

The outsourcing advantage

Outsourced IT services versus IT infrastructure outsourcing

Over the past few years, enterprises have grown comfortable turning over certain IT functions to an outsourcing partner. This trend has more recently extended to the outsourcing of IT infrastructure (servers and the systems required for servers to run efficiently), to data center colocation, managed hosting and managed services providers.

In fact, Gartner predicts that by 2012, 20 percent of businesses will own virtually no IT assets, a testament to the potential cost and performance gains that firms can realize by leveraging an outsourcing partner with expertise and capabilities lacked in-house.

Smart Business learned more from Pete Stevenson, CEO at Latisys, about how IT infrastructure outsourcing (ITO) differs from the outsourcing of IT services, the primary benefits of ITO and where ITO is headed given the challenging economic and business climate.



Pete Stevenson
CEO
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Many firms outsource IT services, but what does it mean to outsource IT infrastructure?

Outsourcing IT infrastructure is a critical decision made by companies once they have concluded that a third-party provider can run the infrastructure more cost-effectively, with improved capital management, specifically defined service level agreements (SLAs) and increased flexibility. It means the decision-makers in a company want to stay focused on the core growth and management operations of their business, and want a supplier they can trust with the rest.

What are the benefits of outsourcing this type of IT infrastructure?

While there are many economic and business advantages that can be realized by outsourcing IT infrastructure, I'll focus on three.

First, strategic outsourcing can deliver savings on capital expenses and a reduced total cost of ownership (TCO) for the organization. Instead of making heavy investments in power, cooling, security and network access, for example, a firm can leverage an outsourcing provider's investments in technology, technical know-how and data center infrastructure for a best-of-breed solution without the burden of continuous capital investment.

Second, a firm can leverage SLAs to ensure that IT infrastructure availability and performance sync with the firm's business objectives. These service level agreements help guarantee performance delivery by including economic penalties that hold the outsourcing provider financially accountable, which may vary from company to company if IT infrastructure is managed in-house.

The third benefit is the ability to augment internal skills with the expertise of the outsourcing provider. This can be a distinct advantage when it comes to managing service delivery across platforms providing load balancing, security, storage and backups. Benefiting from this expertise without having to purchase, own, operate or maintain data centers — or invest in training required to manage these systems — is of real value, particularly for firms with data center facilities unable to grow or accommodate increased power density and efficient cooling.

What economic and business factors are making it difficult for CFOs to meet growing IT infrastructure demands in-house?

Today, the CFO has a big say in IT infrastructure investments. Companies are faced with important choices on the best

place to allocate money to grow or maintain their business. And whether that business is heavily based on IT infrastructure or not, the challenge for the CFO remains the same: How do I strike the right balance while investing wisely in IT, sales, marketing, customer service, product development, service delivery and other areas of the business?

As soaring capital expenditures and overwhelmed staffing resources start making in-house services less feasible, IT infrastructure outsourcing starts to become the smart alternative.

What IT infrastructure is most suitable to be outsourced to a data center?

Almost everything can be outsourced, but for a lot of companies, only certain elements make the most sense. We are seeing business customers outsource their data centers, the management of their servers, network connectivity (which can be secured in the outsourced data center), load balancing, security, storage systems — and even certain job functions.

The answer to what IT infrastructure is suitable for outsourcing comes down to whether or not its outsourcing will result in a better solution that delivers quantifiable cost improvements and improved service levels.

What traits should an organization look for in an ITO partner?

Data center colocation, managed hosting and managed services providers come in different flavors, with varied power and cooling capabilities. Regardless of your firm's specific needs, you should always seek out ITO partners with an operations and services model that is well run and has sufficient growth capacity to meet your space, power and cooling needs — both now and into the future.

Beyond that, consider financial stability, physical and logical security in and around the data center facilities, geographic diversity to ensure redundancy, clearly defined SLAs and multiple connectivity options when identifying the capabilities you need your ITO partner to deliver. <<

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