BUYER CASE STUDY

The HCL and Microsoft Mobile Oy Story: IT Operations Fit for the 3rd Platform

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IDC OPINION

The last 10 years have seen a large shift in priorities of the IT department and the IT industry, with IT taking a huge structural shift toward what IDC calls the 3rd Platform. The proliferation of this new IT world is making large organizations' IT departments seem out of touch and old fashioned. Microsoft Mobile Oy's IT department was not immune to this. After years of tactical growth and ad hoc deployments, IT operations at Microsoft Mobile Oy had become unfit for purpose. With priorities being set at a global, local, and individual department level, operations had grown large and were unstructured. The group had a high number of IT services contracts (including a global outsourcing contract), but the strategic direction of IT operations and the business had separated.

In response to the changing IT climate and the need for IT to be more relevant to its business, Microsoft Mobile Oy decided it needed a leaner, more transparent, more agile IT department that could deliver consistent services across the globe — and it needed it quickly. This case study examines the journey Microsoft Mobile Oy took to modernize its IT operations through an infrastructure outsourcing engagement with HCL. HCL took control of Microsoft Mobile Oy's infrastructure, transitioning the entire IT operations from the incumbent providers and in-house IT operations. The first task of the new outsourcer was to transform fundamentally the entire IT infrastructure operation — reducing costs by 50% and delivering a simpler, standards-based operational model. This case study presents:

- The importance of selecting the right provider for your outsourcing work by looking at the agile sourcing process Microsoft Mobile Oy used to make its selection of HCL. In particular, how this helped to understand whether the provider possessed one of the holy grails of outsourcing — cultural fit.
- The benefits that good cultural fit and strong customer service credentials can provide in a successful outsourcing arrangement and the importance of the vendor-customer relationship.
- Why transparency and attitude are just as important as the ability to deliver for a successful infrastructure transformation.
- How aggressive targets can be met with the right level of commitment. To successfully meet the aggressive financial goals of this engagement, the transition and transformation needed to be complete within six months.
- The potential benefits that can be gained from a radical transformation of IT infrastructure.
- Lessons that can be learned from this engagement and the key things to keep in mind if you are thinking about re-engineering your infrastructure. In particular, how you can make your infrastructure fit for the 3rd Platform.

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IN THIS BUYER CASE STUDY

This IDC Buyer Case Study looks at how Microsoft Mobile Oy engaged with HCL to transform and manage its IT infrastructure operations. It examines the journey the two companies made to modernize the IT operations of this global high-tech manufacturing firm.

SITUATION OVERVIEW

Organization Overview

Microsoft Mobile Oy was spawned from the acquisition of Nokia devices and services, the market leader in mobiles phones from the mid-nineties to the late 2000s. In 2011 Nokia devices and services business partnered with Microsoft to collaborate on the development of their smart phone businesses. This partnership culminated with the eventual purchase of Nokia devices and services by Microsoft in April 2014. The new organization is focused on building and supplying Windows-based smart phones and devices.

Challenges and Solution

Challenge

For ten years prior to the acquisition, Nokia had been on a rollercoaster ride, during which it had grown rapidly and expanded financially and geographically. The rapid expansion in the late 2000s led to a bloat in its IT organization spending, so that the IT department had to react rapidly to business requirements, bringing in technology and staff very quickly, which at times led to the department having to adopt a reactive culture — onboarding technology without as much planning or organization as would be ideal.

This IT story is fairly typical of a company that experiences sudden and phenomenal growth. The company overall was focused on its own product innovation and top-line growth. Keeping the lights on and reacting fast to scale requirements and speed-to-market were the priorities; consistency, planning, and standards were secondary considerations. The IT department had long since become the custodian of IT products rather than a service provider, had become expensive, and was unable to add much value to the business over and above keeping up with the status quo.

To understand the scale of Microsoft Mobile Oy's IT, it had 11,000 servers, 7,000 network devices, 5PB of storage and backup, and 1,000 common database instances when HCL was engaged in 2013. Additionally, the company had an infrastructure management contract to help manage some of the global elements of its IT services, but this was also augmented by internal staff at a global level and national IT departments. Indeed, the company had a multitude of contracts with suppliers of IT and IT services.

This story is partly about Microsoft Mobile Oy's need to save money on its IT and partly about the modernization of Microsoft Mobile Oy's IT operations. It is true that the company could no longer support the level of IT spending it was doing. However, it is also true that the IT department spend was disproportionate with the value it generated. The IT department was starting to slow down the company's ability to design, build, and market its products. An organization whose raison d'etre was marketing cutting-edge technology products could not survive in the competitive smartphone market with an IT function that was not fit for purpose. The IT function needed to help support the organization's endeavors, not act as an anchor to them. The decision was made to expand the existing IT outsourcing arrangement to include all of IT operations, with the expectation that the provider would significantly reduce the cost and provide an infrastructure that was a better fit for the cloud-enabled world.

Goals

Microsoft Mobile Oy's main goals for the project were quite straightforward — renew the existing infrastructure and make it simpler, giving the company a more scalable and flexible enterprise IT infrastructure. All of this must be done to achieve a significant ongoing cost saving. Microsoft Mobile Oy expected the operational IT costs to be reduced by at least half, and future IT costs should be linked more to usage to give the company more flexibility. Additionally, the transition of the IT management to HCL must be done without disrupting the business. Microsoft Mobile Oy's factories rely on the IT working to operate, so the continuity of the business while the transition happened was of paramount concern.

However, it is important to understand that IT operations within Microsoft Mobile Oy are vital to the success of the organization, as they underpin not only the normal office functions, but also play an important role in product development and the manufacturing process itself. Microsoft Mobile Oy's software development teams are creating the next generation of Microsoft Mobile Oy products and making the current products better and more marketable. In the cutthroat smartphone market, it is the software that provides most of the features demanded by customers, so keeping development operations running helps keep developers focused on their main tasks. Additionally, the production lines in Microsoft Mobile Oy's factories require the IT function to operate; otherwise phone production stops, having a serious impact on sales.

Selection

HCL was chosen after a competitive bid process. It was not a standard request for proposal (RFP). Microsoft Mobile Oy used an external partner to help run a collaborative selection process where all the shortlisted providers worked with Microsoft Mobile Oy to develop its solution over a six-month period. Microsoft Mobile Oy Vice President for Infrastructure Services Gavin Westwood explained, "We recognized that we had to move quicker than normal. So we chose a very collaborative sourcing approach."

Each provider was engaged with the process, had a series of meetings where Microsoft Mobile Oy shared information about the process, and worked with the company to develop a plan. This allowed the team at Microsoft Mobile Oy to get to know the strengths and weaknesses of each provider and build rapport.

HCL was selected for a number of reasons. However, it is the following factors that run through the comments from Microsoft Mobile Oy:

- **Can-do attitude.** It was largely HCL's can-do attitude toward the engagement — when Microsoft Mobile Oy said, "We need to do this and cut costs by 50%," their reaction was "OK, how do we achieve this together," not, "That can't be done," or, "That's not the way we operate." As Westwood puts it, HCL is very much a "listening" organization — listening and responding. This characteristic became particularly important given the acquisition by Microsoft, which happened at the end of the transition phase of the engagement.
- **Ability to execute.** HCL's track record in achieving goals and doing what needs to be done to complete tasks on time was very important to Microsoft Mobile Oy. The timescale for the project was aggressive, but necessary, if Microsoft Mobile Oy was to operate successfully.
- **Transparency**. Microsoft Mobile Oy's previous outsourcer took a black box approach, in which it never explained how things were done and why. HCL promised transparency — Microsoft Mobile Oy knows exactly what is being done by how many people, what it is costing, and where there are issues.

Solution

The solution offered by HCL was to transition the incumbent providers and in-house IT operations to HCL and undertake a fundamental transformation of the entire IT operation — reducing the cost by 50% in a six-month time frame. Meeting this deadline meant HCL had to undertake the transition and transformation at the same time. This included managing the transfer of operations from the old suppliers and internal IT while building and rolling out a whole new operating model and management platform. All of this had to be achieved with as little disruption to the business as possible, given the integral nature of IT to production and the continuous product development processes.

The solution was essentially the top-down re-engineering of Microsoft Mobile Oy's IT operations — building a new delivery and operating model for IT operations and starting the migration to a fully virtualized x86 environment (centralizing the computing environment to three regional datacenters). One of the key features was that the whole solution was uniform across the organization with consistent service management practices. This included the installation of new service management tools and leveraging of remote/offshore resources to keep quality of delivery high and the costs low. Additionally, the new system allows the future adoption of public cloud as the solution re-engineered the datacenters to be a private cloud, flexible enough to provision additional private or public capacity much more simple.

The new architecture brings higher availability and a more resilient infrastructure for its internal users. In particular, the changes brought in new enterprisewide workspace IT services, which enable a bring-your-own-device (BYOD) policy and deliver a uniform service experience for all users across the company. The combination of remote service desk managed support augmented by onsite services drives down the cost of these services.

The scale of the transition activities was very large because of the size of Microsoft Mobile Oy's existing IT infrastructure. The main transition activities within the first six months included:

- 9 factories (new backup solution)
- 13 R&D locations
- 188 sites (LAN, WLAN, and WAN)
- 293 Microsoft Mobile Oy sites
- 3,254 servers (916 ramp-downs)
- 4,611 network devices
- Full middleware services
- Collaboration services (email, Lync, SharePoint, Notes)
- Common services (DNS, DHCP, NTP)

At the same time, HCL designed and engineered a new more agile and robust IT environment for Microsoft Mobile Oy, building an enterprise IT infrastructure that was more manageable, with transparent processes, and which was able to flex with demand. The main tasks required to build this new infrastructure included:

- Building and commissioning 3 regional datacenters
- Migrating 722 servers
- Migrating 348 common database platform instances
- Building and moving the Citrix platform
- New tooling (full integration)/11 new ITIL processes
- Implementing a new service management platform (ServiceNow, MyDashboard, MyCloud)
- CMDB/auto discovery (SCCM)
- Monitoring on all infrastructures
- New operating model (Service Desk, ICC, onshore/offshore, TCS, TCL)
- Rationalizing 170+ contracts to a steady state (day 1)

Results

As with most outsourcing engagements, the measures of success consist of hard, quantifiable, tangible, and objective facts as well as softer, less tangible, and subjective compatibility factors. It is often the softer factors (trust, the relationship, etc.) that make the difference between a successful outsource and a failure.

The Hard Factors

The most important success factor for this project was cost reduction, which was achieved with HCL lowering the overall IT spend figure by over 50%. Additionally, HCL completed the complex transition and transformation exercise within the six-month target. As Microsoft Mobile Oy CIO Juha Turkki put it, "HCL's ability to transform with speed was vital. HCL brought a lot of technical skills and the ability to deliver in a customer-oriented fashion."

HCL improved the service management delivery paradigm, with the number of priority-one incidents falling from 80 per week at the start of the engagement to between 2-4 per month after the transformation. This was despite having to deal with over 7,000 incidents and trouble tickets when HCL took over. As with any engagement of this size, the transaction revealed many additional issues that had to be resolved by HCL, including the lack of detailed technology documentation and a complex and custom network infrastructure. This has had an important knock-on effect for customer satisfaction. Customer satisfaction scores have steadily improved, with all of the KPIs running in the green and the share of users that are satisfied with the service above 90%.

The Soft Factors

Maintaining a good relationship is one of the hardest aspects of any outsourcing contract, but it is vital for the long-term success of the deal. Among the important elements Microsoft Mobile Oy was looking for from its outsourcer was a can-do attitude. When problems have arisen or if something happened that it was not made aware of, HCL did not refer to the contract but instead dealt with the situation and worked with Microsoft Mobile Oy to solve the problem. Westwood explained the nature of the relationship with HCL:

> We've retained a really strong relationship with them through the difficult transition period where there were ups and downs and bumps in the road. Some of that is because the people that showed up to sell you the contract were largely the people who then executed on the contractual commitment. We had that continuity of people, which has helped keep the good relationship.

This strong relationship helped when Microsoft Mobile Oy and HCL faced the biggest challenge of the engagement. Microsoft Mobile Oy's network was particularly complex and resulted in many major incidents (made more difficult to deal with due to a lack of documentation on the network) after the transition to HCL. Microsoft Mobile Oy escalated the problem, and it was immediately dealt with by senior executives within HCL by bringing in experts who were able to fix the issues. HCL did not point at the contract; it listened to the client and — in Westwood's words — regrouped, came back with a stronger support approach, and turned the situation around in a relatively short period of time.

Another important goal for Microsoft Mobile Oy was transparency. Partly as a reaction to the black box approach of its past outsourcing engagements, Microsoft Mobile Oy wanted to understand what and how things were being done and measure the costs effectively. This gave IT and the business confidence that the solution was working well and was cost effective.

The new solution gives Microsoft Mobile Oy complete transparency on the costs (which can be traced back to individual departments) and the technology solutions being used (plus any problem associated with them). Westwood talks about the transparency of the new arrangements:

> We've now got full transparency, not only of our own infrastructure estate, and the maintainability of it, but also of our costs. We now have quite a sophisticated charging model where we can show to any customer how much they're paying, why they're paying it and what their systems are running on. The level of transparency has gone up tremendously. This provides reporting and visibility for everybody both inside and outside of IT.

Where Next?

IDC has predicted that by 2018, a third of the top 20 market share leaders in most industries will be significantly disrupted by new competitors (and reinvented incumbents) that use the 3rd Platform to create new offerings, business models, and cost structures to drive revenue growth and expand value. It is vital that organizations prepare for this challenge.

The new infrastructure operation gives Microsoft Mobile Oy a uniform IT operation and delivery structure for its entire core IT infrastructure. The added transparency of infrastructure costs should allow the organization to make more informed business decisions, as it can easily predict the likely costs of any new venture undertaken by the firm. Also, if the company wishes to adopt public cloud for part of its IT workload, the new system will make provisioning of public cloud capacity much more simple.

This offering brings Microsoft Mobile Oy's IT up to date and puts it in a much better position to take advantage of the 3rd Platform.

ESSENTIAL GUIDANCE

This case study provides some key advice for companies undertaking a similar journey:

- **Make sure the internal team and core IT leadership are driving strategy creation, but incentivize partners to drive innovative thoughts**. One of the fears associated with outsourcing is the loss of knowledge within the company. The retained organization must have a clear vision as to the overall road map for IT and IT operations. More importantly, it must understand the benefits better IT operations can bring to the business. Partners can help by spotting processes that can be improved, but the internal staff must drive the innovation agenda and be the advocate of IT in the business.
- **Develop a clear organizational road map (workload by workload) for your modernization program.** You need this to be able to describe the features you need from your new IT operations. This road map can be staged and include, for instance, the initial setup as a private cloud structure — but a structure that incorporates the ability to add public cloud services should demand increase.
- **RFPs are not always the best way to select a service provider.** A traditional RFP process does not necessarily deliver the best partnership, and it requires time upfront to ensure it covers what you need. Microsoft Mobile Oy's approach could be started faster than the six months it takes to write an RFP (followed by three months of responding and another three months of evaluating responses). The approach taken does require commitment from both the suppliers and the customer — the six months supposedly spent on the RFP is instead spent scoping out the project together with each of the providers, which requires a significant amount of time with each of the shortlisted providers. However, you get to see how each provider works and build rapport with the eventual provider. The providers' efforts in responding to the RFP are instead spent working proactively with the buyer on their solutions, which should end with a much better fit. It can help answer one of the hardest selection questions: will our two organizations culturally fit?

- **You need executive support.** Without executive support, any arrangement is going to fall short of delivering business value. Executives should be involved in the governance process so issues that impact the business can be short-circuited. Without buy-in, transformation activities will be much more difficult and less likely to succeed in the time frame you want.
- **Flexibility, transparency, and a can-do attitude are important selection criteria**. A major modernization of enterprise IT operations is complex and requires both parties to be somewhat flexible. A provider that is not upfront and would not respond positively to change is unlikely to be able to support your long-term needs.
- **Take a lean approach to governance.** Have a simple escalation and problem resolution structure. Every agreement runs into bumps in the road, so make sure you have a clear escalation point and someone senior in the provider's side who has the ability to get things done and understands what is important for you.
- **Focus on the collaborative culture of the supplier**. How responsive is the supplier you are considering? How well does it understand your business and your goals, including what that means for your IT operation's requirements? Every corporation is different, and the key to successful outsourcing is that the supplier and the partner understand each other's goals and ways of working. We often hear good partnerships being described in terms like, "In the daily work, we work as one team; we don't think about who comes from which company." Find a supplier that you can work with in that way.
- **Manage internal customers' expectations and bring them into the process**. Internal customers may expect a big bang outsourcing to deliver immediately, but regardless of how well the transition and transformation go, there will always be a delay before the steady state is achieved. Making sure that progress and achievements are distributed to the wider user base is important to avoid users from being frustrated before a stable situation can be expected.
- **Assess the relationship first.** Before you sign an outsourcing deal, you need to ask yourself, "Can I work with these people?" Both management teams need to be able to work together to solve problems preferably without always referring to the contract. An outsourcing contract may not be forever, but you should be planning for the long term. The transition to HCL shows that it is possible, (although complicated) and that it is important to make a good choice the first time.
- **Ensure the ability to deliver**. Ultimately, you need an outsourcer that is able to deliver on its promises. The outsourcer's staff need to have the technical skills and capacity to deliver, as well as the determination and processes to get things done.
- **Choose a supplier able to evolve your infrastructure**. The modernization process should be continuous, particularly once the infrastructure reaches a steady state. The ideal provider should be flexible enough to adapt to shifts in technology.
- **Place the right people in your organization to manage the process.** It is important to have the right people in place to manage the outsourcing relationship to get the most out of it. The success of the project could impact the future of your company, so it is worth investing in good people at the top.

LEARN MORE

Related Research

- *European Datacenter Life-Cycle Services 2013 Market Analysis and 2014-2018 Forecast* (IDC # QL03W, May 2014)
- *IDC's Worldwide Services Taxonomy, 2014* (IDC #247379, March 2014)
- *Western Europe IT and Business Services 2013 Market Analysis and 2014-2018 Forecast* (IDC #Q05W, May 2014)
- *European Cloud Status, Strategies, and Investment Plans, 2013-2014* (IDC #QL01W, April 2014)
- *European Hosting Infrastructure Services Market 2012 and 2013-2017 Forecast* (IDC #QL09V, December 2013)
- *European Enterprise Services Survey, 2013: Outsourcing Strategies* (IDC #QL10V, December 2013)
- *IT Services for European Clouds 2012 Market Size and 2013-2017 Forecast* (IDC #QL08V, November 2013)

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