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THE CIO'S GUIDE TO MAINFRAMES
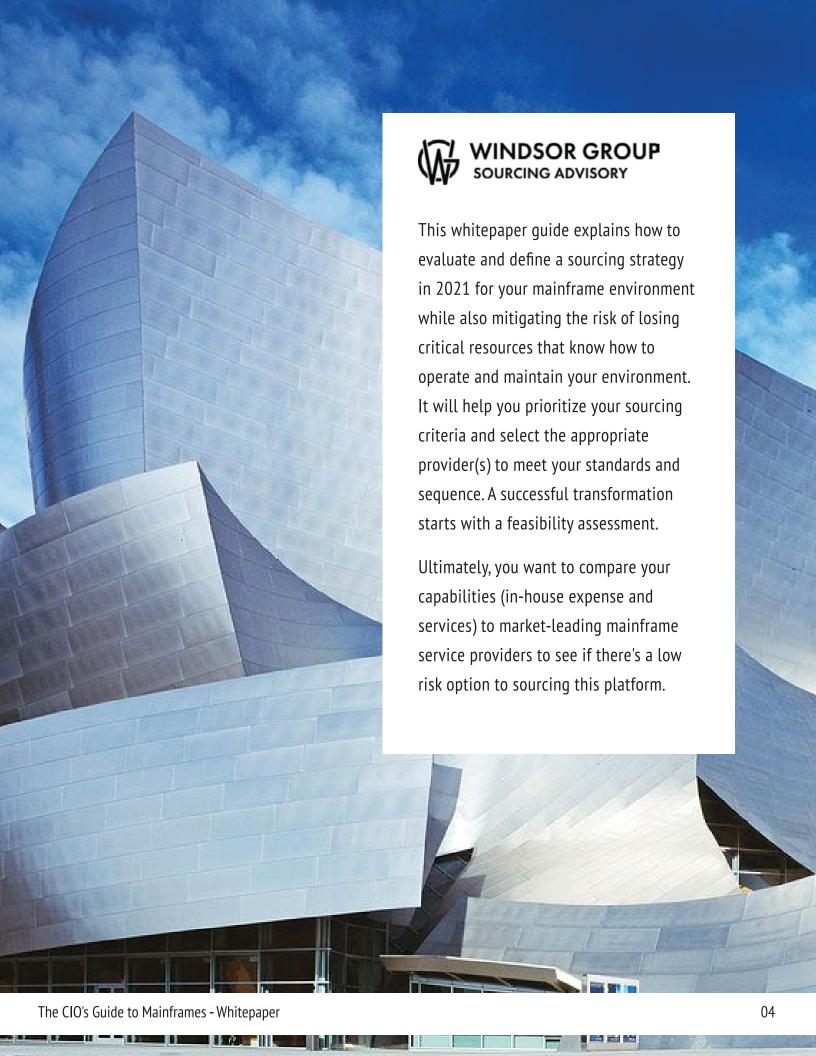
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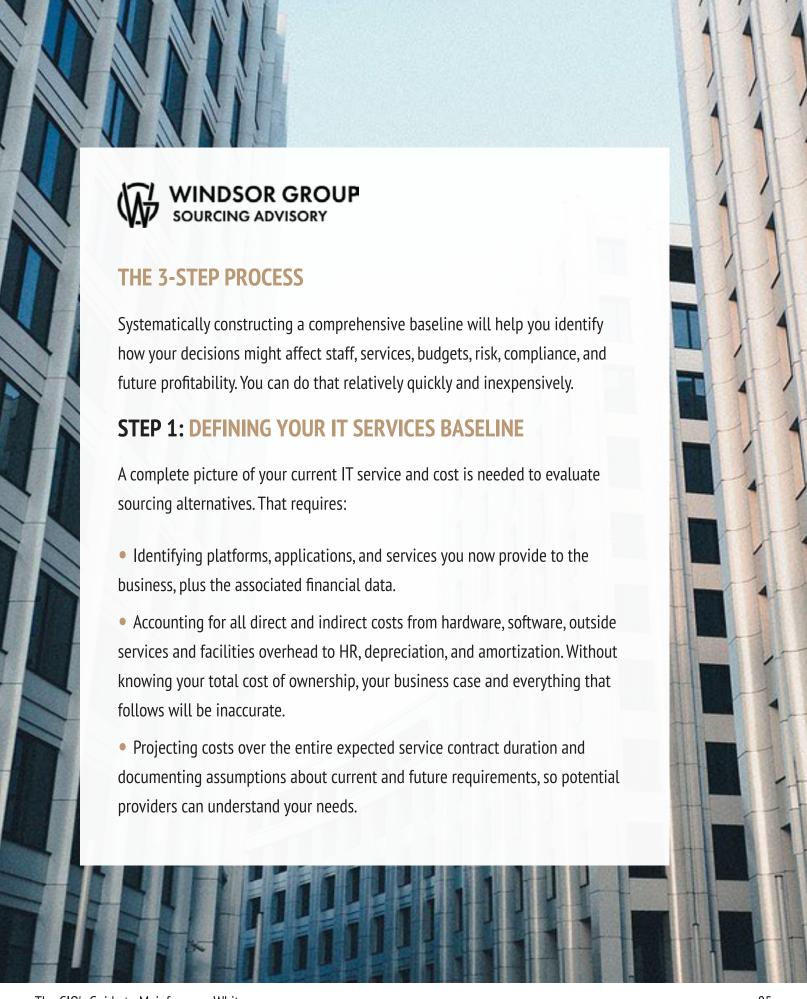
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INTRODUCTION

IBM mainframes handle mission-critical functions, keeping your huge volumes of data moving smoothly and securely. "Mainframe class" is still considered the gold standard in 2021, and will likely continue that way for many years. By 2025, the global mainframe market is predicted to grow by $2.9 billion.

In the post-COVID era, you need two things to ensure that you adhere to, or raise, the gold standard while reducing risk and improving the financial posture of your mainframe environment:

- Well-structured strategy

- Right service provider for mainframe outsourcing

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This whitepaper guide explains how to evaluate and define a sourcing strategy in 2021 for your mainframe environment while also mitigating the risk of losing critical resources that know how to operate and maintain your environment. It will help you prioritize your sourcing criteria and select the appropriate provider(s) to meet your standards and sequence. A successful transformation starts with a feasibility assessment.

Ultimately, you want to compare your capabilities (in-house expense and services) to market-leading mainframe service providers to see if there's a low risk option to sourcing this platform.

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THE 3-STEP PROCESS

Systematically constructing a comprehensive baseline will help you identify how your decisions might affect staff, services, budgets, risk, compliance, and future profitability. You can do that relatively quickly and inexpensively.

STEP 1: DEFINING YOUR IT SERVICES BASELINE

A complete picture of your current IT service and cost is needed to evaluate sourcing alternatives. That requires:

- Identifying platforms, applications, and services you now provide to the business, plus the associated financial data.

- Accounting for all direct and indirect costs from hardware, software, outside services and facilities overhead to HR, depreciation, and amortization. Without knowing your total cost of ownership, your business case and everything that follows will be inaccurate.

- Projecting costs over the entire expected service contract duration and documenting assumptions about current and future requirements, so potential providers can understand your needs.

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STEP 2: IDENTIFYING RISKS AND OPPORTUNITIES

Now that you know where you stand, you can focus on appropriate alternatives by:

• Identifying the risks to sourcing - for most CIOs the key risk is staff; staff that is highly specialized with a large amount of institutional knowledge about the legacy code and interfaces within this platform. There are different options to mitigating this risk including a run-in place option, and having providers hire your staff. These sourcing options can include taking ownership of your equipment and staff, running in place, and then moving your workload to a usage-based, shared services model that will reduce your costs over time while minimizing the risk.

• Examining internal business drivers - criteria relevant to your unique circumstances. For instance, perhaps you only want to consider potential outsourcing partners in a specific geographic area or vertical.

• Creating different design and pricing models. There are different levers and unique scenarios to balance cost versus risk. Let your providers create a solution based on your service profile, defined risks, and internal business drivers.

STEP 3: CREATING YOUR BUSINESS CASE

Now you have a comprehensive baseline and a short list of best-case marketplace solutions and pricing options. Compare your internal cost of operations identified in Step 1 with the high-level solution and pricing you developed in Step 2, evaluating the benefits of change over time. You'll also want to consider:

- Costs and residual costs of out-of-scope functions.

- In-scope services that could affect retained services.

- Hardware, software, leases, depreciation, etc. that could be "stranded" if you switch to outsourcing, unless your vendor will account for them.

- One-time transition costs and up-front transformation costs. Your provider may agree to spread these over the life of your contract to help control your cash flow.

- Governance and ongoing costs of working with your outsourcing provider.

- Monetary value of intangible outsourcing benefits you hope to gain.

Your business case becomes clear when you analyze your data in this holistic manner. Approaching your outsourcing decision incrementally saves time and money because you can answer your initial question: Should we or shouldn't we? All without prematurely spending time and money on a formal Request for Proposal (RFP) process. If preliminary results look promising, then you can take the next step.

Most importantly, allowing candidate providers to propose solution details based on your identified benchmarks means you'll get the most innovative solution. You'll also get to know potential providers better before you commit to a contract.

FIND A CONNECTION WITH YOUR PROVIDER

After meeting with a prospective provider, you should come away feeling like you've made a new friend. If they seem like just another vendor, it's not a good fit. If they seem like just another vendor, it's not a good fit. There needs to be a level of trust between you and the provider. You want a flexible and responsive firm that can assist with ever-changing requirements over the agreement term. They should anticipate your needs, and you should feel confident that they have your back.

GET HELP FROM AN IT CONSULTANT

Sourcing can be a grueling task. Some executives shy away from using IT consultants because they fear they'll get little value at great expense. If you hire an outcome -oriented advisor, this risk is mitigated.

Consultants can sort through the available options to connect you with the right solution and provider. Your team is busy with their daily roles and may not know the marketplace like a professional consultant does.

Your data has value, but only if it's analyzed and correlated correctly. That's what you should look for in an advisor. They can help you use your data to design a transformation plan that makes sense for you functionally and financially, and then help you plan and execute your transition. This is essential, because transition could take one to three years and success requires "inside sales" to motivate and enable employees.

In some ways, the help you get from a sourcing advisor to secure the right provider is the most important of all, because no solution will be successful in achieving your goals if it's not implemented properly, and by people you can work with effectively.

You don't need an army of advisors, you need a tightly- calibrated strike team that has extensive senior level experience with evaluations and transactions identical to the one you are attempting to undertake.

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DUAL SKILLS ARE PARAMOUNT

Only an advisor that has both superior IT expertise on IBM mainframe platforms and high-level business management experience can truly understand your enterprise and your challenges. They've been in your shoes, so you won't get theoretical advice. You'll get practical, cost-effective, specially-tailored solutions for your consideration.

THE BOTTOM LINE

If you're standing still, you're losing ground, and specifically losing to your peers and your market in this competitive post-pandemic world. Most CIOs do not make the move to sourcing their mainframe because it's a critical platform run by highly specialized resources with a large amount of institutional knowledge. However, this forces them to miss out on the many benefits that mainframe outsourcing offers: cost reduction, enhanced quality of service, access to talent capital, and more.

Most companies are reaping the rewards of outsourcing. Acquiring customized, flexible solutions that enable you to keep pace with rapidly-changing technology innovation is the only way CIOs will be able to keep up with the changing needs of customers in 2021, and beyond.