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Weighing Trends in IT Management

When does it make sense to centralize?

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Today's Environment

In the early days of information technology (IT), many organizations saw the function as a necessary evil—something they paid for grudgingly. Today, high-performing organizations know that a well-managed and appropriately funded IT function can add great operational value to the business groups it supports.

IT is generally categorized into the following high-level functions: client-facing applications; back office applications; office automation applications; user-facing infrastructure; and core infrastructure. Each of these functions includes people, processes and technology.

Core and user-facing infrastructure functions do not provide direct business value, yet they are critical to enabling IT applications that directly enable business. When they are continually supported and improved, they increase business value over time while remaining in step with evolving business strategy and objectives. They can also help maximize value from IT leaders, which is critical for the many organizations where limited bandwidth in IT leadership is a major challenge.

One way organizations can increase IT output is by centralizing accountability and responsibility for core infrastructure. This works well for organizations that have grown through acquisition, have historically managed IT on a per-business-unit basis, or have substantial "shadow IT" functions.

Centralization provides value in two critical ways: by freeing up more IT leaders to focus directly on supporting

business functions; and by managing core infrastructure "at scale" to improve capabilities (e.g., capacity, speed, availability, business responsiveness and, occasionally, decreased costs).

Organizations can gain further efficiencies by centralizing the operations and management of user-facing infrastructure and help desk/remote support. The user-facing infrastructure table below, lists potential centralization initiatives from the easiest to most difficult to transition.

Some organizations benefit from externalizing the provision and support of core infrastructure as well as portions of the user-facing infrastructure. Such outsourcing is best done by a well-run IT function that has excellent documentation, an accurate view of its technical and functional capabilities, and the ability to clearly articulate its expectations to an external organization.

Core Infrastructure	User-Facing Infrastructure
Wide Area Network (WAN)	Local Area Network (LAN) & Wireless
Internet	Office Phones and Mobile Devices
Servers	Help Desk / Remote Support
Storage	Workstations, Printers and Copiers
Information Security	Conference Room Technology
Data Center Facilities	Desk-Side Support

Point B's Perspective

We recommend that an organization analyze its core infrastructure and user-facing infrastructure to identify the costs, benefits and drawbacks of centralization. In most organizations, centralizing the core infrastructure will deliver greater value and be easier to execute.

Centralizing the user-facing infrastructure may be best executed as a potential second phase, keeping in mind that the actions required to centralize will have a greater direct impact on those executing business functions.

While centralization occasionally leads to cost savings, that should not be the reason for undertaking it.

Some common benefits of a centralized **core infrastructure** are:

- Goals can be aligned and all of the organization's technical personnel can be leveraged.

- Technical teams can be located where there is an optimally skilled talent pool.

- Provisions for failover and disaster recovery can lead to improved availability.

- IT leadership can maintain a greater focus on providing direct business value.

Common drawbacks include:

- Standardized technology and security rules may decrease operating company flexibility.

- Some applications may not operate well when located in a remote data center. But if the current business model already includes activities occurring remotely, this may not be a significant change.

- Operating company IT teams will lose some control over core infrastructure expenditures.

- Overall, costs may increase due to consistently high expectations for availability.

User-facing infrastructure centralization typically produces similar benefits:

- Ability to align goals and leverage all of the organization's technical personnel.

- Technical teams can be located where there is an optimally skilled talent pool, solving the problem of attracting technical personnel to remote locations.

- Ability to centrally define solutions and resolve widespread issues may reduce the quantity of user-impacting incidents and enable the deployment of more effective technology

- Employees can transition more easily between operating companies.

Drawbacks include:

- Support personnel may be unfamiliar with the specific configuration of user-facing technology in each location, prolonging resolution of individual employee incidents.

- When prioritization of incident resolution and new technology implementation is centralized, major implementations or outages at one operating company could take precedence over smaller, single workstation issues at other operating companies.

Implementing Shared Services

The order in which shared services are implemented matters. Some aspects of core IT infrastructure can be consolidated regardless of an organization's strategy or timeline for consolidating business functions such as human resources (HR), finance and accounting.

The reverse, however, is not true. For example, once HR business functions are consolidated, the HR team must immediately use a shared back-office application that lives on a shared core infrastructure platform.

The Bottom Line

Centralizing IT infrastructure makes sense in many cases, but it takes consideration and planning. Before embarking on any centralization, it pays to understand the benefits, drawbacks and costs. It's also essential to think forward to implementation and ensure that business units are ready for the consolidation to come.