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3rd Platform Transformation Drives New Investment Strategies

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Cloud, mobility, big data, and social technologies, which are the core elements of what IDC calls the "3rd Platform," are increasingly moving enterprises toward a new style of IT and changing the way business is done. However, to effectively support the necessary business transformation, enterprises need a new approach to IT investments — one that can maximize the full potential of IT to create better business outcomes. Successfully tackling this new future requires alignment across the business and a better understanding of the new long-term financial and technology elements that will be critical for success. Flexibility, scalability, and agility will be key components of any investment strategy going forward.

The following questions were posed by HP to Susan Middleton, research director for IDC's Technology Financing Strategies and Technology Valuation Services, on behalf of HP's customers.

Q. How is the transformation to the "3rd IT Platform" changing the way businesses operate?

- A. The most significant change is the pace of implementation required for businesses to be both nimble and successful. The IT transformation has accelerated the pace of implementation, which requires businesses to make decisions and execute plans more quickly. CIOs and CFOs understand that technology will power their business goals and that it's more important than ever to work together to achieve a successful implementation.

However, new equipment types and options are complicating matters — choices such as integrated systems and numerous IT cloud options that are challenging traditional IT equipment paradigms, from upgrade plans to end-of-life strategies. Having the flexibility to adapt to change as it happens will be key. Additionally, you have the IT interdependencies of the business, which now have to be thought of over the aggregate and have clear ties back to the business and strategic goals.

Q. How will the new style of IT impact IT investments?

- A. The challenge of the IT transformation is shifting the dialogue to a more robust discussion of the opportunities, risks, and potentially differentiating competitive advantages associated with using a new IT platform. The goal of this new platform is to accelerate new capabilities, lower costs, and reduce the need for major capital investments in IT infrastructure.

Furthermore, the shift from older legacy models to new IT paradigms adds a high level of unpredictability to the equation, increasing the need for new financing vehicles to help companies manage this unprecedented change. The discussions are no longer about the

next equipment upgrade or future platforms, but how this investment will impact the overall vision of the company. Customers transitioning to the 3rd Platform are challenged with shifting equipment life cycles that are moving at different speeds. Further complicating the process are the rapidly changing IT infrastructure and business requirements they need to manage. However, our research shows that investment solutions that are agile, efficient, and scalable can provide customers with the flexibility they need to accommodate the change underway and help drive the transformation required for their move to cloud, mobile, analytics, or social platforms.

For example, rapid changes in IT assets and life cycles will impact depreciation schedules and product ownership strategies. IT and business leaders will need flexibility to make choices that will improve business results without sacrificing reliability and security. Understanding how to deliver and pay for IT solutions within changing business requirements will separate the winners from the losers.

Q. How can enterprises successfully plan an investment and technology strategy for what is an unknown path forward?

- A. The most important advice we offer to executives about this IT transformation is to build an investment strategy that provides their company with options for future growth. That's a tall order because one of the most vexing issues facing executives is that, in many cases, the future is unknown. So, when executives have limited details about future strategies, such as new business initiatives or equipment types, what is the solution?

The use of flexible investment solutions becomes critical for moving through this period of transition. Various offerings can provide substantial flexibility and simplicity as businesses venture into new IT platforms and make decisions about traditional IT assets that may not be fully appreciated. Options that provide a transition path from legacy to new, and help build in automatic refresh cycles, will be essential stepping-stones to any transition enterprises make to the new style of IT.

Leveraging preprovisioning solutions can help enterprises navigate through unknown capacity requirements or new business initiatives and provide a flexible transition strategy that includes planning for unforeseen events. The solutions that customers are embracing, such as cloud or integrated systems, will require flexibility and options to scale up or down as business needs change. These solutions will also require new policies that instill an enterprisewide process for usage and investments made.

Leveraging flexible investment solutions, customers will not defer plans that can drive new business revenue because flexible investment solutions provide the ability to match revenue streams to project costs. There will be significant penalties for inaction in today's competitive markets; the use of financing and other investment options helps remove those budget hurdles.

Q. What does IDC see as being the top 3 considerations CFOs and CIOs should evaluate for building an effective investment strategy for the future?

- A. Successfully implementing one or more of the four "pillar" technologies that make up the 3rd Platform — cloud, big data, mobility, and social — is on every IT executive's short list. Yet, for many IT executives, the implementation is challenging the relationship between IT and business. The most important consideration is to prioritize the company's objectives around the use of these technologies and then establish a timeline for the respective implementations.

Next, work with vendors that you can trust, that have been vetted, and that understand both your current IT infrastructure and your future growth plans. An inherent part of working with vendors is identifying those that can provide a higher level of transparency about policies and contracts and that have a proven track record and reputation. For many companies, the uncertainty around future plans underscores the requirements for flexibility in terms of budgets and acquisition strategies.

Another consideration is to constantly verify that your business and technology needs are aligned. New business initiatives change rapidly, and integrating new technologies to deliver on business goals will make or break careers — it's no longer just about ROI.

Q. How can customers collaborate with vendors to create more predictability and better manage financial expectations?

- A. Investment solutions must address two critical issues that customers are grappling with in this transformation: simplifying the procurement of all IT components — hardware, software, and services — on one invoice and acquiring the flexibility to handle asset deployments or options to scale up or down.

Most importantly, CIOs and CFOs should have a detailed conversation with their vendors about the expected costs of unforeseen events. They need a partner that has the expertise, track record, and reputation to help provide the business agility required to meet both known and unknown needs on a global scale. Today's intensely competitive and rapidly changing business environment demands agility and a new level of flexibility to meet evolving business needs. Collaboration ensures that all parties have a vested interest in a successful implementation.

ABOUT THIS ANALYST

Susan Middleton is a research director for IDC's Technology Financing Strategies and Technology Valuation Services programs. Ms. Middleton's areas of expertise are the midrange and high-end server marketplace, enterprise storage, and HP printers. For each of these technology segments, Ms. Middleton follows trends, technology changes, and market forces that impact life cycles and IT portfolios. She provides insight and guidance to her clients and helps them manage their IT portfolio risk. Ms. Middleton is also the lead analyst on the annual global IT leasing and financing report that sizes the market opportunity in the top 25 geographies.

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