

Change is Good

By K. Yates

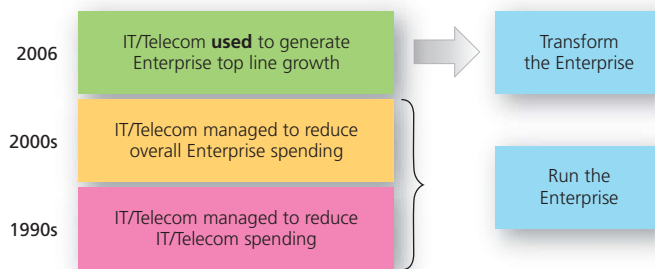
The past 10 to 15 years have seen a shift in how executives view IT/telecom infrastructure. In the 1990s, executives managed IT/telecom to reduce its cost; in the early to mid-2000s, it was managed to help reduce overall enterprise spending; today, IT/telecom is critical to successfully running the enterprise (Figure 1).

With IT and telecom converging, corporate network technology is evolving and becoming more complex. These converged voice, data and video communications are now fundamental to creating business value and must be integrated with business processes. Today, IT/telecom investments and decisions have different rationales:

- Reduce costs.
- Meet end-user demands.
- Increase productivity.
- Improve quality of products and processes.
- Stay ahead of the competition.

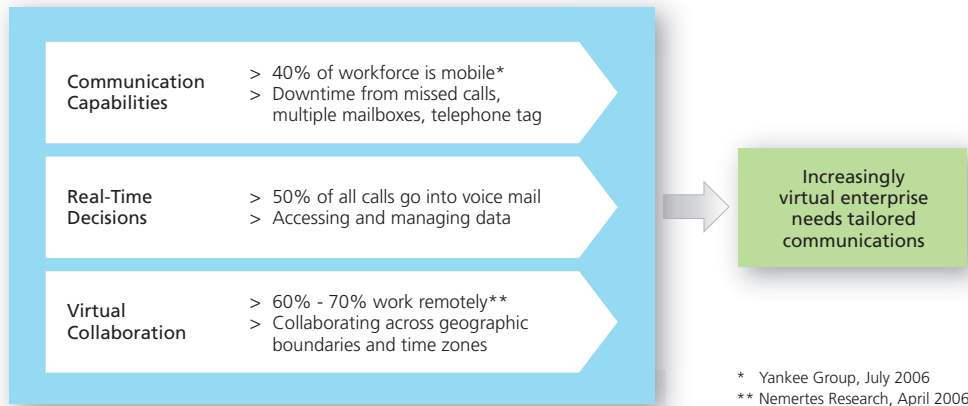
Achieving these goals now requires that IT/Telecom generate business growth through transforming the enterprise. However, enterprises are often not equipped to manage this transformation and keep pace with technological evolution.

Figure 1: Why converged communications matters



Transformation is required to capitalize on the potential for converged networks to expand enterprise boundaries and provide new pathways for growth and innovation. Enterprises must use these new pathways to meet the demands of end users, employees, clients and partners (Figure 2).

Figure 2: Communications challenges of today's enterprise users



End users are demanding:

- Communications for the enterprise ecosystem of relationships.
- Support for a broad range of equipment, applications and technology.
- Tailored, easy communications to facilitate real-time decision-making.
- Network security and reliability regardless of geographic boundaries.

These demands are driving enterprises away from traditional practices toward evaluating new business models enabled by new technology and business processes, reduced operational complexity, improved productivity, and assured security and reliability.

Issues executives face:

- How to take advantage of new technology without causing disruption.
- How to create competitive differentiation.
- How to manage voice and data traffic effectively as the business grows globally.
- How to keep the network secure.
- How to match network capacity to demand.

Outsourcing Business Model Solutions – A Closer Look

In addition to meeting these challenges, executives expect to save 15-30% on operating expenses (OPEX). To meet the requirements of this complex networking environment, enterprises around the world can employ proven, tailored outsourcing solutions.

Selective engagements focus on a specific management function, or task, that a third party can perform more economically and effectively. Employing the outsourcing partner reduces the burden and expense of initial setup to support the engagement. The partner can often help to reshape or transform the way the function is performed. Operating and managing a LAN or WAN, or conducting performance monitoring in accordance with service level agreements (SLAs), are some common selective engagement scenarios.

Hosted/managed applications are network-based services that typically reside either at the partner's data center or on customer premises. Like the overall telecommunications marketplace, the applications marketplace is changing rapidly. Yesterday's applications, such as voicemail and text messaging, are becoming today's application enablers. Enterprises need to provide applications that are cost-effective, increase productivity and improve satisfaction. However, before offering these new applications, hundreds of new application opportunities must be evaluated to create a range of services that meet business imperatives.

Strategic outsourcing is a relationship for network transformation and migration to next-generation converged services to realize long-term financial and business objectives. This is a comprehensive solution to support all aspects of the full network lifecycle: planning, design, integration, ongoing maintenance and management and network evolution. It is more than just a relationship between a supplier and vendor – it is a relationship between business allies. Simply stated, an outsourcing partner manages your network so you can manage your business.

Focus on Building Your Business

With the correct strategic partner, enterprises are free to grow their business and efficiently transform their infrastructure to accommodate next-generation converged services. Enterprises can concentrate on their customers and business rather than day-to-day network operations.

Capital expenses (CAPEX) and OPEX can become more predictable, and total cost of ownership can drop. In the short term, OPEX reduction can result from economies of scale associated with the partner's operations center, infrastructure and personnel investment. Over the long term, OPEX is controlled by outsourcing some or all network operations to a strategic partner. Costs can be more accurately controlled and forecast as regards managing the network, new application deployment and network expansion.

In the short term, there is an initial CAPEX investment advantage; at the same time, long-term CAPEX reduction can result through minimizing or eliminating certain ongoing investments in development and maintenance and operations center expenditures.

The partner's capabilities can assure top performance while the enterprise maintains network control through rigorous SLA management. The collaboration provides a degree of network control that ensures superior results and client satisfaction.

Outsourcing business model solutions help enterprises:

- ▶▶ Use technology to differentiate from competitors and achieve important business objectives... by implementing technology that provides a survivable platform with room for growth and expansion.
- ▶▶ Manage and operate a network encompassing multiple locations... to deliver integrated voice and data services cost-effectively.
- ▶▶ Put the enterprise end user in the driving seat... by providing ubiquitous access to services independent of device and network type.
- ▶▶ Protect assets and intellectual property while delivering superior customer service... by delivering improved customer operations and committed network service levels.

What to Look for in a Partner

An effective outsourcing business model provides solutions tailored to the enterprise's needs and environment. Outsourcing can offer tremendous benefits by choosing the right partner – one dedicated to client-driven innovative solutions. When evaluating potential partners, enterprises should consider the following factors:

People and experience: The partner's staff should include a large complement of certified network experts with an extensive track record of designing and building networks quickly and efficiently. Look for professional change management capabilities and a proven methodology for network transformation. A partner with these qualifications can provide world-class network quality based on aggressive SLAs that drive customer satisfaction and retention.

Knowledge assets: The potential partner should have R&D capabilities that provide the latest in business modeling and analysis tools to speed up successful implementation. Also essential are network operating centers to provide the latest in network operations technology and a secure platform for ongoing management of complex, multi-vendor networks.

Proven methodology: The partner should have proven outsourcing methodology and governance models and use best-in-class tools, processes and metrics. A superior methodology spans all dimensions of network planning, design, implementation and management and should be measurable. In addition, leveraging a shared capital model optimizes return on investment and minimizes risk. This type of proven outsourcing approach goes beyond contract management to focus on deriving value from the strategic relationship and enhancing overall business contributions.

Value delivered: From a financial perspective, at the very least an outsourcing relationship should reduce CAPEX and OPEX. Enterprises can often realize savings of 15-30% over the present mode of operation and improved return on investment. These new business models also drive significant growth in market capitalization. Experience has shown that the more complex the network and the more strategic the relationship, the greater the savings potential.

There are many other areas where the benefits of an outsourcing arrangement can provide improvements. Operational processes improve through management of service level agreements – not problems – and network management is simplified with a single point of accountability. Risk can be mitigated, and working with networking infrastructure becomes a far simpler process due to the round-the-clock presence of the outsourcing partner. Finally, by leveraging a partner's expertise through knowledge transfer, an enterprise remains up-to-date on the latest technologies and trends that can impact its business.

Outsourcing provides the innovative business model that allows enterprises to transform their business to address rapid market changes, enhance earnings, enter new markets, launch new applications and increase focus on end-user value. These drivers are the catalysts behind the increase in enterprise network outsourcing.

Conclusion

As networks converge, corporate technology is evolving and becoming more complex. Converged voice, data, and video communications are fundamental to achieving the CEO's desired business value and must be designed to integrate with business processes. This transformation creates new network and operations management challenges. Enterprises must maintain focus on network advancements and client satisfaction in an environment of constant technology change, yet while addressing these challenges, executives expect improved financial metrics.

As a result, more and more enterprises are realizing that owning network infrastructure is no longer their core business. They need instead to focus on:

- Decreasing the length of innovation cycles.
- Decreasing time-to-market for new services and applications to help improve productivity and to support the enterprise ecosystem of relationships.
- Mitigating the risk of up-front investments in new technologies.
- Scaling capacity to meet demand.
- The services offered over a network, rather than the network itself as an asset.

This has created an environment where a growing number of enterprises are looking to alternative business models for competitive advantage. These business models offer tried and tested approaches to outsourcing, aiding business success through providing tailored solutions for complex environments.

Enterprises benefit from cost optimization, maximized financial performance, a stringent set of performance standards and objectives, assured business continuity and a sense of security. It is a proven strategy for success. ▶▶

Karin Yates works in Marketing Strategy and Communications, in the Alcatel-Lucent Services Group, Haverhill, Massachusetts, United States.
Email: kayates@alcatel-lucent.com