HOW COVID-19 CHANGED THE FACE OF IT SERVICES IN AUSTRALIA

Cherub Advisory and Consulting has researched the impacts of COVID-19 with many of the major IT Service Providers in Australia. This research has been conducted as Primary research via a detailed one-on-one interview process with key stakeholders from numerous IT Suppliers. This paper highlights important findings discovered through the research.

COVID-19 has resulted in massive health and economic issues throughout the world. Its impact is very likely to continue for a long time. Although Australia has fared much better than most other countries from a health perspective, the impact on the economy has been dramatic. This paper has a focus on activities and issues identified by Suppliers regarding ongoing support to their Customers. Those Customers have undergone dramatic workplace disruption. The findings in this paper discuss the key themes of how the disruption is manifesting with both Suppliers and their Customers. Following each theme, Cherub has made recommendations for action.

The most important realisation from our research is that whilst Suppliers and their Customers have in the most part succeeded with the goal of maintaining effective services, much of this has been a result of modifying processes and technologies on the go. There is an aspect of 'building the plane whilst flying' occurring. This approach is not a sustainable one as it requires heroic levels of effort.

We examine four key themes from the research.

- o How, through necessity, IT projects are being delivered and benefits realised at a faster pace.
- o Why updating contracts to allow for increased flexibility in delivery approaches can be mutually beneficial. Why many BCPs have not been fully adequate during the pandemic.
- o How Automation, bots and AI has been increasingly important.
- o Cyber Security requirements with significant work from home models now and in the future.

We conclude that whilst some changes are short-term in nature, others may be transformational and become embedded into new ecosystems.

Plan now for the unknown.

CHANGING SPEED OF REALISING PROJECT BENEFITS

Coming from the research, Suppliers were consistent in their view that most Customers were looking to implement projects at a faster rate than normal. This is not about initiating the project; it is about delivering on the benefits of the project.

Customers want to realise the benefits of projects as fast as possible, balancing risk with speed.

This may be due to staff working remotely and being under significantly greater pressure to deliver project benefits which may improve functionality, increase productivity, drive down costs, or a combination of all these factors. Regardless, pressure to deliver projects in an accelerated manner has driven some short-term changes to how projects are managed.

Some Suppliers also indicated a relaxation in the degree of detailed change management and gateway management being applied. This must clearly be balanced with risk management in the need for speed.

The research implies that streamlining of project delivery and control may be possible without any adverse impact on quality and cost.

The subtle relaxation of Customer control and handing a greater authority and accountability to the Supplier appears to have achieved positive outcomes for all.

Consider if this modified approach may be sustainable and beneficial into the future. Understanding the changed approach and recognising the risk/benefits may move organisations into a refined, more efficient project delivery methodology.

The research does not reveal that the changes to Supplier autonomy is drastic, rather it is a subtle shifting of the sand.

Recommendation

We recommend that Customers engage in conversations with their Suppliers to identify opportunities to pass on increased responsibilities to the Suppliers in project decision making. Careful thought must be made on risk management, but constructive two-way dialog is likely to identify new methodologies for some projects. This is not about Waterfall vs Agile delivery methodology. This is more about the nature of project management and governance. Suppliers have demonstrated that by working with their Customers there is potential to increase the speed to delivery. We recommend Customers and Suppliers explore this further.

CONTRACT STRENGTH AND FLEXIBILITY

Contract strength and flexibility have emerged as the two most important items in our research. In the context of the research, strength and flexibility are two sides of the same coin. At first, they may appear opposed to each other, but they are actually essential mutually supportive considerations now and into the future.

Our research highlighted that Suppliers considered many Customers lacked a genuine contractual mechanism for dealing with the pandemic.

Plan now for the unknown by adapting contracts in ways that have not been envisaged in the past.

Many have Business Continuity Plans (BCP) but these often failed to deal adequately with requirements resulting from the pandemic.

Feedback was that often the Supplier and Customer were making decisions to support work from home, rapid deployment of laptops, providing access to business applications, and managing security issues, at the same time as delivering the service. Decisions that were not addressed in or supported by existing contract BCP provisions but that were also outside of normal service works of the contracts. It was often described as 'building the airplane whilst flying it'.

Often there was no established set of policies or procedures to deal with this rapid change of business delivery. Unlike many BCP plans that envision moving staff to another location and setting up operations, this situation was different in that staff were working from home, independent of an alternative common location. The solution to this scenario was very different, both technically and operationally.

Contract flexibility has also been identified as critical in situations like the pandemic.

The research showed a desire and often a real need to have short term flexibility in the contract conditions. This included a short-term relaxation of some service levels.

Whilst this may seem an obvious request from the Suppliers, our research highlighted that other aspects of contract flexibility would be beneficial, and this can extend to flexibility to the benefit of the Customer.

It was apparent that most contracts were not developed with the need for short-term,

very rapid changes to operating methods of either Supplier or of the Customer. This does not always result in a cost up or down situation.

These changes may, in fact, simply allow for alternative service delivery modes. It may also allow for an increased focus on one aspect of services, such as end user support and security, with a decreased focus on other areas of the services. The ability to rapidly flex the services for a short period can be very advantageous to the Customer.

Currently most contracts have anticipated flexibility only in context of longer-term change to services, an ability to flex resources within defined parameters, or pricing adjustments based on varying volume of items under management. This new mode of flexibility needs to cater for more significant short-term changes to the contract, with an ability to then revert to the original terms again at short notice.

Recommendation

We recommend that Customers develop a robust Pandemic Plan or more appropriately, a robust Black Swan Event Plan. This will have similarities to aspects of existing BCPs. Care must be taken to ensure that the Pandemic Plan identifies all relevant scenarios and how to act on them. The Pandemic Plan may also include a requirement for the Customer and the Supplier to develop technical solutions to potential problems, and either implement them now in readiness, or have them ready to implement when necessary. In any case, these solutions should be regularly tested and refined to account for new technologies, changes to the Customer's requirements or changes to the business environment. We also anticipate that the Pandemic Plan will have well developed Policies and Procedures that can be implemented when required.

At the same time, we recommend that contracts be reviewed and possibly updated to allow for meaningful flexibility. These contractual changes must allow for necessary relaxation of requirements, and equally a willingness by Suppliers to be flexible in their service delivery modes.

AUTOMATION

A strong theme from our Research was the increased use of Automation, Bots, and Artificial Intelligence (AI).

Due to a significant change in work practices it was generally no longer possible to undertake such activities as Supplier staff engaging directly with a Customer End User to assist them with a query e.g. walk-up Tech Support desks were no longer a viable option. A Tech Support desk is very useful in larger organisations to allow Customer staff to go to a defined onsite Supplier contact location and receive expert technical support, drop off / collect new equipment, and find out information about changes and upcoming events.

Within the organisation, Automation such as password resets, as an example, has, for

Use Automation to simplify processes, thus freeing IT staff as well as Supplier staff to add greater value at lower cost.

some time, been a part of many Supplier delivery models. Suppliers noted that Customers were initiating requests for increased levels of Automation. In some cases, Suppliers requested that Automation be used to address challenges being faced.

Extending this further there has been an increased focus on the use of Bots and AI. This appears to be predominantly driven by Suppliers seeking ways to speed up service delivery and enable easy self-service or automated delivery.

One real benefit during the pandemic, has been to better enable remote support and drive the use of technology to decouple service delivery from geographic location.

Clearly there will be long-term benefits to both the Suppliers and Customers with the deployment of IT smart solutions.

We believe that IT smart solutions are not, currently, as well embedded in many Service delivery models as could be.

Attempting to rapidly deploy them during the pandemic does not lend itself to planning out the most efficient and effective outcomes.

Some solutions can be embedded rapidly, however, like most technology, strategic thinking and planning pays big dividends. We see that the pandemic has created a heightened awareness of the potential benefits of deploying smart technology. It is possible the massive business disruption that is occurring can be a game changer in the longer term for the deployment of smart technology. Where there may have been a reluctance on the part of both Suppliers and Customers to invest in these solutions, we

see that this mindset is quickly changing as there is a realisation of the need and benefit of them.

Recommendation

We recommend that Customers and Suppliers work together to identify value add Automation / Bot / AI solutions and where they can be effectively embedded in the service delivery chain; develop a plan to identify what can and should be done; and identify where the most benefits can be achieved. Think about this in terms of cost savings, productivity improvements and process simplifications. Supplier and Customer should work together to then plan out a roadmap of investment and implementation. As solutions are deployed, take a pragmatic view on the existing contracts in place and where necessary update them to help realise the full benefits.

CYBER SECURITY

Cyber security in the WFH environment was identified in our research as an area of critical concern. In the immediate aftermath of the COVID-19 working restrictions coming into force, Suppliers and their Customers scrambled to extend the corporate cyber security systems for threat prevention, detection, control and remediation into the WFH environment.

This included extending those security systems to the personal computing devices of staff where staff were using their own devices for work purposes. Our research tells us the immediate response by both Suppliers and their Customers has successfully enabled the rapid and adequate extension of the cyber security systems into the WFH environments.

However our research also shows that Suppliers and their Customers have concerns regarding cyber security services in the longer term. With WFH predicted to become

> *IT Security is paramount particularly if delivery and work is being conducted remotely. Plan now for the future.*

much more common post-pandemic than it was pre-pandemic, and perhaps even the preferred working model for many companies, all parties are seeing the need for much greater transparency from whomever is providing the cyber security services to an organisation. Transparency into the processes and procedures for cyber security enforcement by the service provider is critical. Additionally, transparency will be required into the ongoing quality assurance over those processes and procedures to ensure full adherence by all staff in the extended corporate and WFH environment. This transparency is essential for organisations to be confident that its IT systems and data are always properly secured, regardless of staff locale.

Another aspect of concern touched upon in our discussions with Suppliers is the challenge of projecting cyber security services onto the personal devices of staff

when working from home. To date, BYOD has predominately been a consideration in the context of staff bringing their personal devices into the corporate work environment.

In that scenario corporate policies covering accessing and storing inappropriate material and so forth are readily applicable and typically, Staff must agree to abide by those policies when using BYO devices and agree to corporate security controls and policies on their device as a precondition to being allowed to use that device in the corporate IT environment.

In the new WFH environment it is the corporate work environment that is being projected into the staff's personal IT environment. Staff have certain rights to privacy and, existing corporate policies regarding acceptance of security controls and appropriate use of personal devices, may not properly address the right to privacy in the WFH situation. In addition, corporate cyber security systems may unduly limit or block legitimate private use of personal devices.

Recommendation

We recommend that all providers of cyber security services, be they internal IT departments or external Suppliers, look to provide transparency of the processes, procedures. They must also provide the ongoing compliance assurance mechanisms and outcomes across those security processes and procedures to their Customers. This transparency needs to address both the cyber and physical security of the Customer systems and data in the extended corporate and WFH IT environment.

With external Suppliers providing cyber security services, both Supplier and Customer need to ensure that the service contract includes the required transparency as a service deliverable, and provides the Customer with mechanisms to periodically verify compliance of the Supplier and its staff to the Supplier's stated security policies, processes and procedures.

We also recommend that organisations reassess the adequacy of their existing policies and security controls with respect to BYOD in the WFH situation. They should bear in mind applicable state and federal privacy regulations, the right to privacy which staff have in their home environment and the fact with WFH it is the corporate environment that is projecting into the private environment of staff.

We suggest that organisations may want to consider keeping a clear delineation between the corporate work environment and the home environment of staff by providing staff with corporate devices to be used exclusively for work in the WFH environment.

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