EXECUTIVE BRIEF

Optimizing for Innovation: How Hybrid IT Outsourcing Shifts IT Focus to Innovation

Challenge

IT leaders are tasked to do more with less and increase technology innovation.

At Stake

As IT increasingly becomes the platform for company interaction with customers and supply chain partners, competitors with the most efficient and innovative IT infrastructures possess increasing advantage.

Solution

A hybrid IT approach that exploits the differing characteristics of data center colocation, managed, and cloud services, along with top-tier network connectivity, create highly cost-efficient outsourced infrastructures — freeing internal resources to focus on business technology innovation.

CIOs are constantly required to do more with less, even as technology plays an increasing role in the success of almost every business. This combination of cost pressure and technology-as-business-driver makes it more important than ever to focus IT resources on innovation rather than maintaining infrastructure.

Yet many IT groups spend 75% or more of their resources on maintenance and infrastructure, leaving less than a quarter of the IT budget for innovation. Research has shown that outsourcing IT infrastructure and routine administrative tasks can lead to a significant increase in innovation-focused IT activity.

This brief explores how cost efficiency can be achieved via the different elements of a hybrid IT infrastructure outsourcing approach. The fundamental building blocks of IT — data center facilities and operations, compute and storage platforms, network and connectivity services, infrastructure management, security services, and applications — can all be outsourced individually or as a whole. IT resources thus freed can be re-focused to pursue innovation at the business application level.

Little Cost Optimizations — Big Innovation Impact

Because IT organizations spend so much budget to "keep the lights on" and comparatively less on innovation activities, even a relatively small percentage reduction in infrastructure costs can make a dramatic increase in resources available for innovation.

As Figure 1 shows, small IT infrastructure optimizations can, in some cases, double the IT activities being applied to innovation. "The magic of outsourcing is giving us the ability to focus on those areas where we can be truly great," points out Robert Isherwood, CTO at ad agency 22squared.[1]

Studies clearly demonstrate that outsourcing infrastructure reduces cost: a recent survey of 550 global IT leaders revealed that companies save 11% of the IT budget on average and expect that to increase to 19% within two years.[2]

However, because no two organizations are identical, each business needs to consider key questions about exactly what to outsource, where to start, and how to combine the various options (data center colocation, managed services, and cloud computing) to optimize IT infrastructure delivery and maximize the savings that can be plowed into innovation.

Fully private data center and infrastructure

- 23% Innovation
- 30% Monitoring and Maintenance
- 24% Deployment
- 23% Pre-Systems Deployment
- Admin and maintenance activities 77%

Hybrid IT strategy with 1/3 of infrastructure outsourced

- 50% Innovation
- 20% Monitoring and Maintenance
- 15% Deployment
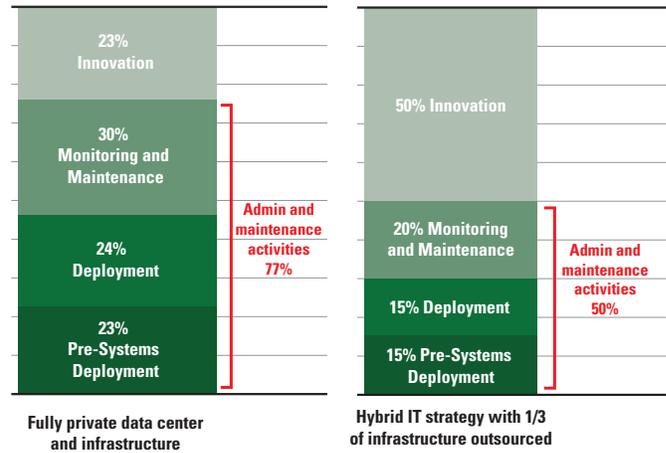- 15% Pre-Systems Deployment
- Admin and maintenance activities 50%

Figure 1: Hybrid IT Strategy Can Double IT Innovation Activity
By outsourcing a third of infrastructure and related routine administrative tasks, IT can double the amount of time its internal expert staff spends on delivering and implementing innovative products and offerings. Source: Converging the Datacenter Infrastructure: Why, How, So What? IDC White Paper, May 2012

Data Center Outsourcing: Reducing Cost With Minimum Risk

Many companies find that data center colocation is an effective way to start reducing cost, while minimizing risk by retaining control over IT systems.

"Owning a highly reliable data center is expensive, with a long maintenance tail as well as upfront capital expense — and it requires expertise," says Tim Beerman, Vice President at CenturyLink Business, a global provider of managed services on virtual, dedicated and colocation platforms. "It forces companies to think about the long-term implications of issues in which they have little experience: What happens if I have an outage? Can I buy power efficiently? How will I support business growth?"

Rapid Scalability and Geographic Expansion

Data center colocation enables companies to take advantage of an outsourcing partner's economies of scale, proven reliability, geographic reach, expertise, and technology. For example, shared data centers that offer multiple high-speed network connections help companies ensure reliable IT operations. And partners that operate dozens of data centers worldwide can empower a company to rapidly expand into new regions at lower cost by avoiding the capital expense and delays associated with building and staffing a new facility.

Another benefit of colocation is the ability to take advantage of the data center operator's disaster-recovery capabilities — and experience. "When I lived in Florida, my organization had to rebound after a hurricane. We learned quickly about the things we hadn't planned for but should have," says Daniel Neufeld, vice president of information systems for long-term care provider Leisureworld Senior Care.[3]

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Moving Up the Stack With Managed Services

Once companies experience the benefits of data center outsourcing, they often see the potential for further savings by buying IT infrastructure as managed or cloud-based services.

"They start asking: do I need to build and manage my own server infrastructure, storage, and backups?" says CenturyLink's Beerman. "Let's say there's a new business application that initially needs 50 terabytes of storage but may ultimately need a petabyte. Instead of making a big upfront investment in storage infrastructure, they can save money by buying storage when they need it, as a service."

Organizations also save by not having to buy expensive software licenses until they're needed and by eliminating complex, time-consuming integration and testing. "IT organizations spend a lot of time qualifying applications for specific servers," Beerman says. "Once they start to think differently — in terms of buying a managed application on any capable x86 server — they can use that time more productively for other projects, such as developing innovative new business applications."

EasyJet provides a case in point. The airline outsourced the management of its reservation, website, flight operations, finance, HR, and email systems. Two years later, Andy Caddy, Chief Architect for easyJet, notes in a video case study that outsourcing to the right managed services provider enabled the airline's internal IT team "to be getting on with the business of added-value services that really differentiates us as an airline." Caddy adds: "I don't want them [our internal IT team] managing our Exchange system, I don't want them doing our antivirus or our patching. They really need to be getting on with doing stuff that makes easyJet the company it is today."

When Cloud Computing is the Best Fit

The benefits of cloud computing, such as on-demand scalability, make cloud services attractive for specific requirements and application lifecycle stages, such as:
- Application development and testing.
- Trying new products or ideas without having to build expensive infrastructure. "You can acquire capacity for a new application in hours or even minutes — but just as quickly shut it off if the application doesn't take off," Beerman notes.

- Applications that are less mission-critical, such as email, web servers, and content management systems.
- Systems that handle seasonal or periodic surges in demand.

Hybrid Options for Mission-Critical Applications

For many mission-critical applications, managed services can be a better fit than cloud services. In fact, after successfully testing a new application in the cloud, a company may want to utilize a managed-services approach once the application becomes operational and is used to support essential business functions.

At that point, managed services such as monitoring, patching, security, and a 24/7 helpdesk become extremely important to ensure secure, reliable operations as well as user productivity and customer satisfaction.

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Finding the Right Partner

Because most companies have a mix of requirements that changes over time, it's important to partner with an outsourcing firm that can offer a full range of end-to-end solutions, including data center colocation and managed services as well as cloud.

In fact, 58% of the 550 global IT leaders queried in the study mentioned earlier agreed with the statement that, "Selecting an IT services provider that does not offer a full suite of infrastructure services will limit my organization in the long-term."

The Outsourcing Reward: Increased Competitiveness

The reward for outsourcing can be increased competitiveness in rapidly evolving markets.

Beerman describes the case of a greeting card company that needed to handle huge surges in customer demand during holiday periods. Building infrastructure to support that demand was an expensive proposition and meant the company would have to carry the cost of unused capacity for most of the year. By outsourcing, the company was able to reduce infrastructure cost, buying capacity only when it needed it.

In addition, because the outsourcing provider was responsible for maintaining SLAs, the card company saved on personnel costs because it didn't need operations staff to be available 24/7. In a highly competitive market, those savings are crucial, Beerman says. "Anything you can do to reduce infrastructure cost and reinvest those IT resources in developing new products or marketing initiatives becomes very important."

Conclusion: Applying Outsourcing Savings to Power Innovation

In today's intensely competitive business environment, focusing more of your finite IT resources on innovation is critical. By using outsourcing to achieve savings in IT infrastructure, IT groups can apply more of the IT budget to innovation. Even a relatively small percentage reduction in infrastructure cost can dramatically increase the funding available for new applications and other business-critical initiatives that enable the organization's overall success.

Outsourcing IT Infrastructure Enables Business Innovation

- As IT groups face pressure to do more with less, outsourcing infrastructure creates savings that can be reinvested in innovation.
- Even a small percentage reduction in IT infrastructure costs can dramatically increase the funding available for innovating new applications or other initiatives critical to business success.

- No two organizations are identical, so each should consider how to optimize the mix of data center colocation, managed services, and cloud computing services to achieve the greatest savings and business benefit.

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About Hybrid Infrastructure Solutions from CenturyLink

CenturyLink's Hybrid Infrastructure solutions infuse agility into IT infrastructure, whether your business is challenged with controlling costs, managing performance, or scaling and expanding into new markets. CenturyLink is recognized as the No. 2 retail colocation provider, with an extensive global footprint that includes more than 60 state-of-the-art data centers across North America, Europe, and Asia, with over 2.6 million square feet of raised floor space.

About CenturyLink Business

CenturyLink Business delivers innovative managed services for global businesses on virtual, dedicated and colocation platforms. It is a global leader in cloud infrastructure and hosted IT solutions for enterprise customers. Parent company CenturyLink, Inc. is the third largest telecommunications company in the United States, and empowers CenturyLink Business with its high-quality advanced fiber optic network. Headquartered in Monroe, LA, CenturyLink is an S&P 500 company and is included among the Fortune 500 list of America's largest corporations.

For more information visit www.centurylink.com/technology.

1 "Outsourcing's New Reality: Choice Beats Cost," InformationWeek, August 22 2012, © 2014 UBM Tech.
2 Independent survey of 550 CIOs, IT Directors, VPs of IT, and senior IT managers commissioned by CenturyLink and completed in August 2013 by Vanson Bourne, a research-based technology marketing consultancy.
3 "How the Cloud Democratizes and Complicates Disaster Recovery," CIO, April 11 2012, © 2014 CXO Media Inc

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