

# TAMING THE DATA CENTRE

HOW MANAGED SERVICES  
ENABLE YOU TO FIND AN  
EDGE IN A DOWNTURN

## Introduction

While maximising cost savings and productivity are always important business goals, they are particularly critical to keeping a competitive edge in a challenging economy. However, meeting these goals is often difficult for companies whose resources are spread thin, and are too busy managing and maintaining the continuously evolving IT infrastructure to concentrate their attention on more strategic initiatives.

Data Centre outsourcing enables companies to achieve cost and resource efficiencies, allowing their internal staff to focus on achieving core competencies, while streamlining or restructuring their IT and operational environment to optimise their cost basis.

When considering outsourcing, there are a few key areas that need to be explored, particularly which areas are key targets to outsource, and how to choose the outsourcing provider that best meets your company's needs.

## Outsourcing versus In-sourcing

Deciding which IT functions to outsource can be challenging. Often enterprises begin with smaller or discrete functions such as trouble ticketing and help desks, then move on to areas such as hardware and network operations. As they gain satisfaction with the service they receive from their provider, the companies will then entrust the provider to service more advanced tasks including disaster recovery and backups. Most service contracts between enterprises and service providers average about four - to six - years, which is generally the time it takes for the relationship to be the most beneficial.

## Why Outsource?

IT infrastructure outsourcing is currently a multibillion dollar a year industry, with 30 percent of companies now outsourcing some component of their infrastructure (Forrester). According to research from Forrester's Paul Roehrig and outsourcing firm TPI, cost savings averaged 12% for firms on the high- and low- end of deal sizes, while mid-sized deals delivered average cost savings reaching 17%. Deal sizes studied ranged from a total contract value of under USD \$200 million on the low end, to greater than USD \$1 billion on the high end. Besides the larger deals studied by Forrester, companies have also achieved positive results from out-tasking or co-sourcing arrangements with managed service providers.

As outsourcing becomes more popular, companies are learning how to establish mutually beneficial and profitable relationships with their providers, and how to avoid outsourcing pitfalls and obstacles.

## Beyond Cost Advantages

Besides the obvious cost savings benefits, outsourcing tasks to data centres enables companies to be more competitive through concentrating their internal IT capabilities on more strategic initiatives, instead of lower-level tasks like troubleshooting, maintenance and management of data and infrastructure.

## Capital Preservation

Building data centres is a capital-intensive process, requiring investments in real estate, equipment, technology and manpower. IT departments whose existing infrastructure needs to be expanded or upgraded may find it particularly difficult to justify up-front expenditures in today's tough credit markets.

Outsourcing allows companies to expand capabilities often via a rental model, eliminating the need for large capital outlays and freeing up financial resources for investments with a more attractive return.

## Technology Improvement

Outsourcing allows companies to leverage the ongoing investments that service providers make in new technologies, such as increased power density, virtualisation, or more energy-efficient, green IT designs. Outsourcing clients can expect to see returns from the efficiency gains, in addition to protection from disruptive technologies and technology obsolescence.

## Revenue Protection

Leveraging the right outsourcing provider's specialised infrastructure and expertise to deliver performance improvements can be a strategic advantage for many companies, especially when it enables a higher quality service experience for their end customers. By identifying opportunities to differentiate or improve revenue-generating activities, and delivering targeted performance-based improvements, IT managers can ensure their expenditures are aligned to business goals.

## Infrastructure Rationalisation

For companies with heavy involvement in mergers and acquisitions, the result is often a patchwork of legacy systems and assets that are difficult to operate and expensive to maintain. Outsourcing providers can be key sources of expertise to provide guidance through difficult rationalisation exercises, as well as implementing efficient processes, and providing managed shared services to enable a quick migration. With an infrastructure that allows individual components to easily expand or spin off, companies can account for—and reduce—often opaque integration costs, making many deals more profitable for all parties.

## What to Outsource?

Data centre outsourcing best fits generalised or broad functions or those that require heavy investment in infrastructure and require round-the-clock monitoring and staffing. These areas may include: help desk and trouble ticketing functions, disaster recovery, security and end user and infrastructure support.

## Why In-source?

Tasks that are strategic in nature and/or require specialised expertise to carry out an organisation's core competencies or areas where investment may deliver a unique edge over the competition are often better managed in-house.

## Constructing Data Centres

For businesses who are considering building their own data centre, it helps to take a holistic look at the particular situation to determine if ROI would be higher using a "build model" versus a "buy model". If the company does decide to construct the centre, a cost-effective plot of land must be available, suitably located in close proximity to connectivity sources and network service providers. After choosing a location for the data centre, costs and maintenance of the core infrastructure need to be taken into account. The company must also determine if they have the financial resources to operate the data centre once fully constructed, which would require power, full connectivity and accessibility, and 24x7x365 management and security.

### Selecting the Right Outsourcing Provider

Choosing a data centre service provider is an important decision. There are several key factors that should be taken into consideration:

#### Geography

The data centre facility should be in an area that is convenient and fits your needs. Additionally, their definition of global reach should align with yours, and their service capabilities should be consistent across all relevant geographic areas.

#### Connectivity

Many data centre service providers do not own their own network or may build a facility and then provide it with network connectivity. It is important to choose a provider whose data centre facilities are fully integrated with the network, ensuring higher availability, service quality and eliminating costly service interruptions.

#### Agile Architecture

Flexible infrastructure and network capabilities are critical in a service provider. Being able to easily integrate applications or equipment is an effective way to lower CAPEX. Additionally, in an era when acquiring (or being acquired) is sometimes essential to a company's financial health, a relatively seamless transition with regard to IT infrastructure maximises ROI.

#### Management and Monitoring

Seek out a service provider that provides 24x7x365 support, management and monitoring of hardware, software and vendors. Outsourcing these tedious, but routine, tasks will enable you to lower TCO and better focus your IT staff on accomplishing core business initiatives.

#### Flexibility and Scalability

A data centre service provider should be equipped with modern technology, and upgrade its technology seamlessly to keep up-to-date with the latest advancements. As your business grows, your provider should have sufficient capacity and scalability to grow with you. Your provider should also enable you to meet governance and compliance requirements through a clear understanding of your needs and by leveraging industry best practices.

#### Financial Stability

Migrating to, or from, a data centre is time-consuming. As your company's contract with a data centre services provider may span several years, it is important to be certain that the company has sound financials. Additionally, an ideal provider will fully, or partially, fund the cost of migration, significantly lowering a company's capital outlay and TCO.

#### Expertise

When outsourcing your data centre services, having a staff of technical experts is critical to supporting your business. Ideally, there should be a mix of industry certifications and technology/vendor-specific certifications, demonstrating both broader area knowledge, and more specific expertise.

### Customer Focus

While cost should be a factor when choosing a provider, it is just a piece of the overall puzzle. The provider should also have the availability of resources that you require, as well as a good reputation, quality, flexibility and references. The relationship should be built on open communication and clearly defined outcomes or objectives.

### Outsourcing. Co-sourcing. In-sourcing.

#### What are the advantages and disadvantages of each sourcing solution?

##### Outsourcing

In this model, companies partner with service providers to fully manage wide areas or functions within an organisation. Benefits include maximum ROI, dramatically reduced OPEX and CAPEX, and the opportunity to leverage third-party expertise and equipment. This sourcing option sometimes creates too much dependency on an outside provider, and can limit the direct control a business has over outsourced areas.

##### Co-sourcing

This model involves outsourcing specific tasks rather than a whole area. Advantages include cost-savings through shared third-party processes and infrastructure, and maintaining control over key areas. However, co-sourcing may limit or complicate the level of control between internally and externally managed areas, and provide lower overall cost savings than complete outsourcing. Additionally, this mixed in-sourced and outsourced model can be complicated to manage.

##### In-sourcing

In an in-sourcing model, companies maintain and manage all IT equipment directly and in-house. While providing complete control over infrastructure can be beneficial, it is often extremely costly and prevents IT staff from focusing on other initiatives in the company.

### Conclusion

If there is a silver lining to a difficult economic climate, it is often in the form of lowered barriers to difficult cost-savings initiatives, significant structural changes, or radical adjustments in resource allocation. While painful in the near term, if executed correctly, these changes can pay significant dividends in terms of improved efficiency and lowered costs that persist long after the climate that necessitated them.

Outsourcing is an effective means to reduce TCO, enhance productivity, and streamline processes within an organisation. For companies that are considering outsourcing some tasks (if not all), examining which areas would provide the highest ROI, without significant risk, is an important tactic. Finally, partnering with a provider that is customer-oriented, flexible, and has significant global reach, enables the outsourcer to optimise the benefits gleaned from the relationship, and leverage them to stay a step ahead of their competition.

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