

2009 Global IT Leadership Report Series

# Rising to the Challenge



Part 1

How a new breed of IT leaders  
are powering their companies  
through the economic crisis.

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Companies around the globe are facing previously unimagined organizational and economic challenges. Savvis is committed to helping the business community to survive and thrive and that's why in January 2009, we commissioned Vanson Bourne to undertake a global market research project to interview over 300 IT leaders in mid-to-large enterprises in the United States, United Kingdom and Singapore. We wanted to learn about their challenges and priorities as well as understand how they intend to use technology to meet their objectives in the current business climate. We'd like to share their insights with you.

The findings reiterated what most of us know, that many companies are struggling and as a result, IT management are reducing costs on a wide scale to better align their businesses to cope with the current global economic challenges. However, what also came across loud and clear in the research is that a new breed of IT leader is emerging. These IT leaders are forward-thinking and understand how to use technology as a strategic business tool. Their adaptable approach to organizing their company's IT — and their IT infrastructure — places them in a better position to power their business through these challenging times.

We can all learn from these IT leaders. They are open to discovering new service models that enable them to deliver competitive advantage to their businesses. They are utilizing strategies to drive efficiencies and synergies, and leveraging technologies like virtualization, utility computing and cloud computing to reduce costs and increase organizational efficiencies. The end result, as our research shows, is that their companies are doing "well" or "very well" through the downturn.

While companies are feeling pain during the global recession, it's imperative for IT leaders to search for opportunities to operate differently today while maintaining a sharp focus on the longer-term. Outsourcing your IT infrastructure to a trusted provider can deliver cost-savings to your organization, improve your return on investments and enhance your ability to scale for the future.

Savvis provides IT business solutions delivered through a highly scalable global IT infrastructure that is designed to reduce capital expense and combat the rising costs of bandwidth, real-estate, energy, staff and expertise. Forty percent of the top 100 companies on the Fortune 500 use Savvis as their trusted provider for outsourcing their IT infrastructure.

We invite you to meet with Savvis to assess your current approach to managing your IT infrastructure. We'll look at your challenges and give you a new perspective on how your IT infrastructure is managed so you can better control your costs while positioning your business for a successful future.

To discuss how Savvis can help you, contact us at [sales@savvis.net](mailto:sales@savvis.net).

*Phil*

**Phil Koen, CEO  
Savvis, Inc.**



## The current global business climate — survival of the fittest

Against a backdrop of stock markets in turmoil and organizations on the brink of collapse, many industry analyst firms are revising their estimates on IT spending for 2009. There is no doubt that the global recession is biting harder than many of us ever imagined.

The continued downward spiral of the global economy led IDC, a provider of global IT research and advice, to change its earlier predictions about worldwide IT spending in 2009, revising its estimate of 2.6% growth to just 0.5%. “Fourth quarter data from a number of key markets and geographies clearly show that companies have been very quick to pull back their spending,” said John Gantz, Chief Research Officer at IDC.<sup>1</sup>

With the main focus on driving costs out of the business, are companies losing sight of their strategies just to survive? What is sure is the competitive environment will be tougher than ever throughout 2009. The pressure is on IT leaders to continue innovating, create competitive advantages and stay “lean and mean” by driving efficiencies through the organization to remain aggressive in the marketplace.

The stakes have been raised and our research reveals there is a greater willingness among IT leaders to consider innovative approaches, offers and advice from reputable vendors. **With 52% of all IT leaders globally seeing their cost savings derived from reducing infrastructure costs**, a real opportunity exists for them to re-evaluate their existing IT infrastructure and consider a different approach that will have both short-term and long-term benefits. One of these is managed services.

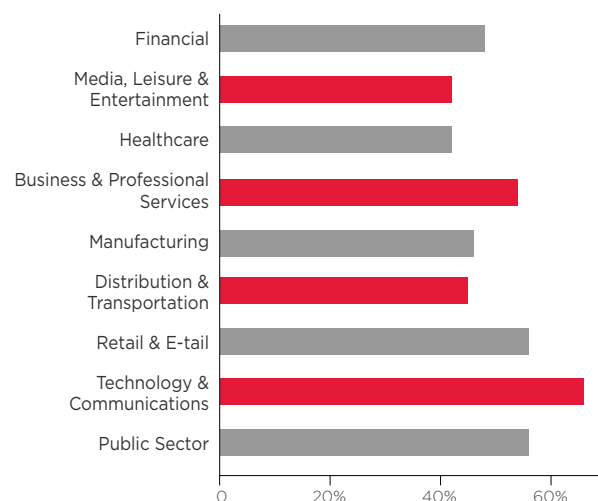
### Top cost savings and efficiencies in 2009 by industry

<b>Financial Services</b>	Virtualization strategy
<b>Media</b>	Reducing staff levels
<b>Health</b>	Reducing infrastructure costs
<b>Business &amp; Professional Services</b>	Standardizing IT infrastructure solutions
<b>Public Sector</b>	Consolidating infrastructure
<b>Retail</b>	Reducing staff levels

## The new breed of IT leaders — powering your company through the economic challenge

The current global economic downturn is having a profound effect on businesses, with 49% of IT heads stating that their organization is “not doing well” currently. However, despite the climate of economic gloom, **51% of IT leaders think their companies are doing “well” or “very well” and are continuing to grow despite the global recession.**

### Companies “Doing Well” by Sector



<sup>1</sup>source: computing.co.uk, 27 February 2009

For companies doing well, what have their IT leaders done to rise to the challenge and remain buoyant during the recession?

How did they prepare for the economic downturn and what lessons can be learned from them?

### A 10-point guide to success in the recession.

1. **Modify your business plan and manage the expectations of your stakeholders**, re-forecast regularly, and have a contingency plan in place to deal with market fluctuations.
2. **Avoid major cost-cutting exercises** without first asking “What does IT enable?” rather than “What does IT cost?”
3. **Control operating expenditures** and overall cash outlay.
4. **Maintain the focus on IT as a strategic enabler** to the business, rather than being a cost center.
5. **Focus on delivering competitive advantage** and innovation.
6. **Drive efficiencies** by reducing infrastructure costs and moving to a service model. Keep enterprise cloud computing on your radar.
7. **Consider innovative approaches**, offers and strategies from reputable vendors and use them in reducing your costs.
8. **Look for specialist service providers** to run some operational elements of your organization and explore outsourcing the non-critical elements of your IT infrastructure.
9. **Consolidate** the number of IT suppliers you use.
10. **Don’t take your eye off the long term**, reducing costs is important in a downturn but not at the expense of a slower or failed business recovery.

## Get on top of the numbers and communicate

Unsurprisingly, a higher proportion of the IT heads that said their companies are currently not doing well during the downturn have cut IT costs. Nearly half of them admit that they should have modified their business plans to account for market conditions. In contrast, fewer of the IT leaders who are enabling their companies to do well during the downturn have cut costs. Many more of them have contingency plans in place for market fluctuations and they are more likely to have managed their stakeholder expectations.

Most IT organizations follow an annual IT budgeting process and adjust their budgets based on changing economic and business conditions. According to IT research and advisory firm Gartner<sup>2</sup>, many organizations are reviewing and revising IT spending levels on a quarterly or even monthly basis: a sound recommendation and one that will help businesses to stay on top of their performance during times of fluctuating markets.

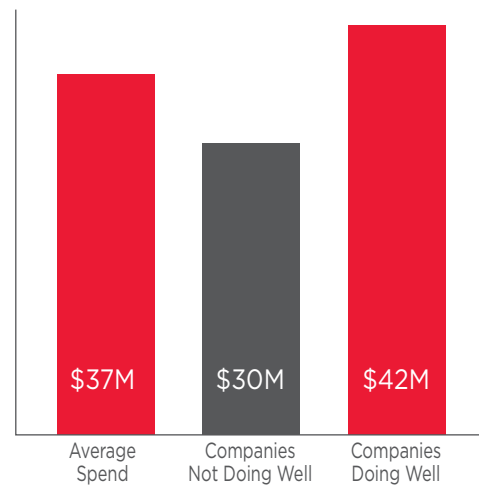
## Ask “what does IT enable?” instead of “what does IT cost?”

IT budgets are under pressure in 2009, with many industry analysts forecasting flat or minor budgetary growth. Our research reveals that respondents often cited considerably higher spending, depending on the size and scope of the company. Market sectors also had large variables. The highest percentage of respondents in Financial Services, Public Sector and Professional Services stated that their IT budget will represent between 4%-6% of revenues and Retail, Leisure and Entertainment varied further at between 2%-6%.

Our findings also revealed that on average, 21% of total IT budgets will be allocated to outsourcing some or all of their IT infrastructure.

## Budgets Allocated to Infrastructure Outsourcing

Average IT Outsourcing Spend is up to 32% Higher for Private Sector Companies Doing Well



*Public sector data was excluded from this question as revenue is not reported.*

The IT leaders who are enabling their companies to do well spend 18% more of their revenue on IT than those not doing well. In addition, **these successful companies spend a significant amount more — up to 32% more — of their IT budgets on infrastructure outsourcing.**

While 67% of all IT leaders are under pressure to do more with a reduced budget, fewer of the IT leaders whose companies remain buoyant in the downturn feel this pressure. Instead, they are directing their efforts at more strategic activities, enabling their business to deliver competitive advantage and gain efficiencies throughout the company. They are exploring infrastructure consolidation and reducing infrastructure costs — ensuring their organizations are “lean and mean” and retain their agility.

<sup>2</sup>source: Gartner IT spending and staffing report 2009, 27 January 2009

## Do what your business does best

The IT leaders whose organizations are doing well through the downturn know only too well that IT can deliver competitive advantage to their company. **In fact, 69% see focusing IT resources on developing and/or managing business critical applications as a key driver towards IT delivering competitive advantages to the company.**

“If you’ve got a limited number of highly qualified people, you don’t want them changing backup tapes, loading anti-virus software, or patching servers. You want them thinking about how to get flight data down from an Airbus, or doing capacity planning for your ecommerce site and other things that grow the value of the business,” said Andy Caddy, Head of IT Architecture at easyJet.

“Choosing Savvis meant the headaches went away. We got one of the best data centers in the UK — if not in all of Europe — along with some of the most capable IT professionals I’d ever met to look after all our systems. Frankly, turning our IT infrastructure over to Savvis couldn’t have happened soon enough for me,” added Caddy.

Finding more cost effective IT infrastructure solutions, enabling faster data access across the organization, enabling collaboration to gain operational efficiencies and getting products and services to market faster than the competition all feature highly on the competitive advantage agenda of successful IT heads.

## Savvis Customer: easyJet

**Line of business: low-cost European airline that also offers car rental and hotel booking services**

### Profile:

- 6,200 workers across 18 bases
- Serves 120 destinations with a fleet of 140 aircraft
- 1,000 flights daily and 37 million passengers in 2007
- 95% of seats sold over the internet, making it one of Europe’s biggest internet retailers
- Almost 1.8 million revenues in 2007

### Challenge:

- Leveraging technology core to easyJet’s ability to grow profitably
- Limited number of highly qualified IT people who needed to focus on core business activities
- Scalable and flexible IT infrastructure required to support high growth
- Security and disaster recovery high on the agenda

### Solution:

Savvis provides easyJet with a fully managed solution that integrates real-time hosting and network solutions to support easyJet’s operations, including easyJet.com, its reservations and flight operations systems, as well as its e-mail and financial applications.



With a 16-year background in finance and planning prior to running Savvis' EMEA operation, controlling costs is a subject that's close to my heart. What's clear is that if your company's situation is serious and you have a cash flow issue, you may have no choice but to eliminate costs quickly.

My word of caution is that if you eliminate spend on longer-term strategic projects and anything that is not a tactical priority, you may survive 2009 but could miss out on the recovery. The key is to continually look for ways to trim costs while redirecting your IT spend towards those activities that differentiate your business.

The costs of managing and maintaining IT infrastructure are increasing, and at the same time becoming more and more complex. There are now many alternatives available for enterprises ranging from in-house DIY solutions, to fully managed services. A business must determine what involvement, if any, the operation of its IT infrastructure has in creating a competitive advantage.

The key is that service providers design, purchase, configure, maintain and support IT infrastructure for a living. Through heavy investment in systems, people and process, providers can operate IT Infrastructure far more efficiently than an enterprise. They can buy hardware, software, electricity and other essentials for a lower cost than most businesses and can repurpose or share platforms with other clients to get economies of scale. This, plus the benefits gained from superior design, 24/7 support, uptime and a quicker time to market means the gap between the value that a service provider can offer and the value that an enterprise can provide is growing wider as time goes on.

**Brian Klingbeil**  
**Managing Director EMEA, Savvis**

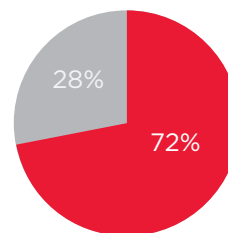
## Stay on top of emerging technologies

There is a large gap between the beliefs of the IT executives whose businesses are not doing well and those that are when it comes to tapping into new technologies. IT leaders who are enabling their companies to flourish are much more likely to consider using new technologies to deliver a competitive edge.

Cloud computing is one relatively new solution that is now the buzzword of the day and has been talked about in the media for quite some time — but do IT leaders know what it is and the benefits it can bring?

One in three IT heads we interviewed are unsure about cloud computing and the benefits it can offer in the current economic climate. The remaining two-thirds of IT leaders understand what cloud computing is. Benefits include better cost control, optimal performance at critical periods and versatility of infrastructure availability.

Despite the confusion, **72% of all IT leaders believe cloud computing will play an important role in the future of IT, helping companies gain efficiencies and reduce cost.** 59% of respondents stated that it will be a priority for them in the future.

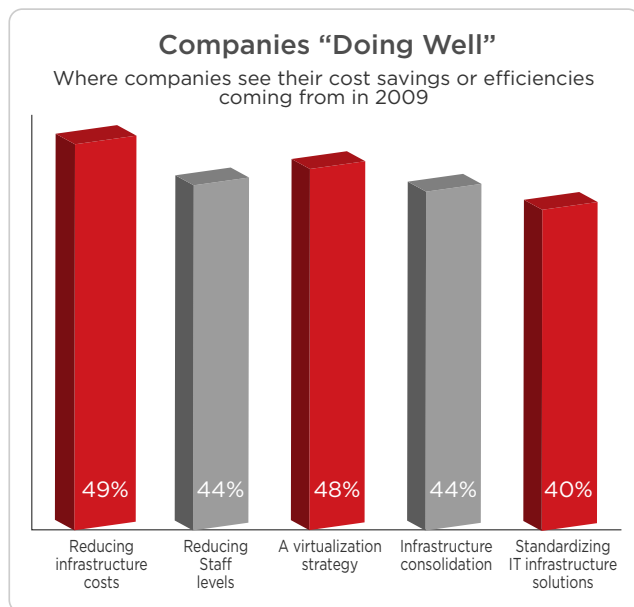


**Cloud computing will play an important role in the future of IT in helping companies gain efficiencies and reduce costs.**

- Agree
- Disagree

## Stay “lean and mean” to compete in your market

Of those IT leaders whose companies are doing well in the current economic climate, the majority said that their main focus in driving efficiencies in 2009 will be to reduce infrastructure costs. Many companies will also seek to reduce staff levels and consolidate and standardize their IT infrastructure to reduce costs and gain efficiencies. Virtualization was identified as a key strategy to achieve this.



## Open up to innovative approaches from vendors — look for specialist capabilities

Hindsight is a wonderful thing. Unsurprisingly, if IT leaders had known the recession was coming, the one major initiative they would have undertaken in advance is to ensure costs were trimmed as much as possible.

Our research shows that of those companies that are struggling, nearly half of them would have focused on cutting costs in advance. However, successful IT leaders would also have worked more closely with their suppliers to gain IT infrastructure efficiencies.

“The key is to look for a reputable service provider who can work with you to develop a roadmap that will enable you to maximise your cost-efficiencies by increasing the utilisation of your IT infrastructure

while consolidating to reduce costs. The roadmap should be flexible and allow you to move as much, or as little, of your infrastructure into a data center or fully managed environment as is appropriate.” says Caddy at easyJet.

“Using virtualization will result in server and device consolidation. These reductions mean less capital spend, lower power consumption, lower maintenance costs, fewer human resource support requirements and fewer software licenses. But establishing large scale benefits due to virtualization depends on a holistic approach impacting tools, processes, roles, and skills across the IT organization. These impacts are often overlooked or not completely addressed within the typical enterprise.”

**Bryan Doerr**  
CTO, Savvis

## Consolidate your IT suppliers

Our research shows that, on average, organizations work with at least three to five IT infrastructure suppliers, and companies are investing 19 hours per week managing supplier relationships. That’s just over two and a half man-days per week.

Mid-market organizations tend to spend around two days per week managing suppliers, but this figure more than doubles to nearly five and a half days per week, as companies grow beyond 10,000 employees.

**56% of all IT leaders believe that there is merit to the concept of consolidating and outsourcing the number of IT suppliers** across the network, hosting and security infrastructure as a way of reducing costs. IT heads enabling their company to prosper throughout the downturn are more likely to consider consolidating and outsourcing the number of IT suppliers. The benefits include saving man-hours in managing suppliers alongside the capacity to re-direct staff into more business-critical areas. In addition, the ability to improve accountability, and make it easier to pinpoint that accountability, makes outsourcing and consolidating more attractive.

“I’d recommend IT leaders watch out for inconsistencies when comparing suppliers, especially during direct cost comparisons, as service offerings vary greatly and are rarely 100% comparable. Some vendors will be taking on more service levels cost, risk and responsibility than others. Terms like managed hosting, cloud computing and proactive monitoring are not used consistently across the industry so it is often difficult to provide like-for-like comparisons. IT leaders should fully understand a service provider’s offering before making a decision based on price. They should also obtain and evaluate detailed service descriptions so that they know what costs specifically are avoided or eliminated when outsourcing,” says Brian Klingbeil of Savvis.

#### Top six criteria for selecting an IT infrastructure supplier

1. Cost
2. Trust
3. Flexibility
4. Reputation
5. Breadth and depth of services offered
6. Global scale

As expected, cost is a key priority for IT leaders when selecting an IT infrastructure supplier, especially in this current market down-turn. However, our findings reveal that trust, flexibility and reputation of a supplier are also high on an IT leaders selection criteria.

“Savvis cares as deeply as I do about whether things are running the way they should. I need to be surrounded by people I can trust and Savvis is right up there with my internal staff,” said Andy Caddy of easyJet.

### Summary

The new breed of IT leaders has given us some key learnings in our research. The major take-away is that during these challenging times it’s imperative that heads of IT maintain focus on the longer-term, while dealing with the day-to-day tactical issues, pressures and costs cutting exercises that so many leaders are experiencing right now. History tells us that the economic recovery will come, though it may take time, and when it does, your organization should be well placed to succeed.

Investigating some of the options that successful IT leaders are pursuing: using IT as a strategic tool; asking “What does IT enable?” rather than “What does IT cost?” and focusing on delivering competitive advantage will put IT executives in a strong position. Exploring options to consolidate and re-organize your IT infrastructure and being open to innovative approaches, offers and strategies from reputable vendors may well be the key to achieving this.

### About the research

This independent survey was carried out with 314 CIOs, CTOs, IT Directors and Heads of IT of global businesses based in the UK, Singapore and USA. The research was conducted between January and February 2009 by Vanson Bourne, a specialist research-based technology marketing consultancy offering clients analysis and advice based on incisive and rigorous research into their market environment. The research used an online fieldwork methodology and all research carried out by Vanson Bourne adheres to the latest MRS Code of Conduct. Demographic detailing includes industry sector, country in which the respondents were based and size of business.

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