

SMART MONEY: INVEST IN IT

IT investments that will really pay dividends. Investing in your business during a downturn can buy you a competitive advantage when the economy improves.



It is widely accepted that organizations that invest in themselves during times of economic upheaval are able to **transform adversity into competitive gain.**

Given that these times certainly qualify as economic upheaval, it is ironic that so many businesspeople still find reasons to put off investing in their own future.

"I don't have the budget."

"I don't have the time."

"I don't have the people."

"I don't have the customer demand."

"I don't have the buy-in from the boss."



Instead of representing persuasive arguments to postpone taking action, the fact that these rationalizations have become so popular creates an opportunity to pull ahead of your competition. While they sit idling in the pits, wouldn't this be the perfect time to...

- Use the collaborative capabilities of **unified communications** to increase the productivity of everyone in your organization by 40 percent?
- Save 30 percent or more on the cost of operating your **data center**?
- Roll out an **enterprise portal** project that establishes a new line of business and enhances interactions with your key customers?
- Implement a **business intelligence** process that delivers dependable insight into changes in your market ahead of your competition?
- Out-task IT infrastructure responsibilities to **managed services** so you can focus on accomplishing all of the above?

Today, IT departments have big, red signs on their doors that say, *In case of recession, break glass.* "What's behind the glass," says Logicalis Services Vice President Chris Rafter, "is the CIO."

"The VP of Sales can only do so much in a down market," Rafter adds, "but the CIO has the ability to use technology to reduce the cost of sales by making the whole organization more efficient. There has never been a more crucial time for CIOs to be thinking strategically about their role in the organization, and how they can enable their company to save money, increase productivity and operate more effectively."

Smart CIOs know they can't accomplish those goals by keeping their elbows in and their heads down. They do it by carefully choosing specific short-term innovative projects that keep them moving forward incrementally toward long-term goals.

Drawing on examples from Logicalis's work with a wide range of customers, as well as its own internal experiences, this feature describes a set of best practices that produce technology solutions to help your organization come out of the current economic doldrums ahead of the competition.

The good news is most organizations present many opportunities to realize significant savings in the short term without detouring from their long-term technology strategies. More good news is many cost-saving solutions don't require capital outlays; in fact, they may not even require new technology.

BEST PRACTICES IN MOTION

The first step in setting a self-improvement strategy in motion is deciding that taking some positive, if incremental, action is more cost-effective, and certainly more satisfying, than doing nothing in your organization. Once you are past that step, everything is easier.

Opportunities to cut costs and streamline procedures abound in most organizations. For example, Logicalis Vice President of HP Solutions Brandon Harris describes a consolidation project his team is completing for a company with a relatively common problem: too many data centers filled with too many underutilized servers, all adding up to too much cost. The problem

CREATIVE FINANCING SOLUTIONS

If capex limits are standing in the way of your innovative ideas, leasing may offer a way around budgetary roadblocks, according to Logicalis CFO Greg Baker.

Companies that want to protect their cash are finding that leasing companies have the resources to offer a great deal of flexibility for those with good credit records, but limited current access to credit. The benefits to leasing are many:

- Fixed-lease payments—now at historically low rates—simplify budgets and allow a company to conserve capital for investments in its business rather than in the infrastructure required to run it.
- Payment deferral options can be arranged to delay payments for equipment until it can be put into a revenue-generating position.
- One hundred percent of the properly structured leases can be deducted from corporate income to reduce taxes.
- Leasing also facilitates the transition to newer technology, reduces IT obsolescence and eliminates the cost of disposing of outdated equipment.

Some leasing options that have been used in other markets are now becoming more widely available. "Sale-and-leaseback" agreements, for example, work essentially like a second mortgage. An organization sells servers or other technology assets to a leasing company, which then leases the assets back for a negotiated rate. This arrangement has the combined benefits of freeing up capital trapped in technology and converting the cost of ownership to a predictable monthly payment.

The bottom line is that where there is a will, there is usually a financial way.

could not be solved in any one data center. In fact, the tendency to create another data center to meet short-term issues is the reason so many organizations have data centers scattered around in closets and back offices.

The final solution effectively killed two birds with one stone. Innovative use of virtualization technology made it possible to move all of the customer's applications to a single centralized data center without ever physically moving all of the equipment that had been required to run them originally. The result is a rationalized, optimized data center that is more cost-effective to maintain and vastly easier to support. The CIO gained the additional benefit of being able to hand his CFO a very aggressive return on investment (ROI) to go along with a sharply reduced total cost of ownership (TCO).

The condition of many data centers today provides CIOs with numerous opportunities for

improving efficiency, boosting performance, and mitigating the risks associated with maintaining the status quo.

Unfortunately, hanging on to the status quo holds a powerful appeal for organizations confronting uncertain prospects. The sense of security that comes from doing the same things tomorrow that were done yesterday, however, is chronically ineffective, especially in times of uncertainty. This is not business as usual.

INVEST IN YOURSELF

"People are being forced to think differently in this economy," says Logicalis CFO Greg Baker. "Innovation isn't a luxury. It's a necessity. The cost of not innovating could be that your business will go under."

Baker says organizations have to decide whether the problems they are facing are the result of flaws in their business models or the uncertainty

A CALL TO ACTION

Faced with the same economic uncertainties as CEOs of other global organizations, Logicalis Group CEO Ian Cook is taking his own advice and approving capital investments in technology systems for Logicalis worldwide.

"History has proved time and time again that companies that make smart technology investments during a downturn are the ones that emerge stronger when conditions improve," Cook says.

"You have to be pragmatic," he adds. "There are simple mathematics that affect every company today. You cannot just hope that the top line is going to increase or that margins are going to miraculously increase. You really only have one place left to go, and that is to reduce your operating expense. And that needs to be done very quickly. We've taken considerable cost out of the organization by what I would describe as accelerating organizational change."

The main areas Cook has targeted include increasing collaboration and information sharing, ongoing consolidation and virtualization of servers and storage, and enhancing efficiencies in the data center.

"The technology is incidental," Cook notes. "You have to have the innovative thinking in the first place. The technology is just how you implement it."

Cook expects 2009 to be a time for change and disruption. "What you have to decide is whether you are going to be disrupted and hope to ride it out, or whether you are going to do some disrupting yourself," he says. "We choose the latter."



in the market. Logicalis confronted those questions at a recent board meeting, reaffirmed its business model and committed itself to increasing capital investment this year. “We’re seeing this economy as an opportunity to take market share. We’re preparing for the upturn,” Baker says. “Being in the business of helping organizations use technology to implement innovative ideas that make them more efficient, more responsive, and more profitable is clearly a good business model going forward.”

RETHINK THE POSSIBILITIES

Logicalis Senior Vice President of Solution Services, Eric Linxweiler, says some of the most cost-effective solutions come from looking at the technology you already have in different ways.

IP telephony (IPT) used to be viewed primarily as a way to save money on long-distance rates. Looked at differently, IPT evolves into unified communications, and the benefits extend to increased productivity throughout an organization. Single-number calling, for example, instantly improves the odds of reaching a co-worker by a factor equal to the number of different phones and cellular devices that people use today. Other features, like videoconferencing, virtual call centers, mobility, and presence, can be added incrementally, each one providing new opportunities for cost savings and increased productivity.

“Email archiving is another technology platform that provides opportunity for innovation,” Linxweiler says. “Many organizations implement email archiving to ensure compliance and

mitigate the risk of legal liability, but after they have an archiving system in place they realize they can also apply some innovative procedures to transform email from a liability to an information asset that can be freely searched. It becomes an asset you can use, and not just a liability that you store.”

“The innovation isn’t in the technology,” Linxweiler notes. “It’s in how you use technology to solve problems.”

One of Logicalis’s goals is to anticipate creative ideas that its clients can use as they grow into a new technology.



"When you deploy any sophisticated new technology, there are things you didn't know it could do until you've had it deployed for a little while," Linxweiler says. "After they've had it for a while, many customers say, 'Wow, now I understand the possibilities!' That's when innovation can really begin."

BEGIN THE JOURNEY

Under the same pressures as his peers in the IT departments of other global organizations, Logicalis Director of IT Terry Strohecker is in the process of rolling out an enterprise knowledge management and collaboration initiative that holds the potential to transform the way Logicalis's employees interact with each other and their customers.

"What we are developing is not a project, per se," Strohecker says. "It's more of a journey. We know we want to enhance the sharing of knowledge within our organization and make it easier and more natural for people within departments and between departments to collaborate with each other. There are many steps along the way. What we're doing now is defining what's important, putting governance in place and picking some steps to set out on the journey."

Besides changing the culture within Logicalis in a positive way, the enterprise knowledge management and collaboration initiative has the additional benefit of facilitating within Logicalis exactly the kinds of cultural changes that many of its customers recognize they need to make as they flatten hierarchies, tear down silos, and share knowledge throughout their organizations. Everyone knows this is the pathway to the future, but it will take innovative thinking to navigate it effectively.

FOCUS ON PROCESS

Clients that are looking for ways to avoid costs are developing innovative solutions using enterprise portal technology to streamline

MANAGING TECHNICAL RISK

Implementing and adopting new technology can often introduce a certain level of risk, so we turned to Logicalis Vice President of Solution Services Eric Linxweiler to get his thoughts on how to keep the odds in your company's favor. His advice:

ACKNOWLEDGE REALITY.

Risks exist in everything. Calculate them, as well as the benefits, before you begin any technology effort. Being aware of the risks up front keeps you from being blindsided later.

ESTABLISH CONTINGENCIES IN ADVANCE.

The worst possible time to develop a contingency plan is when you need it. You don't want to be in a crisis and have everyone standing around, saying, "What should we do?" You need to map out every step you intend to take and then identify how you will respond if something goes wrong. Always have a back-out strategy.

DON'T TAKE PROJECT MANAGEMENT FOR GRANTED.

Project failures are more often the result of small details that get overlooked than any single cataclysmic event. Project management is how you pay attention to details and keep all aspects of your project moving forward together. It is the single best way to manage project risk.

WATCH WHERE YOU'RE GOING.

Logicalis always posts someone (usually a project manager) to "iceberg watch" to be on the lookout for potential risks that staff, with their heads down working on implementation, may not see coming.

DON'T BE AFRAID TO ACT.

The risks of doing nothing are always greater than proceeding with a well-thought-out plan. Don't put off getting ready for the economic turnaround. If you are not ready when it gets here, you're going to feel as if you were shot out of a canon.

MANAGING FINANCIAL RISK

CFOs are known to be more risk-averse than anyone else in business. To get a CFO's perspective on risk, we asked Logicalis CFO Greg Baker to identify the key questions he asks when considering a technology investment. (HINT: If you're an IT professional, know the answers to these questions before you approach your CFO.)

DOES THE BUSINESS SIDE WANT IT?

It's not enough that a project has strong IT support. If the business side doesn't believe in a project—if those folks are not clamoring for it—the project may fail to live up to its potential. If operators are signaling their support, I know the wider organizational commitment will narrow overall project risk.

WHAT IS THE TRACK RECORD OF THE PROJECT OWNER?

We don't just evaluate the IT project owner, but all resources brought to bear, including consultants and selected IT manufacturers. If internal staff hasn't done a project like this before, then have we looked at transferring execution risk to experienced third parties? I sleep better knowing someone stands behind it with wrench-turning know-how.

IS THE PROJECT DIVIDED INTO PHASES?

I like project plans with clear milestones. They help avoid unexpected delays and the risk of failing user expectations. It's so much easier to manage costs that way, and it sends a signal to the team to stay focused and committed.

IS THE OVERALL PLAN THOUGHTFUL AND BELIEVABLE?

More than ever, I need to be convinced people did their homework. For example, did we get references and review case studies from others who have done this before? When a third-party resource is in play, I like to manage budget risk with fixed-fee proposals, scheduled progress payments and knowing what my leasing options are. The more thought I see reflected in a project plan, the better the risk equation in my mind.

workflows and free up large percentages of their employees' days to focus on productive business activities, says Vice President of Application Services Shaun Olsen.

An enterprise portal project developed for a national electronic parts distributor, for example, streamlined procedures all the way to its customers' warehouses by making it possible for those customers to scan a bar code on a product that generates an order in the distributor's SAP system. This portal project is another example of how the benefits of innovation propagate beyond the specific solution. Besides making it so easy to reorder parts that its customers would be extremely reluctant to shop anywhere else, the portal project frees the distributor's employees—who would otherwise be on the telephone taking orders.

An enterprise portal that Logicalis developed for the Chicago Convention and Tourism Bureau (CCTB) provides a good example of accomplishing more with less. The CCTB needed a way to post more content to its websites more frequently and with fewer IT resources. Logicalis provided a content management capability that enabled non-IT staff to create and update their own pages in response to current events in Chicago—such as the focus of attention on the Windy City following the election of President Barack Obama. Visit www.us.logicalis.com/CCTB to read the full case study.

DECONSTRUCT A PROBLEM INTO ITS ESSENTIALS

Truly innovative ideas have the advantage of being transferable to other problems. Logicalis's Rafter says one of the first steps he takes when evaluating a business information management solution is to deconstruct the problem, stripping away the vertical and technical considerations that make it appear unique. Once the essence of the problem is revealed, it is possible to compare it to similar problems that may have already been solved—sometimes in some surprising places.

Rafter notes an example: “We developed a data management solution for an electronics parts vendor that needed to update hazardous materials restrictions for thousands of SKUs,” he recalls. A few years later, Rafter was working with a client in the health insurance industry that needed a system for updating the credentialing of doctors and other medical practitioners who receive payments for services. “Once we stripped away the wrapping that the problem came in, we saw that this was another case where a set of master records needed to be updated because of regulatory change. It didn’t matter that the master data in one solution were diodes, and the master data in the other were doctors. The best practice for the order of updating the data worked equally well in both situations.”

In another case, Rafter recognized that a solution Logicalis had developed to securely transmit high-resolution military intelligence photos from submarines could be readily adapted to help a media client transmit full-length movies to theaters.

Logicalis has the advantage of being exposed to a wide variety of clients in many different industries, though deconstructing a problem into its essential elements works just as well between departments within an organization.

FLATTEN HIERARCHIES

Another best practice in the implementation of strategic, incremental technology solutions is taking the time to include a wide range of stakeholders in the development of requirements the solution needs to address. An often overlooked resource in this important step is the users on the front lines. The tendency to have their managers speak for them filters out many good ideas before they can be applied to the problem at hand.

On the other end of the hierarchy, senior executives are too often kept out of the loop until a solution is fully designed. Had they been given an opportunity to buy into the solution during its development, they might be more willing to sign off on it when it needs approval for funding.

Because they mean change, innovative solutions always involve a certain amount of risk. Rafter notes the best way to get people comfortable with risk is to keep them in the loop during the phases of requirements gathering and development of a solution. This practice works equally well for both ends of the hierarchy.



QUESTION CONVENTIONAL WISDOM

A characteristic of an innovative solution is that it propagates benefits beyond the immediate solution by “connecting the dots” within an organization—in some cases, quite literally. For example, Logicalis Managing Consultant of the Email Management Practice Tom Bridge is currently working with a global engineering firm with more than 20,000 mailboxes worldwide. The innovative idea in this case was to migrate to a single domain model—a bold step that would effectively centralize management and administration of email across the entire enterprise while adding server virtualization. Bridge’s first reaction was that it shouldn’t be done; virtualizing the Exchange email server was widely considered an unsound practice.

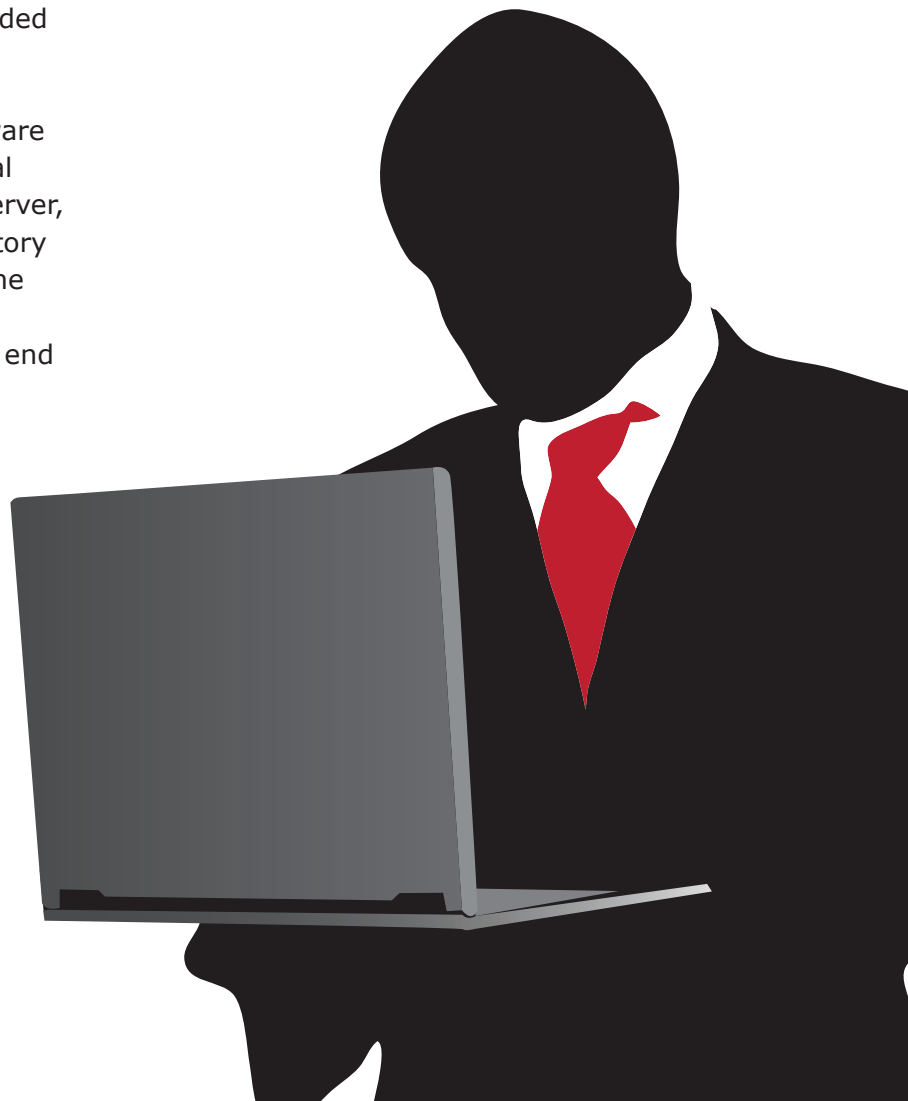
Laying conventional wisdom aside, Bridge and his team designed a configuration that included an Exchange “pod,” which was a big, beefy server with four processors and 64 gigs of memory, on top of which they set up a VMware ESX Server and split the box into four virtual servers: a Mailbox server, a Client Access server, a Hub Transport server, and an Active Directory domain controller dedicated to supporting the requirements of Exchange. Then, they put enough direct attached storage on the back end to accommodate 6,000 email boxes. Once they had a tested and proven model, it was very scalable. “All we had to do was repeat the same configuration for the remaining email boxes,” Bridge says.

It is worth noting that sometimes technology isn’t the answer. Bridge and his team were helping a client with a migration from Novell to Active Directory and Exchange. They were centralizing four plants and needed to migrate to a single location. Following procedure, Bridge tested the WAN and ran some calculations that indicated it would take 36 days to migrate all of the data from

remote sites to the central location. Instead of automatically relying on the technology to accomplish the migration, their innovation seemed a lot like common sense. They had the remote servers trucked in on a Friday night and completed the migration on a local segment of the WAN by Sunday afternoon—a full 33 days ahead of projections.

DELEGATE CREATIVELY

Opportunities abound for cost savings associated with the creative application of managed services. A national franchise company, for example, first became a managed services client of Logicalis’s when it needed a host for its ERP and email systems. The arrangement worked so



well that Logicalis quickly took on responsibility for the client's entire IT infrastructure.

As the franchise company grew and went through changes, its IT infrastructure was reassuringly stable. The benefits were obvious when it relocated to new headquarters. Because the IT infrastructure was hosted by Logicalis in Cincinnati, the move represented a personnel issue, not a technology migration. "Everyone just packed up their printers and PCs and went to the new location," says Logicalis Managed Services Business Development Manager Kevin Clark. "Their back-office IT didn't skip a beat."

Clark says the managed services team regularly draws on customers' innovative ideas to shape its offerings. A large client, for example, inquired about implementing Logicalis's ITIL-compliant trouble-ticketing system internally. It seemed like such a good idea that Logicalis is rolling out a ticketing solution integrated with its IT service management capabilities and service desk that

functions as if the system were internal. The service will be available this year.

It is no coincidence that Logicalis's managed service offering looks as if it were designed to help organizations in times of economic uncertainty, Clark notes. Launched September 2000 in the aftermath of the dot-com bust, the managed services model was designed for IT budgets that had been drained by Y2K expenses. "We built our business model for tough economies," Clark says, "and we've been refining it and building on it ever since."

BE PART OF THE SOLUTION

The deceptively attractive idea of waiting out the economic storm before taking action surrenders initiative to someone in another organization. While your competitors are waiting for the proverbial "other shoe to drop," a better idea for you would be to take steps to invest strategically in your organization—and let the other shoe drop on them.



For more on winning your CFO's support for technology projects, download the feature story, "**Getting to Yes,**" and use the Logicalis IT Rating Calculator at:
www.us.logicalis.com/CFO/.

ABOUT LOGICALIS

Logicalis is an international provider of integrated information and communications technology (ICT) solutions and services founded on a superior breadth of knowledge and expertise in communications and collaboration, data center optimization, application development and integration, and outsourcing and managed services.

With international headquarters in the UK, Logicalis Group employs more than 1,900 people worldwide, including highly trained service specialists who design, specify, deploy and manage complex ICT infrastructures to meet the needs of more than 6,500 corporate and public sector customers. To achieve this, Logicalis maintains strong partnerships with technology leaders such as Cisco, HP, IBM, and Microsoft.

The Logicalis Group has annualized revenues in excess of \$1 billion from operations in the UK, the US, Germany, Latin America, and Asia Pacific, and is fast establishing itself as one of the leading IT and communications service providers, specializing in the areas of advanced technologies and services.

For more information, visit www.us.logicalis.com
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