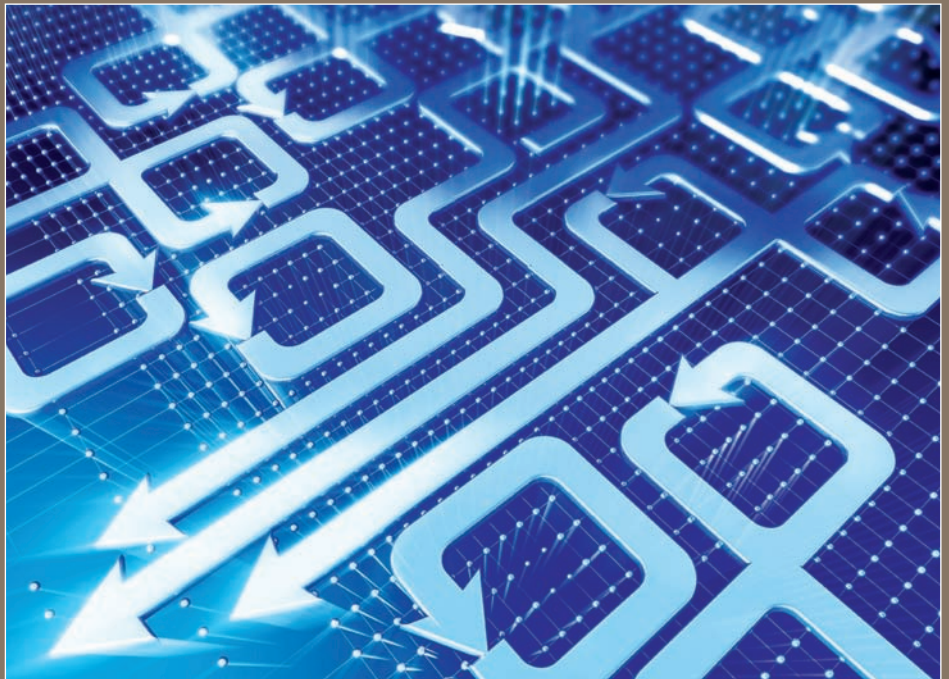


RESEARCH REPORT

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Optimising operational IT

Strategies for creating greater business value
with leaner IT resources

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Case study: Working Together

£75,000 annual savings when a service desk connects with the right person in the right place at the right time

Affiniti's ability to assist customers rapidly and effectively - fulfilling service contracts, dealing with operational issues through break-fix agreements and providing detailed quotes against complex transformational IT project requirements - is at the heart of its service proposition.

No request is ever less than urgent, usually involving internal contact between a number of specialists to customer's requirements. Any delay in response can be critical and costly.

One of the major issues for both the service desk and in sales operations was the time taken to locate appropriate specialist individuals who could help solve a technical problem or clarify details for a quote. Games of telephone tag caused delays in processes and increased the stress on individuals charged with providing the customer response. More important however was the possible impact on customer satisfaction such delays could result in.

Seamless contact was needed that also wouldn't harness people to their desks; so that knowledge workers could move round and still be in play.

A number of communication tools were combined to create a solution that delivered far more than the sum of its individual parts.

It was based on any time, any place, anywhere communications, enabling service desk agents and sales operations personnel to locate knowledge workers in the best way possible. If the person who was required to resolve a particular issue happened to be on the phone, for example, the system would indicate their communications status, pointing the way to an alternative more appropriate mode of contact. This would mean that there would be very little delay in dealing with the customer issue since the service desk agent or sales operations person could simply progress through a number of communication options until contact was effected and the answer provided.

The time taken to contact service engineers dropped substantially (compared to the

control group within the initial pilot deployment) enhancing the company's ability to deliver in line with its SLAs.

Collaboration between individuals was also facilitated, not least by being able to share and work on the same document online.

1.5 days of productivity was gained per week, per person, using the new tools available. Service Desk agents can now see who is immediately available and contact the correct person directly.

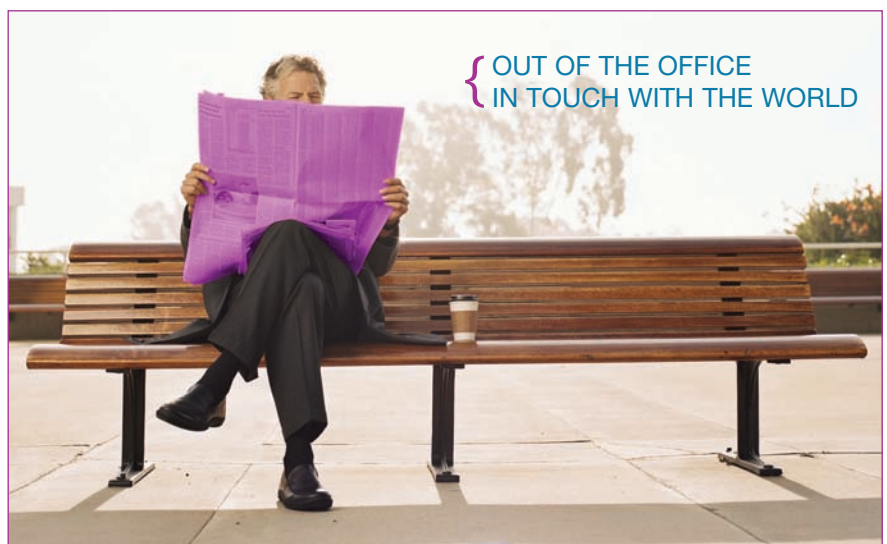
13.5 employee days per week, spent trying to contact the right engineer, have been recouped, delivering an immediate annual saving of £75,000.

Finding others to help or advise on projects or processes is now as close to instantaneous as it can be. In simple terms it means that everyone's an expert, since everyone can share in the entire knowledge within the company.

The benefits have resounded throughout the business. Culturally, the change introduced into working styles has been met with tremendous enthusiasm. Employees are less

stressed by complex requests and offer a greater degree of customer satisfaction. Collaboration, now so much easier through sharing and working on documents online as well as the introduction of high quality teleconferencing to key locations, has contributed to better decision making. Costs have been significantly reduced in travel and accommodation, saving nearly £200,000 per year. Importantly, the investment in IP communications and collaboration technologies will pay back in less than two years. The group has also noticeably reduced its carbon footprint - 540,000 miles of annual car travel have vanished, saving 229 tones of CO2

Technology is ultimately about putting people first. Once life becomes easier for the staff in a business, they perform more effectively. The mobility, accessibility and ongoing collaboration made possible by being able to get hold of the right person in the right place at the right time have had a motivational effect throughout the company. Combined with the costs savings through greater operational efficiencies, Affiniti is now able to conform to one of the most exacting business demands of today's economic climate - doing more for less.



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IN TOUCH WITH THE WORLD

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Prime cuts

Under pressure to reduce expenditure, IT organisations need to find opportunities to remove cost without damaging the business

It should come as no surprise to anybody that IT departments are being pushed to take costs out of their operations. But the depth of those cuts, coupled with the unrelenting pressure to deliver high-value services to the business, is taking many IT executives into unfamiliar territory.

As CEOs, MDs and finance directors have reacted to weaker demand by putting costs under the microscope, it has been inevitable that IT spending has come in for intense scrutiny.

While still regarded as a cost centre by many, IT is almost universally acknowledged as vital to day-to-day operations: for office productivity, for manufacturing automation, for design and innovation, and for other critical functions. As a consequence, in contrast to previous recessions, where the temptation might have been to slash and burn, the task of knowing where to cut IT – and by how much – is anything but simple.

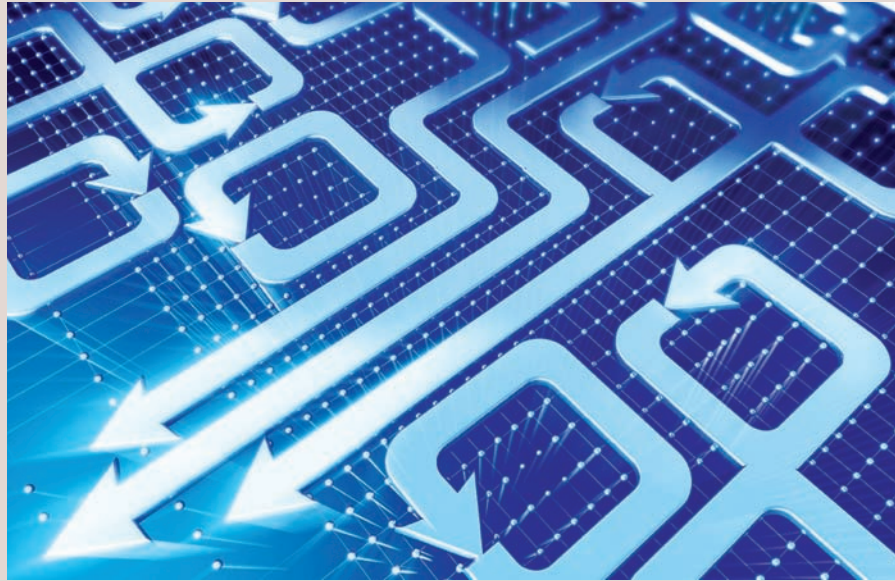
Such difficult decisions are very much in evidence in *Information Age's* latest reader survey into spending plans and strategies, conducted in partnership with IT and communications integrator Affiniti. The research suggests that senior executives at many businesses are eyeing the IT budget, scalpel in hand, without necessarily appreciating what impact their cuts will have.

More than ever, organisations need to make smart choices. Reducing operational IT budgets injudiciously can not only impair current effectiveness but also damage any future capability to respond to the opportunities that will inevitably emerge as recessionary pressures ease.

The challenge for IT departments today, therefore, is to identify areas where IT costs are not directly supporting demonstrable business benefits: to eliminate unnecessary projects but retain new IT spend that will enhance value; to maximise the value of existing assets by delaying all but the most necessary of new system purchases; and to operate at the leanest of staffing levels but without losing the skills base that will support the post-recession bounce-back. In other words, where cuts are made they must improve efficiency, not reduce effectiveness.

The good news is that among the IT leaders surveyed for this research report 'improving efficiency' pipped simply 'cutting cost' as the key objective for 2009 – although only just.

Luckily, there is plenty of scope for reducing costs through dramatic leaps in operational efficiency. Cost-optimisation in areas such as server virtualisation,



software asset management and data centre consolidation is already delivering substantial results and promising more.

SCHEDULED SURGERY

According to historical analysis by management consultancy McKinsey, in three of the past four major downturns IT spending fell twice as much as GDP did. And this time that negative tendency will be repeated.

The typical respondent to our Optimising Operational IT survey is being asked to cut between 6% and 10% of their IT expenditure over the next year.

But that is not inducing too much pessimism. Thanks to years of what now seems like abundant IT funding, finding and removing that amount of inefficiency – without damaging business performance – should not prove an insurmountable task.

Neither do they want to impair future prospects. While few companies could have planned for economic circumstances as grave as today's, they would be short-sighted not to bear recovery in mind when mapping out corporate strategy.

Indeed, those businesses that have sacrificed their ability to capitalise on the next wave of economic opportunity as a consequence of cutting too deeply and in the wrong places will find themselves in dire straits coming out of the recession.

Impact zone

The recession has put most IT departments under pressure to reduce their operational costs, but they are confident this will not impair their standing in the organisation

These are lean times. And the belt-tightening in IT is going to be widespread, deep and prolonged. Just over 50% of the 555 IT decision-makers who responded to the latest *Information Age* survey into IT strategy and spending plans reported that they were 'currently targeted with reducing IT operational expenditure (opex)'.

A further 25% revealed that they were likely to come under pressure to do so in the next six to 12 months. That leaves just under one in four IT decision-makers who are not being called upon by the business to cut their day-to-day running costs.

The real surprise is the depth of those cuts. When asked how much they were being asked to eliminate, the most common response (from 44% of those tasked with cutting IT opex) was between 6% and 10%. A smaller group – 23% of cost-cutters – were expected to take out 0% to 5%. But 13% have the daunting task of having to slice more than 20% out of their operational IT expenditure.

That picture of cutbacks is outside the experience of most IT leaders. In fact, its depth is unprecedented in five decades of IT.

As for the timescale for the cuts, they are being executed at a previously unseen pace. Just over half those with shrinking IT budgets expect to attain those new levels within six to 12 months.

MEANS TO AN END

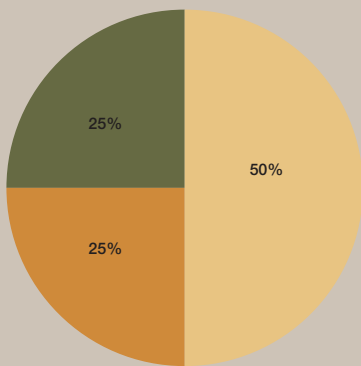
How do they plan to make those cuts: deferring non-critical IT investments, reducing staff, beating up suppliers on price and applying IT in select areas of the business where its ability to cut costs is proven?

The most common approach to reducing opex among the cost-cutting group was postponing non-vital purchases: 40% said they were holding back on previously scheduled PC and printer upgrades, new applications purchases and the like.

Also high on their lists were reducing IT staffing costs and reworking supplier relationships: 37% of

COST REDUCTION

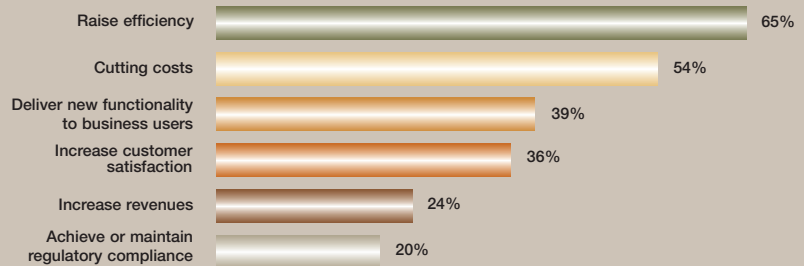
Is your organisation under pressure to reduce its IT operating expenses?



- Yes - currently targeted with reducing IT opex
- Not yet - but likely to see them come under pressure in the next 6-12 months
- No

INVESTMENT PRIORITIES

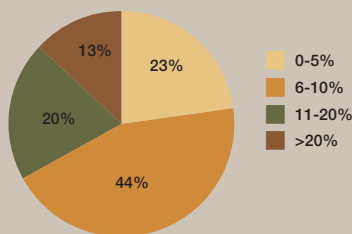
What will be the key objectives for your IT investments in 2009/10?



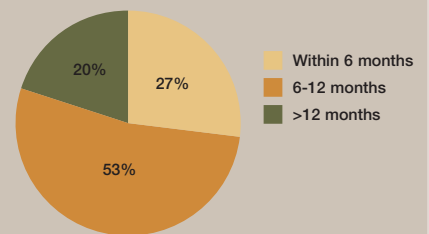
DEPTH OF CUTS

How much is your IT department being asked to save and over what time periods?

Target savings



Time scale



respondents said they would cut headcount while 28% said they intended to reduce their supplier numbers and take advantage of the buyer's market to renegotiate contracts with existing suppliers.

Other initiatives were targeted on technology. Just under a third (30%) said they expected to cut costs further through server virtualisation. Indeed, among all respondents, raising efficiency was the top-ranked priority for the coming year, with 65% identifying that overall goal. Cost cutting was picked by 54% of respondents, with delivering new functionality and increasing customer satisfaction in the top-three priority list of 39% and 36% of respondents respectively.

When asked to name the single IT initiative or project that would have the most positive impact on their organisation's effectiveness during the coming year, far and away the most common response was 'virtualisation'. Outsourcing, of various kinds, and software-as-a-service were two other common answers to the free-form question.

However, when respondents were asked which of the following four approaches – managed hosting or co-location; outsourcing applications; outsourcing network

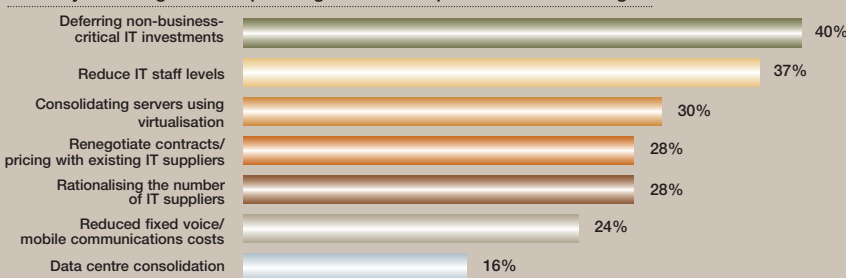
management; software-as-a-service – they had adopted or considered, the latter ranked last in adoption to date (13% of respondents), even though it had been considered by most respondents (39%). Managed hosting and co-location was the most commonly adopted approach to date (34%).

Respondents were also asked whether longer-term strategic IT projects were being de-prioritised in favour of shorter-term, tactical projects. Perhaps surprisingly given the budget pressures, for the largest segment of respondents (47%) the number of strategic projects has not been affected. And 35% said they had reduced in number slightly. That supports the notion that many IT organisations believe they can effect much of the necessary cuts by taking costs out of operational IT.

Perhaps the biggest question of all, though, was whether the economic crisis would affect the role of IT in the business. Half of respondents said they believed IT's role would remain unchanged, whereas 42% agreed that 'IT will play a vital role in helping the organisation navigate through the recession'. Happily, only 8% agreed with the statement 'IT will lose some of its importance as budget and projects are cut/de-emphasised'.

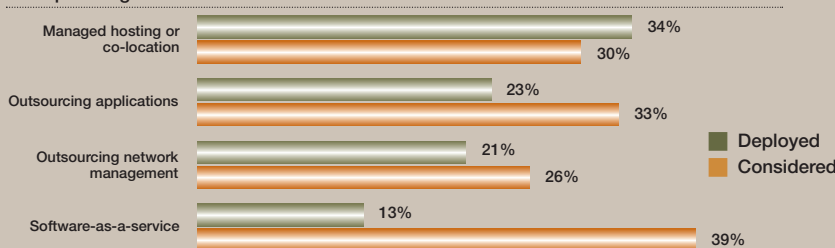
SAVING PLANS

How is your IT organisation planning to achieve operational cost savings?



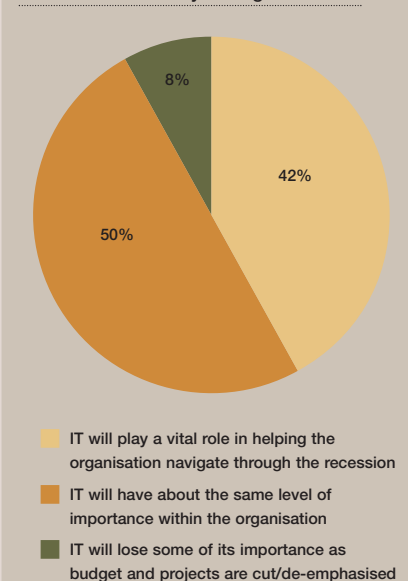
COST CONTROLLERS

Which of the following alternatives has your organisation considered, or already exploited to help manage IT costs better?



ROLE OF IT

Will the current economic crisis change the role of IT within your organisation?



Crunch navigation

IT expenditure must come down, but equally, the temptation of short-termism must be resisted

In the six months since October 2008, successive market analysts and researchers have cut their forecasts for IT spending in 2009.

In March, for example, market watcher Gartner dramatically adjusted its prediction for global IT spending growth for the year from 2.2% to -3.8%. Meanwhile, investment bank Goldman Sachs is even more pessimistic, predicting that IT budgets will shrink by 9%.

And that is mirrored in the feedback in *Information Age's* survey on Optimising Operational IT, which, with the opinions of over 550 senior IT decision-makers, is one of the most comprehensive on UK spending plans to date.

Across all these research initiatives, though, the message is the same. Even if there has not yet been an official spending cut mandated by the business, the cost-cutting agenda is once again front and centre for IT departments.

That puts all IT expenditure under new scrutiny. In many cases, the relative prosperity of the years between the dot-com crash and the credit crunch has encouraged, if not outright inefficiency, perhaps slightly more relaxed rules for justifying IT expenditure. Prime examples might be how low-cost, high-performance servers were acquired in their thousands, often only running a single application at utilisation rates of 5% to 15%; and the profligate approaches to storage characterised by the attitude of 'keep everything because storage is cheap'.

Still, walking through a business's data centres looking for things to switch is not necessarily the best approach to improving IT efficiency. Indeed, an uncoordinated approach is likely to be permanently damaging to the organisation.

"Except in the most dire circumstances, turning off technology investments during a downturn is counterproductive," consultancy firm McKinsey wrote in a recent report.

Instead, the report's authors advocate intensifying collaboration between IT and the business to support a business process-oriented efficiency drive. Not only can this approach help to identify which technologies are vital for supporting business processes (and which are not), it can also find areas where IT investment can help to grow revenues.

"When business and IT executives jointly take an end-to-end look at business processes, the resulting investments can have up to ten times the impact of traditional IT cost reduction efforts," says McKinsey.

This kind of approach is simply good IT management practice, and the comments from McKinsey serve as a reminder that the recession is no reason to throw out the ideals of business-focused IT decision-making.

However, for a minority of organisations, the situation may be so dire that the immediate priority is simply to ensure survival. Analyst company Gartner recently presented a short report on the topic of 'emergency cost optimisation'.

"The nature of this economic downturn may leave some IT leaders, business leaders and shareholders with no other choice but to make immediate and ruthless reductions in IT spending, even if they risk increasing IT costs in the longer term," say Gartner analysts.

Common techniques for short-term IT cost optimisation include redrafting service level agreements (to, say, provide 12/7 rather than 24/7 helpdesk facilities); ensuring business units are being charged back for all the IT services they use; postponing IT expenditure on non-critical systems to later years; and deciding which contractors and staff the IT department can survive with (and which without).

But Gartner's overriding attitude to such measures is unambiguous. "Emergency cost optimisation is inherently short-sighted, since few enterprises or IT organisations can sustain themselves indefinitely using these practices," the report's authors write.

"From an IT organisation perspective, radical actions to free up cash flow often lead to a higher IT cost baseline in subsequent years, poor service delivery and business unit rebellion," they add.

Even for organisations where there is no danger of going out of business, that last statement should be a guiding mantra for the coming months.



About this research

INFORMATION AGE reader research is undertaken via questionnaires at Information-age.com. Although it is sponsored by a supplier of IT products and services, the research remains under independent editorial control. This research report on Optimising Operational IT was undertaken in partnership with IT and communications consultancy and systems integrator Affiniti.

Case study: Norton Rose LLP

Norton Rose LLP international lawyers spend less time and money on travelling

International legal practice Norton Rose LLP appointed Affiniti to help the firm move to a more collaborative working environment and boost productivity and customer responsiveness.

The project was part of an office relocation which saw six Norton Rose offices move into one building. The new communications system was designed to underpin key applications for Norton Rose's 1,200 lawyers. For instance, online document collaboration will help speed up contract drafting for clients as lawyers can work with colleagues around the world, sharing knowledge more effectively; while video and audio conferencing can be set up and held from their laptops whether at home or in a hotel.

Affiniti managed the project from start to finish and provided full training and support to help employees with the new system.

Anthony Salter, Program Manager at Norton Rose LLP, said: "The office move was the ideal opportunity for Norton Rose

to see what new technology was available to future proof and improve the business. We chose Affiniti because it had such excellent legal expertise, understood our business needs and demonstrated foresight in the planning of the office move. Thanks to Affiniti's project management capability we moved out of the old offices on Friday and straight into the new location on Monday for business as usual. And with the training and support for our staff, it has made the integration and adoption of the new technology as smooth as possible." "Effective communication is vital to our business whether it is with colleagues or clients," continued Mr Salter. "Having these collaboration and communication tools at our fingertips is really helping to speed up our work. The unified communications system integrates a host of features and capabilities that can help our staff work more effectively and efficiently without increasing costs. It helps us to save time and money: international internal calls are made across the IP network and travel

requirements are reduced. Our clients also benefit from improved levels of service as our lawyers have access to up to the minute information."



Case study: Fife Council

Fife Council gets more bang for buck

Fife Council is reaping the financial and business productivity benefits of a new IP-based communications network, which has seen more than 12,000 council phones across 350 sites replaced by advanced VoIP handsets. Affiniti managed the changeover as part of a wider project to deploy a fully converged communications network, and delivered the system under budget within Fife's ambitious 15 month timeframe. This deployment marks a new step toward Fife Council's objective to provide its 360,000 residents with better access to services and support. Fife Council Project Manager, Lee Parry said, "Switching to a converged network represented a significant investment for us but there is no doubt of its value. We have already reduced our annual phone bill from £2.5million to £500,000 and expect to have recouped the capital

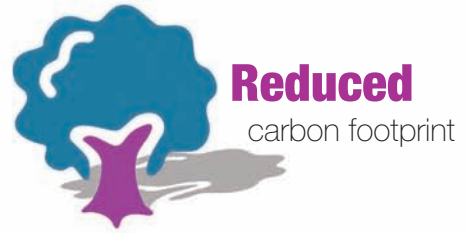
investment by 2015 with ongoing revenue savings from 2010." The new VoIP system has given Fife the ability to attribute phone numbers to individual employees. This means that employees can be reached on their number whether they are hot-desking or working from home, improving both productivity and business continuity. This proved its worth



in July when a small fire resulted in 60 staff from the Catering & Cleaning and Procurement & Supplies departments relocating immediately to alternative accommodation. "The ability to have phone numbers 'follow' us proved invaluable, facilitating business as usual following this minor fire," noted Fife Council Programme Director, Linda Robertson. "We were able to continue working without any disruption to council services and without the need for external IT support" The added flexibility of IP allows future services to be added and as Fife has seen, the immediate benefits in terms of financial savings, business continuity planning and productivity are clear and measurable, an important consideration for both public and private sector organisations in today's economic climate.

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