

## WHITEPAPER

# Are you looking for speed & agility in operations and accelerating your organization's growth

## *Consider IT Infrastructure Outsourcing*

Business growth comes from a relentless focus on customers and business innovation – and IT must do its part. When it comes to the IT infrastructure that makes the business run, that means three things: shift spending from operations to innovation, enable agility/flexibility, and manage risk.

The goals of IT cost reduction include freeing up resources to focus on core competencies: enhancing solution/service competitiveness, generating revenue from new business development, and streamlining existing business processes. As enterprises return to expansion, they will prioritize revenue growth over cost cutting by focusing on maintaining competitive advantage, retaining and growing customers, attracting and retaining talent, and improving efficiency to intrinsically reduce costs.

To accomplish these goals, businesses are seeking ways to optimize their infrastructure by trying to avoid two extremes: wasted capacity, which results in excess spend; and insufficient capacity, which directly impacts their ability to respond to market demands. Enterprises now require a spectrum of IT strategies atop an adaptive infrastructure to do more with less, and transform the forced austerity of the last few years into competitive advantage.

IT Outsourcing can be a very effective alternative to using internal information technology and resources, but a full understanding of the objectives and options are required to make that decision. The key to a successful outsourcing decision is the cost-benefit analysis, a mixture of the hard dollar costs and the less tangible soft costs, qualitative measures of needs, risks, and benefits.

The decision of when, how and what to outsource is also an essential part of the equation. Organizations evaluating their options for moving complex applications or functions, selective pieces of their IT environment, or their entire IT infrastructure to an external service provider – should consider how each option delivers on strategic business goals.

## The Paradox for Organizations/CIO's Today: How To Do More With Less

IT Efficiency is the key to achieving business objectives. And successful chief information officers (CIOs) know they must focus on IT efficiency to enable rapid response to changing business requirements. How do you reach that goal? With approaches like IT virtualization, consolidation and IT outsourcing, which help CIOs achieve IT efficiency. IT efficiency can help CIOs improve their resource utilization and reduce costs while streamlining their IT operations.

CIOs are constantly faced with challenging decisions, as to whether to:

- ▶ Upgrade existing computing infrastructure with more powerful servers and software or lease infrastructure from hosting providers?
- ▶ Build a new datacenter, lease space in one or more co-location centers or move to the cloud?
- ▶ Opt for Self-Managed or Service Provider Managed? And so on

### Challenges facing organizations today

- ▶ Some of the “pain points” that your company may be experiencing in managing its own computing infrastructure could be driving your need to outsource your systems to an external service provider. Typically, these pain points can include:
- ▶ Providing a scalable, secure, and highly available computing infrastructure that minimizes costs while ensuring service quality
- ▶ Controlling network and systems complexity and obsolescence while managing an increasingly expanding infrastructure
- ▶ Ensuring bandwidth capacity and traffic loads at predictable costs to support mission-critical application environments
- ▶ Competing in an environment where faster time to market and expanded geographic reach are critical to success
- ▶ Enabling an agile, flexible work environment that supports a rapid response to changing market demands
- ▶ Managing a multitude of best-in-breed service providers and product vendors needed to support the highest degree of service delivery
- ▶ Difficulty in hiring and retaining skilled IT staff

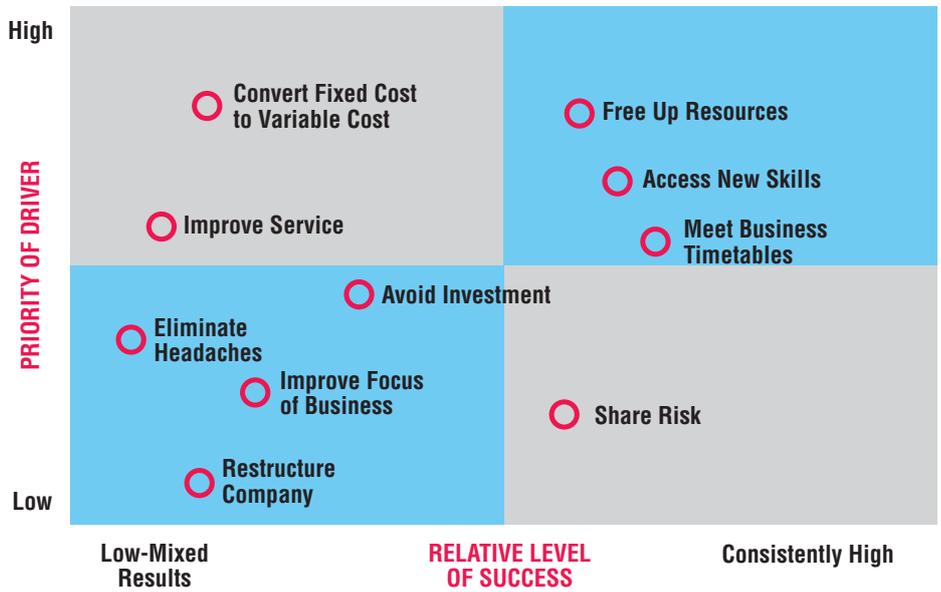
Maximum availability, utilization, and efficiencies in the face of economic and business pressures create a burden on both facilities and IT managers to continuously optimize. This requires each organization to fully understand its combined operational objectives to achieve goals.

## The decision to outsource your IT Infrastructure

More and more, enterprises are seeing that business success in any economy lies in aggressively seeking and seizing opportunities to move forward. And they are using outsourcing as a means of getting there. Why? Because they see an urgent need for rapid, strategic change, and outsourcing can provide a fast-path to such change by enabling them to tap into new business-enabling technologies, expand their internal skills, and acquire and deliver new services quickly.

Dynamic enterprises are moving decisively to connect with companies that can help them achieve what they cannot achieve alone. By shifting some of the IT burden and assimilating new skill sets and services from external partners – in everything from datacenter operations to application development to desktop management – CIOs and other IT leaders are meeting their companies' most pressing needs while laying the groundwork for future growth.

Figure 1 – Selective outsourcing drivers and typical



Source: Forrester's report on Strategic Outsourcing

Identifying business needs and goals

The first steps towards a positive outsourcing decision are to set those organizational goals and determine the desired success criteria for the outsourcing decision. The decision whether to use internal or external IT services must be based on:

- ▶ A sound understanding of the needs and limitations of the organization
- ▶ Identifying and prioritizing the goals of the sourcing engagement
- ▶ Developing appropriate measures for internal and external operations
- ▶ Conducting a cost-benefit analysis of the internal and external options

Figure 2 – Goals for IT Infrastructure Outsourcing

Tactical Outsourcing Goals	Strategic Outsourcing Goals
<p><b>COST REDUCTION</b> Take advantage of provider's lower cost structure and operational efficiencies to free funds for other projects.</p>	<p><b>IMPROVE BUSINESS FOCUS</b> Focus on core business while operational details are expertly managed by skilled specialists.</p>
<p><b>COST AVOIDANCE</b> Eliminate big upfront investment and reduce the need to invest capital funds in non-core business functions.</p>	<p><b>ACCESS TO WORLD-CLASS CAPABILITIES</b> Gain extensive resources and access to leading technology, knowledge, tools, and processes.</p>
<p><b>SHIFT FROM CAPEX TO OPEX</b> Pay as you go model eliminates the need to carry debt liability and the hardware and software assets on the balance sheet.</p>	<p><b>ACCELERATE RE-ENGINEERING</b> Benefit from having an organization that is already re-engineered to world-class standards - take over systems and processes.</p>
<p><b>ACCESS TO TECHNOLOGY AND SKILLED RESOURCES</b> An effective and practical alternative to building new capability from the ground up.</p>	<p><b>INCREASED AGILITY AND SPEED</b> Outsourcing allows organizations to can be more flexible, dynamic, and adaptable to market opportunities.</p>
<p><b>REDUCING COMPLEXITY AND RISK</b> Gain the expertise to handle complex applications and functions that are a challenge to manage.</p>	<p><b>REFOCUS RESOURCES</b> Shift internal IT staff from non-core activities to activities with higher business value.</p>

### Key Drivers for IT Infrastructure Outsourcing

Every organization has a different set of requirements and expectations when outsourcing all or parts of their IT/IS infrastructure and functions. Some CIOs take a tactical approach for infrastructure outsourcing to achieve more effective global operations or speed time to market. Others decide on a complete Infrastructure Outsourcing (ITO) option as an opportunity to transform and re-engineer their technology and processes for greater effectiveness and agility.

#### Driving High Performance

While cutting costs is usually near the top of every ITO wish list, there are a myriad of other benefits to be gained by partnering with an outsourcing provider.

#### Flexibility to Focus

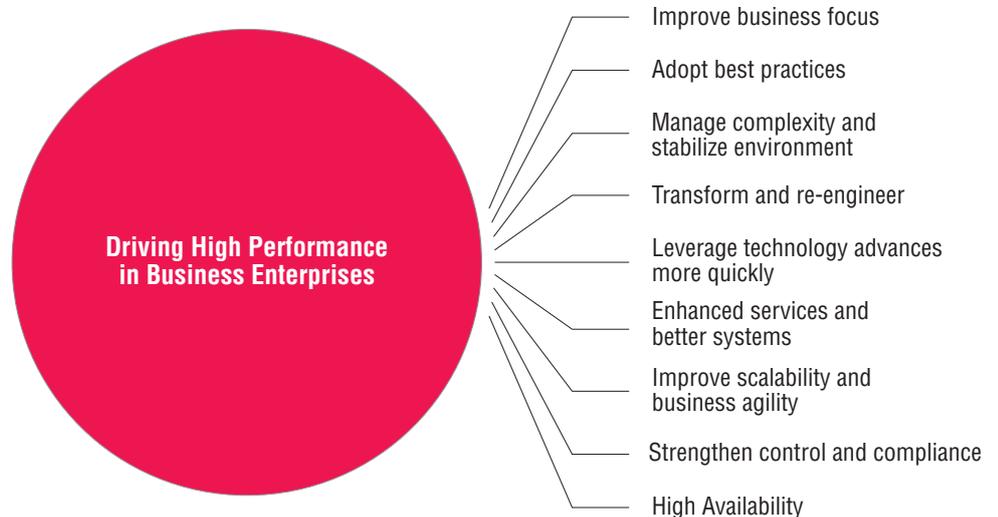
Outsourcing providers can manage the day-to-day IT tasks, and “free up” corporate IT professionals who need to focus on higher value responsibilities. The ultimate benefit for many CIOs is the ability to focus their own internal IT resources on key strategic initiatives that positively impact the future of the business.

#### Agility to Compete

Companies often need “speed to market” and the ability to respond quickly to opportunities. Outsourcing providers offer fast provisioning and IT support and agility to implement or upgrade applications quickly and securely, or to launch a product, especially when a separation is required between internal and external IT functions.

“Business agility is not an option, but a necessity in today’s global markets. Because of this, buyers of outsourcing will be more demanding of their providers to deliver IT value and quality, which will mean greater participation of the business user in sourcing decisions. These users will likely push for consideration of alternative services, to deliver the speed and agility that competitiveness demands.”  
*Gartner*

Figure 3 – Key Drivers for Outsourcing: Stabilization & Performance



#### Scale Cost and Capabilities

The peaks and valleys of business activity can add some uncertainty and inconsistency to operations. Outsourcing providers can reduce risk by offering scalable resources and reliable performance for business continuity.

#### Adapt and Protect

Businesses adapting to the changing global business environment often have need for time-sensitive IT separation, integration, consolidation and transformation. A reliable outsourcing provider will know how to handle the IT challenges during mergers, acquisitions, and divestitures to maximize value and minimize risk.

One such point in case is CarWale which is one of the India's fastest growing automotive portal that offers car buyers and sellers information to make intelligent automobile buying and selling decisions. Within a year of launch, the portal was among the most popular and visited sites for information on automobiles and the traffic on the portal significantly increased. As CarWale needed the portal to be up and running 24x7x365 for its visitors, they wanted an IT infrastructure that was highly scalable and could ensure 99.99% uptime.

With more than half a million transactions in less than eight months of its launch, security of online transactions as well as maintaining and managing the growing customer database was also crucial. CarWale soon realized that they needed a robust, secure and a dedicated hosting solution that could ensure uninterrupted availability of the portal for their visitors with minimum downtime and latency. Hence, they started looking for a managed IT hosting service provider that could fulfill their requirements and the company opted for Netmagic.

“CarWale's subscriber base was growing at an exponential rate, and Netmagic was able to provide us with a dedicated hosting service that has blazing performance and highest level of reliability. Netmagic offered us a robust dedicated hosting solution, with seamless scalability, redundant and burstable bandwidth, Network and server security services, 24x7 support and monitoring services etc.,” revealed *Tufail Khan, Co Founder and VP Classifieds, Automotive Exchange Pvt. Ltd (www.CarWale.com)*.

CarWale's case proves that IT outsourcing has the ability to scale IT infrastructure as needed and on a continuing basis. Businesses can be rest assured that their systems will never run over capacity always ensuring smooth operations. Thus, the CIOs no longer have to worry about upgrading existing computing infrastructure with more powerful servers, software or build a new datacenter etc.

**Future Proof**

Outsourcing helps in future-proofing your infrastructure by transforming your IT for instant delivery. By letting you focus on your core business area, outsourcing your IT infrastructure helps in creating new business and market opportunities.

**Accountability**

A business can leverage provider Service Level Agreements (SLA) to ensure that IT infrastructure and application availability, performance, and support sync with business objectives.

**Improved reliability**

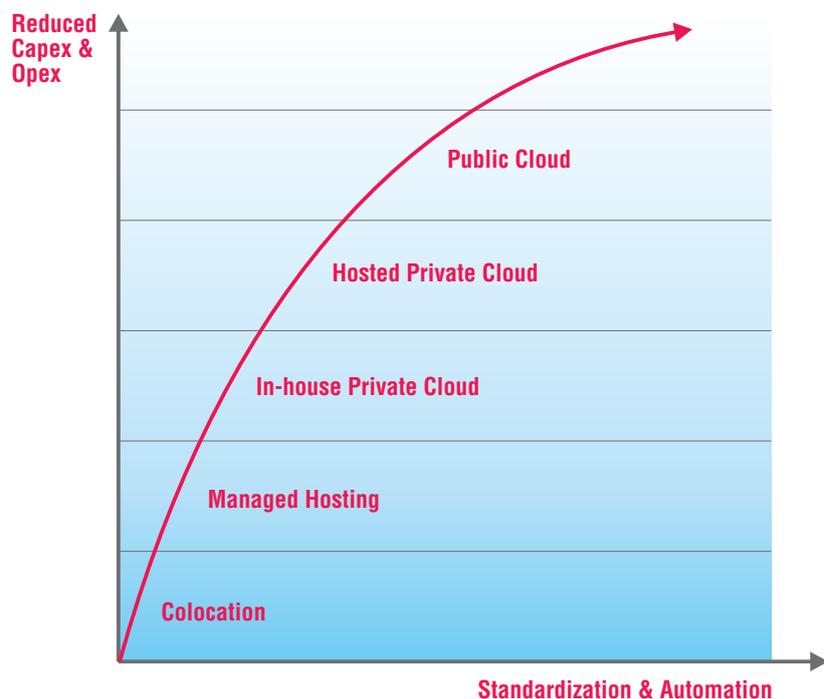
Availability is everything. Business users depend upon their applications, and the enterprise depends on round-the-clock operational integrity of all infrastructure components: servers, network, and security. Outsourcing IT Infrastructure with a trusted provider can guarantee as high as “five 9s” availability (99.999% uptime), with robust redundancy and fail-safe disaster recovery capabilities that minimize mean time to recovery (MTTR), as well.

**Cost Management**

Strategic outsourcing can deliver savings and a reduced total cost of ownership (TCO) for the organization in a number of ways.

- ▶ Capital expenditures can be reduced and costs can be lowered. Outsourcing providers make capital investments in hardware and equipment and share those cost across multiple customers. This translates into a lower cost based on significant economies of scale and allows their clients to reallocate those dollars to core business needs.
- ▶ Outsourcing allows the costs associated with IT to shift from the capital expenditure (CapEx) budget to the operational expense (OpEx) budget, financially positioning IT as an essential cost of doing business alongside other core costs of sales.
- ▶ Outsourced partners offer a way to reduce daily operational costs. The best providers allow companies to scale IT operations, so they can control how much is spent in high or low times.
- ▶ Businesses can “pay as they go” with outsourcing providers. Such flexibility allows companies to move from fixed to variable costs.

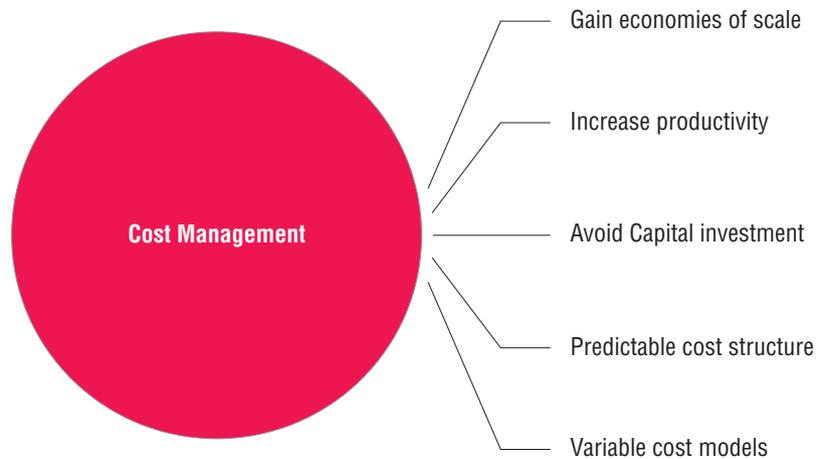
**Figure 4 – Hosting options vis-à-vis IT investments**



“Cloud-enabled services are becoming increasingly viable. The attraction is scalability, pay-as-you-go and freedom from infrastructure build-out. The cloud is likely to accelerate the transfer of ownership for other assets as well, from servers to whole datacenters.” And the fact that capacity will be accessed just in time basis has enormous ramifications for budgeting. When outsourcing to the cloud, companies can cut costs without cutting capabilities because of such things as instant modernization, portfolio rationalization, vendor consolidation, standardization, and the adoption of a service-oriented architecture (SOA).”  
**Gartner**

By outsourcing its IT infrastructure to Netmagic, India Infoline was able to bring down its physical server footprint to a mere 30% by effectively scaling and streamlining the company's existing IT infrastructure leading to a reduction in overall hardware costs (CapEx).

**Figure 5 – Key drivers for Outsourcing: Cost Management**

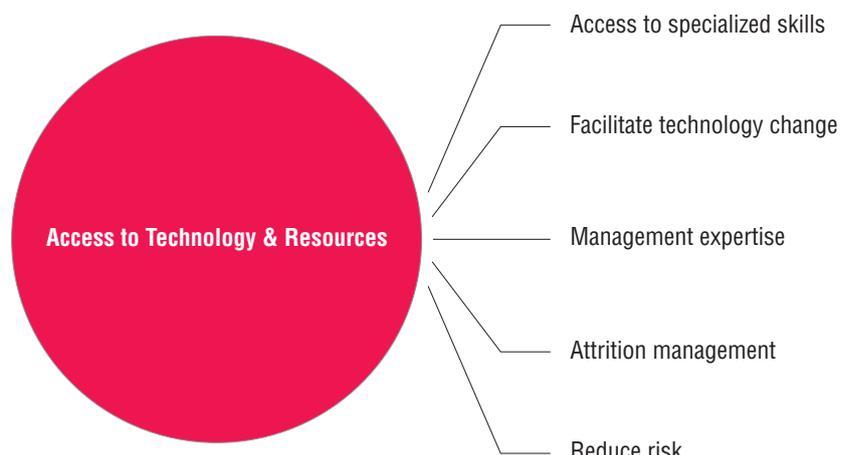


**Access to Skills & Technology**

Access to the technology and skills needed to support business objectives is often a critical factor in the decision to outsource. CIOs can tap the IT expertise and knowledge of their outsourcing partners.

- ▶ Providers have senior enterprise and solution architects, as well as senior project and technical experts who can help design solutions and guide IT projects and operations. They also can solve technical and end-user issues through 24-7 help desk and support.
- ▶ Instead of struggling to find, train and retain specialized IT talent, businesses can tap a broad pool of highly skilled IT specialists who can allocate their knowledge and skills to support the businesses, as needed.
- ▶ Outsourcing providers will assign well-qualified individuals to manage client accounts with a single point of contact and multiple service teams made up of highly skilled technical individuals.
- ▶ Outsourcing providers come with investments already in place. The best providers already have the latest technologies, processes and tools. Their clients' benefit from a continuous investment and improvement model and focus on innovation.
- ▶ IT outsourcing can lay a foundation to help organizations move away from complex and inefficient IT environments and create IT capabilities that are scalable, agile, secure and responsive to business needs.

**Figure 6 – Key drivers for outsourcing: Access to world-class technology and resources**



After a huge successful IPO in 2005 and in the face of growing business load of reliably servicing over a thousand branch offices nationwide and nearly a million clients, India Infoline (IIFL), one of the leading players in the Indian financial services space felt the need to streamline its IT infrastructure. IIFL also wanted to redirect the focus of precious human capital towards its core business, instead of the running, maintenance and upgrading of its IT operations. Thus, the company decided to avail the services of a managed IT hosting service provider who could provide it with a robust, scalable, and a highly available IT infrastructure and manage it for them 24x7. India Infoline evaluated its options and finally chose Netmagic Solutions as their managed IT hosting service provider.

Netmagic streamlined India IIFL's existing IT infra resources and provided a turnkey solution for automated centralization of all IIFL's key client applications including database management, network management, server management, security management, trading application management, project and vendor management.

“Outsourcing our IT infrastructure helped us focus valuable human capital on core business processes, application development and innovation. All our key client application environments are now virtualized and centrally hosted at Netmagic's datacenter leading to efficient management,” said **Sankarson Banerjee, CIO, India Infoline.**

Thus, by outsourcing to a specialist IT service provider the CIO can immediately gain access to array of skilled, qualified and dedicated resources allowing them to focus on their core business.

### Benefits are as important as Costs

The benefits of IT application and infrastructure outsourcing can be significant. Financial and human resource limitations, the growing complexity of technology, and cost and risk of deploying new technology can present challenges to an organization's internal IT operations.

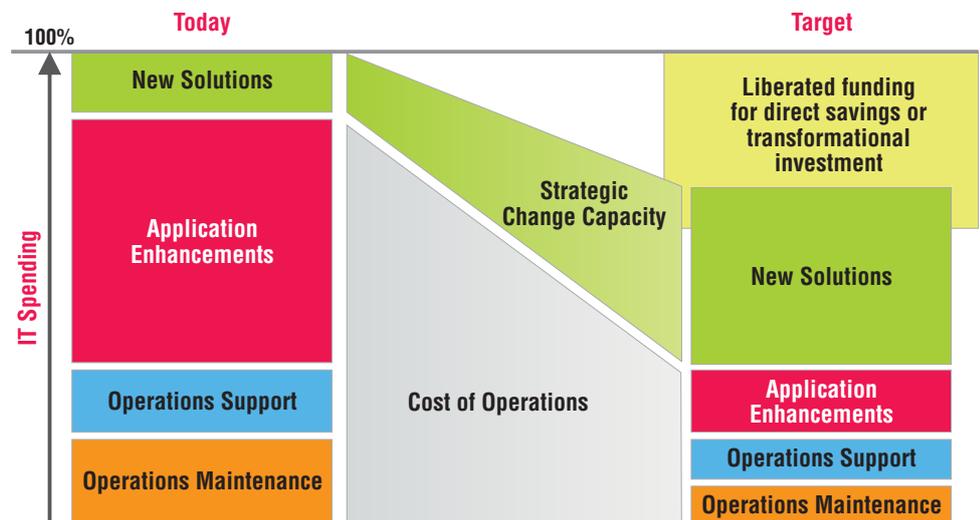
By outsourcing selective pieces of the IT environment, CIO's can leverage a service providers expertise, economies of scale, high performance, and enhanced IT service delivery to address some of their most pressing issues – and remove barriers to innovation and value creation.

**Figure 7 – Benefits: Outsourcing IT Infrastructure vs In-House**

In House Challenges	Outsource Hosting & Cloud Solutions
<b>UNEXPECTED EXPENSES</b> - Thousands of out-of-pocket expenses - Unpredictable ongoing costs of management and upgrades	<b>PREDICTABLE COSTS</b> - Save thousands on development - Ongoing costs predefined, easy to budget - Cost savings from economies of scale
<b>STAFF/TRAINING BUDGET</b> - Costly new hiring and training of dedicated personnel	<b>NO IT STAFF/REFOCUS IT STAFF</b> - Lower cost of management and operations - 24x7 service desk and support
<b>HIGH MAINTENANCE</b> - Additional features such as security, capacity management, and device management are hard to deploy with lack of technical expertise and budgets	<b>World Class Service</b> - Solutions available right away - Competitive pricing - Extensive breadth and depth of services
<b>AGEING SYSTEMS</b> - Productivity suffers dramatically if older versions of technology and applications are still running in-house	<b>UNPARALLELED SUPPORT</b> - Best equipment, software and support available – refreshed to stay current - Continuous investment & improvement
<b>RETENTION &amp; TRAINING</b> - In-house staff may not have the specialized training and experience - Experienced staff may have high turnover rates	<b>EXPERTS ON HAND</b> - Technological Know-how - Access to technical and IT engineering experts
<b>YOU OWN THE HARDWARE &amp; SOFTWARE</b> - (Apply Depreciation)	<b>YOU DO NOT OWN THE HARDWARE</b> - No capital expense

The greatest benefit of outsourcing is that it can enable IT to address growing corporate expectations for strategic change and value creation as shown in the figure below.

**Figure 8 - Outsourcing can help companies redirect the bulk of the IT budget from operations to strategic business solutions and change – Source Gartner**



### Outsourcing can be a transformative tool for business

Today the business agenda is broader, and outsourcing must provide a route to strategic effectiveness as well as cost efficiency. By using outsourcing to sharpen their focus on the business, CIOs can realize the greatest gains. The key is in placing the company's transformational goals on the agenda at the beginning of the outsourcing engagement. Transformational outsourcing arrangements put CIOs in a better position to use IT to optimize business processes and acquire new capabilities – when they need to.

Such arrangements thrive on close collaboration between service provider and client, facilitating improved understanding and enabling outsourcing's risks and the rewards to be shared. Perhaps more important, they enable CIOs to capitalize on the changing business environment, helping the organization accommodate an increasingly complex compliance agenda, for example, and integrate new governance, security and regulatory requirements into existing practices.

Companies that seize the opportunity to act boldly and employ outsourcing to launch new strategies can effect rapid, differentiating change (Figure 9).

**Figure 8 - Outsourcing can help companies redirect the bulk of the IT budget from operations to strategic business solutions and change – Source Gartner**

Business Challenge	Outsourcing Solution	Outsourcing Benefit Achieved
Poor application performance due to insufficient network capacity	Network application optimization	ROI achieved in one month with up to 10-fold increase in link capacity
Excessive data/IT information storage and support costs	Virtualization of storage hardware	Reduction in servers up to 80% (plus total cost savings of up to 43% over three years)
Real estate space constraints	Datacenter server optimization and virtualization; SOA integration	Dramatic reduction in complexity, total cost of ownership and the number of servers
High energy consumption and waste	Consolidation; virtualization; green datacenters	Greener IT environment, with a 25% reduction in energy consumption and CO2 emissions
Shortage of skills needed to address a complex application landscape	Business application modernization	Reduction in the development cycle time by up to 50%, resulting in faster time to market

### Outsourcing leads to innovative Business Model change

One of the advantages of outsourcing is that the cost savings and technical precision that successful partnerships set in motion can bring in radical, innovative changes in the way companies function, meet corporate social responsibility requirements, deliver products and services, and respond to shifting consumer demands. These new ways of doing business can change companies' entire value proposition by enabling them to leverage new delivery channels, expand their service and product and service portfolio, and enter into new markets.

Outsourcing providers' objectivity and experience, access to wider resources and geographic coverage, as well as their links to cutting-edge research and technology development, can be especially valuable in assessing enterprises' needs and devising groundbreaking business solutions. By establishing a relationship with a capable and experienced outsourcing provider, enterprises are better equipped to mobilize the expertise and computing resources needed to implement business model changes.

### Need for a strategic partner

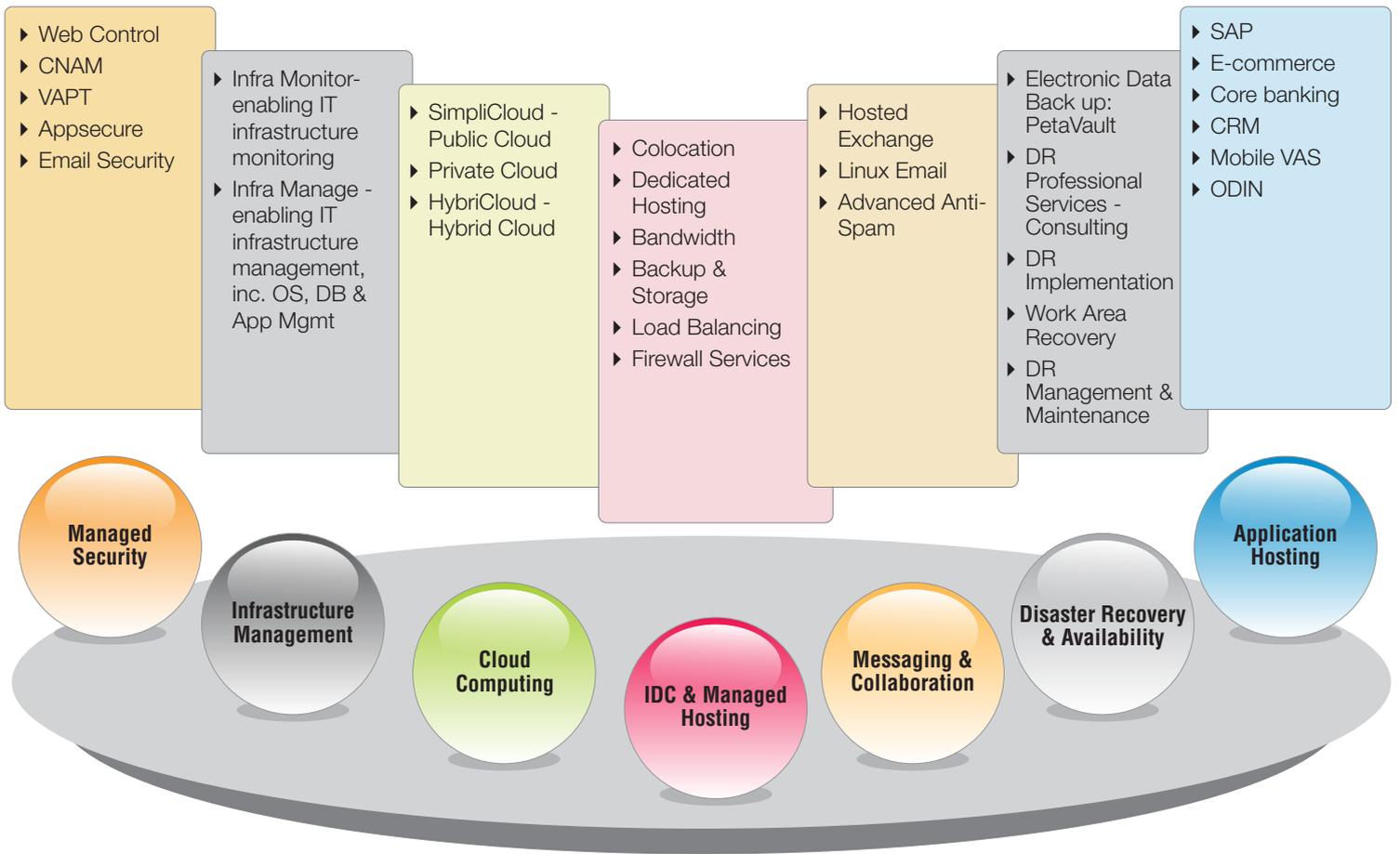
There are a number of factors that need to be considered when looking at outsourcing your IT Infrastructure and management. The major worry that most businesses have is the loss of control over their IT assets. This is a valid concern but can be overcome with a pre-determined strategy for outsourcing. This issue can be taken care of by diligently selecting the right partner with the necessary skills and track record of helping other companies. Also, in any outsourcing contract it is crucial that the service provider and the customer should have the same set of expectations from the outsourcing contract. It is important to ensure that the outsourcing partner is reliable and trustworthy. Choose a partner that respects the need for transparency, and who take the time to understand your IT needs.

Also, organizations look for innovation. As the market for customers gets increasingly global and diverse, technology product customers will expect third-party services vendors to move up the value chain and provide domain specific innovation that will enable them to reduce costs of getting their products to market and assist with market feedback to enable successful creation, launch, and sustenance activities for their products.

Netmagic's infrastructure outsourcing services/solutions help the organization to achieve all this. Netmagic is a strategic and reliable partner that brings expertise, automation and flexible pricing strategies to drive down costs. The company provides flexible, adaptive technology and multiple sourcing options to help you respond to changing business demands. It enables compliance, security and business continuity to reduce risk. And when the organization needs to move quickly on new initiatives, Netmagic backs it up with their team of experts and technology partners.

This is evident in the way the relationship between India Infoline and Netmagic has progressed. When India Infoline needed to upgrade its trading software and move its broadcast servers to cloud, which runs at its peak during trading hours, and ran on 70 odd servers, it turned to Netmagic for support. India Infoline took ten days to migrate around 54 broadcast servers to the cloud with help from Netmagic Solutions, as against the almost six weeks timeframe required to provision a server in-house. Since it was not economically feasible for India Infoline to buy 70 additional servers, they decided on using Netmagic's cloud computing service.

Figure 10 – Netmagic's Comprehensive Service Portfolio



### Conclusion

High performing businesses need to respond quickly to market changes, improve operational efficiency and excellence, and accelerate growth. To do that, they are increasingly looking at outsourcing partners to deliver cost efficient, flexible and scalable IT outsourcing models.

Therefore, CIOs and CFOs are rethinking their IT strategies to improve business processes, cut costs and make sure their organizations are future-ready. Outsourcing all or part of an organization's IT infrastructure, operations and applications is just one option in the CIOs tool kit for moving to the next generation of IT - and bringing IT in closer alignment with these business objectives.

For more information visit [www.netmagicsolutions.com](http://www.netmagicsolutions.com)



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