New Fluid IT Architecture – How It Works and Why It Matters to Your Organization

Although enterprises have attempted to deal with the lack of flexibility and rising costs in their IT operations platform, methods developed to date fall short of delivering a truly flexible platform. Fluid IT presents new sources of value and provides early adopters with a significant competitive advantage.

By Ross Tisnovsky, Vice President

Given the myriad of IT service delivery methods and new infrastructure computing approaches (such as cloud, utility, and grid computing), you may understandably be thinking: “Why does the world need another IT framework?” Because the current frameworks are monolithic – they’re massive, too rigid, and thus result in a hampering mess in IT operations. Because the current frameworks are prescriptive – they’re based on wholesale standardization of the service, resulting in the lack of adaptability to serve business needs. Finally, because most of these frameworks closely tie IT operations to IT assets, further constraining flexibility.

The new Fluid IT Architecture isn’t just an effort to build a different “mousetrap;” it’s a necessity for addressing the IT flexibility and cost vulnerabilities now assaulting your organization. Labor arbitrage in offshore service delivery can reduce costs to an extent, and some frameworks and methods of managing infrastructure operations help with rigidity to some extent – but what about the situations where they don’t?

Existing architectures often cause low-quality, inflexible, complex, costly IT services

There are three main reasons companies need a new approach to IT architecture.

- 1. Spending inconsistency and rising costs.** The activities associated with operating and maintaining software and hardware components (also known as IT operations) has not kept pace with technical advancements. IT operations have grown in cost and scope as new hardware technologies have been added and as distributed computing has continued its penetration of the enterprise environment. The result is a significant spending inconsistency that continues to grow. Today, US\$1 in hardware spend requires as much as US\$2 in operational expense. There is also a lack of cost transparency in IT operations.

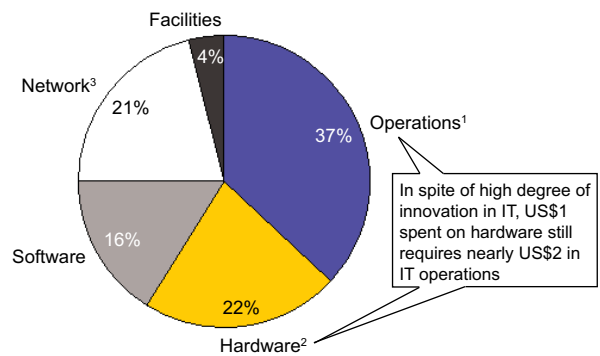
2. Lagging innovation. As illustrated in **Exhibit 1**, the cost of operations is the most significant slice in the pie of IT spend. This high cost is due mainly to the number of people needed to maintain the hardware and software. The result: a logjam and lack of funds and resources to support innovation.

EXHIBIT 1

Typical IT infrastructure expense breakdown

Source: Everest Research Institute

MANUFACTURING CLIENT EXAMPLE



- 1. Includes people, professional services, and consulting
- 2. Includes lease and depreciation expenses, excludes maintenance
- 3. Includes all network transport charges (voice and data)

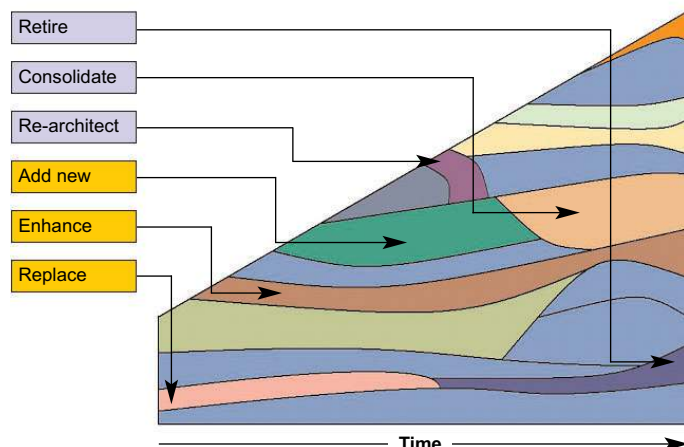
3. Monolithic approach to IT results in a lack of flexibility. Inflexibility in the IT operations is a consequence of monolithic hard-wired layers of infrastructure that make even minor changes arduous and expensive (see **Exhibit 2**). A lack of standards across the operational environment further complicates progress by forcing duplication and compromising quality and transparency. Monolithic legacy capital investments also limit flexibility, as options are constrained by decisions from an “all-or-nothing” approach and long-term commitments based on outdated technology that is costly and stifles innovation.

A Fluid IT Architecture can deliver better results..

EXHIBIT 2

IT infrastructure sedimentation illustration

Source: Everest Research Institute



Enterprises have attempted to deal with this mess of inflexible complexity through a variety of methods including investing in tools and adopting standardization methodologies such as ITIL. These attempts often fall short of delivering results and exacerbate the problem by driving up costs and adding to the inflexibility. Some companies experiment with different types of outsourcing like Infrastructure Managed Services (IMS) and Remote Infrastructure Management Outsourcing (RIMO). Even though IMS and RIMO improve costs and flexibility, they fall short of delivering the power of a truly flexible IT platform.

How a Fluid IT Architecture benefits your organization

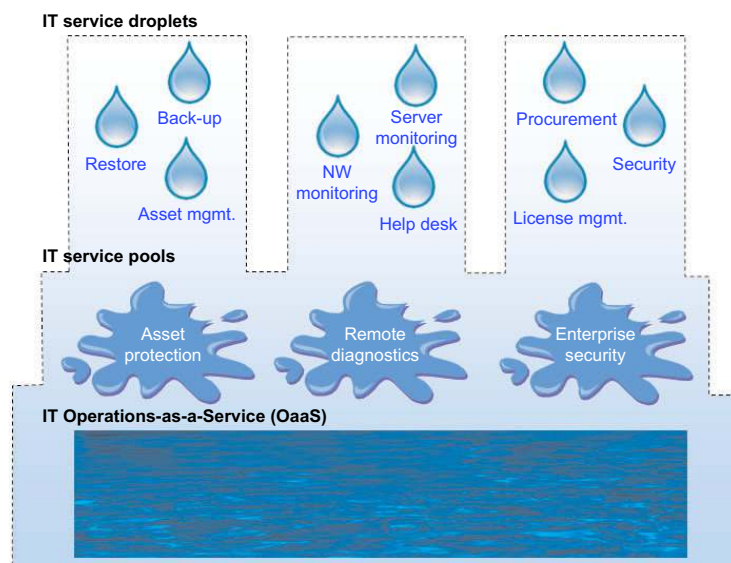
The concepts represented by "Fluid IT" originated with Dell Inc. and were developed with the assistance of Everest Group. Critical to the concept are independent service elements called "service droplets," which can be combined to offer service pools that, together, drive the services delivered by the IT infrastructure organization (see Exhibit 3). Unlike managed services, service droplets do not contain IT assets and are not linked to a particular IT solution; they are subscription-based services with short-term contract and easy-on, easy-off provisioning.

Service droplets are supported by the set of guidelines and standards that support integration of the droplets and govern them. Functionally, each service droplet is an independent unit that can be assembled into a customized solution, i.e., a service pool. Operationally, each service droplet consists of labor enabled by tools and driven by processes and IP. Well-defined service guidelines and standards are critical to support operation and integration of service droplets.

EXHIBIT 3

Key elements of Fluid IT Architecture

Source: Everest Research Institute





A Fluid IT Architecture approach looks at IT operations almost in an unconstrained manner. It is much more granular and modular than the typical end-to-end approach; yet, it's a shift to a new paradigm rather than incremental advancements. Fluid IT differs distinctly from other infrastructure delivery models such as cloud or utility computing and virtualization. First, it focuses on IT operations and implements a powerful concept of modularity into infrastructure operations. Secondly, it requires standardization at the component level instead of standardizing on the overall solution level, enabling more customization without losing the benefit of standardization. Finally, the fluidity of this approach to IT operations enables the following benefits to adopting organizations:

- High degree of control through flexible contracts on the task level without long-term lock-in
- High level of customization by choosing from standardized, task-oriented menu of services
- Just-in-time procurement enabled by remote management and subscription-based technology
- Access to top talent on demand by creating unparalleled ability to tap into specialized resources independent of IT assets and asset locations

A Fluid IT Architecture enables unconstrained innovation. Your organization can isolate legacy service droplets from the rest of the IT operations and eventually replace them with next-generation droplets with Fluid IT standards. Your organization will have the freedom to choose the service droplets that best suit your needs and budget – and at the time you need them. This model provides the flexibility to move at your organization's pace; thus, you can capitalize on the opportunity to deal with the highest-value areas in the near term without the risks of a big bang implementation.

The Fluid IT Architecture presents new sources of value and a competitive advantage. We believe it will have a profound impact on eliminating the complexities, inflexibilities, increasing costs and other vulnerabilities your organization now faces in its IT operations.

We want to make sure you understand its value creation aspects, how it differs from other infrastructure approaches and delivery models, and how you can implement this IT framework for competitive advantage. Feel free to call or e-mail me for more details.

About Everest Group

Everest Group (www.everestgrp.com) is a global consulting firm that assists corporations in developing and implementing leading-edge sourcing strategies including captive, outsourced, and shared services approaches. Everest helps companies create strategies and sourcing relationships that deliver total value – improving performance and results while managing the risks in such initiatives.

Since 1991, we have completed 300+ engagements, advising clients on complex sourcing issues in more than 30 key business processes worldwide. Our experience spans numerous Fortune 1000 clients in banking, insurance, retail, healthcare, telecom, media & entertainment, and hospitality sectors, among others.

Our breadth and depth of experience enables us to deliver expert analysis and strategic results. Our flexible, collaborative approach analyzes the specifics of each sourcing challenge. Throughout the process, we encourage collaboration between buyers and service providers to spark creativity and lay the groundwork for long-term outsourcing success. The result is a solution that recognizes the strengths, weaknesses, and strategic objectives of both parties.

Everest Group is headquartered in Dallas, Texas and has offices in Toronto, New York, London, Amsterdam, New Delhi, Melbourne, and Sydney.

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