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WHITE PAPER:

Seven IT Strategies to Help Survive the Downturn

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Executive Summary

The U.S. economy is slowing and, whether it turns into a deep recession or continues to be a mild downturn, the predictions of tougher times ahead have CIOs and company executives developing a wide range of contingency plans to survive the slowdown. With the size of today's IT budgets, the CIO and the budgets they manage will come under pressure to drive more business value, reduce costs and contribute to bottom line savings.

The challenge for the CIO is how to get more done with less, while not sacrificing quality or longer-term strategic IT initiatives that are critical for future success. It's not an easy task to reduce IT costs, but as experienced in 2001 during the last downturn, there are ways to focus on the "low-hanging fruit" that can provide immediate results. We believe there are seven IT strategies worth taking a closer look at that can make a difference and have an impact.

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Introduction

Let's first make a comparison between what happened in 2001 and where we are now. Today's IT environment has evolved since 2001, and CIOs have a much stronger role to play in driving greater business value and creating competitive advantage from IT.

Key differences between 2001 and 2008:

- IT is more integrated as an organization and its hardware, software and services components are more integral to its business success.
- CIOs are more of a business leader than just an IT professional—therefore strategic and tactical initiatives are much more closely aligned to business strategies.
- IT budget decisions, as an example, are made in closer collaboration with the business leaders and C-suite.
- The IT outsourcing value proposition is probably even more attractive today than it was in 2001 because it now has a longer proven track record of delivering value. Outsourcing is more tried and tested. Therefore, it carries less business risk and there is greater industry data for companies to evaluate regarding service quality and supplier quality that is readily available and formally measured.
- Market underpinnings causing the market downturns are different, i.e. 2001 was driven by the technology crash while 2008 is being caused by the credit market collapse.

Even with these positive changes in the value placed on IT and the empowerment of the CIO, what needs to be accomplished in 2008 is not any less daunting. The goal is to survive the downturn by reducing capital and operational costs in the near-term while at the same time preparing for what then will follow. The challenge is to pursue the right set of strategies which deliver the desired results, in the right timeframe, without compromising the quality and future performance of the IT infrastructure.

Strategies to Focus on in 2008 and Beyond

CompuCom, a leading IT outsourcing company, recommends that CIOs focus on seven fundamental IT strategies in order to reduce costs and drive greater value from the infrastructure. Each strategy leverages industry best practices, is focused on integrating and achieving greater IT alignment and can deliver tangible results over the next six to eighteen months. Strategies include:

1. View Infrastructure as a Process, Manage it as a Service
2. Manage Your Operations Remotely
3. Leverage Best Practices for Continuous Improvement
4. Gain Variability with Infrastructure-as-a-ServiceSM (IaaS)
5. Be Strategic in Selectively Outsourcing
6. Go Green with a Smaller Footprint and Virtualization
7. Drive More Productivity from Unified Communications

Viewing infrastructure as a process and managing it as a service allows companies to approach outsourcing from a totally new angle, similar to BPO, enabling greater variability, visibility and affordability to drive greater business value. We call it Infrastructure-as-a-Service (IaaS) and it is an integrated part of our IIM solution.

1.) View Infrastructure as a Process, Manage it as a Service

We have become so accustomed to, and enamored with, the latest technological innovations that we have become lax in our process of procuring, deploying and operating the fundamental IT infrastructure. At the same time, new consumer devices and applications have been infiltrating the infrastructure creating new and additional support and security challenges. Many enterprises, still in silos, have inadequate processes to effectively manage and support the expansion. Infrastructure maturity levels are generally much lower than management thinks, and without greater focus on integration and enterprise-wide process alignment, many companies will continue to suffer from disjointed management processes, inadequate service quality and higher costs.

Viewing infrastructure as a process rather than individual isolated components drives logical infrastructure “process bundles”. When viewed in this way, and managed from an outcome-based service level perspective, greater effectiveness can be gained through higher levels of IT integration. Infrastructure is catching up with its business process “big brother”. Bundling services that are tailored around “like” functional processes and role-based end-user needs, and offering different segmented levels of hardware, software and services—including on-site, remote and self-assist support capabilities—delivered via right shore delivery centers, is a good example of this evolving approach. It requires taking a holistic view of integrating the infrastructure that includes everything from servers to smart phones, from operating systems to enterprise applications, from switches to routers, from image management to patch management and from acquisition to disposal. The delivery model leverages smart technologies to allow end-users to resolve issues themselves, resolve issues remotely from anywhere on the planet or if necessary, resolve them on-site. This method helps enhance quality and allows variable service level pricing, while maximizing the cost savings between remote and on-site delivery models.

These process bundles managed as a service can and have delivered superior quality at a dramatically reduced cost. By leveraging the unique aspects of

outsourcing in this way, companies gain the benefit of shifting a greater percentage of fixed costs to variable as their infrastructure maturity levels improve. (See Figure 1.) For example, in partnership with a large energy client, using such an approach, CompuCom was able to increase infrastructure efficiency by an incredible 46% in less than two years. CompuCom used its Integrated Infrastructure Management (IIM) solution in this case, to deliver such results via consolidation of people and processes and through a more standardized technology platform.

(Figure 1)
Greater Integration of people, processes and technology drives higher levels of maturity and business value.

ISO 20000 registration is an easy way to tell if an IT service provider is focused on Best-in-Class best practices and delivery processes that drive elevated levels of business value while increasing service quality.

2.) Manage Your Operations Remotely

Remote Infrastructure Management (RIM) used to be an answer for only high end complex technologies (e.g. enterprise servers and multi-channel networks). These cost-effective services have now been successfully proven viable for a much wider swath of hardware, software and service solutions. As further testament to this segment, the 40-50% CAGR offshore RIM providers have achieved demonstrates an increased trust factor from clients and a belief in the solution and the results that can be gained.

CompuCom's perspective is that these solutions can be applied across almost the entire infrastructure—hardware, software and services—spectrum with strong business results. For example, we deliver the same security, network, database and other infrastructure solutions for lower-end servers, network and network devices, desktop and even PDA type devices remotely today, that once were the exclusive domain of enterprise servers and networks, with great success. One capability that is often overlooked is self assist, and this will be a key component of our RIM roadmap. Like any new approach, our initiatives around RIM also include a change management program to enable clients and users to adopt these new features and capabilities enabled by our remote operations. Our track record in achieving a relatively quick adoption curve has been very positive and we continue to fine tune our processes with our clients. Key to success is doing something different to expect different results.

By taking advantage of our network of onshore, near shore and offshore Certified Delivery Centers, one of our pharmaceutical clients doubled the volume of end-user administration type services with the same cost basis. With our offshore capabilities and our ability to offer various blended delivery options to remotely manage a client's operations, CompuCom can provide a very high quality and cost-effective solution that will meet their specific needs.

3.) Leverage Best Practices for Continuous Improvement

An example of where ITO has morphed into a burgeoning trend, particularly for service providers, is the establishment of de facto IT service standards. It is difficult to imagine that in 2008 standard vernacular and process does not exist consistently across the infrastructure management industry. Since 2001, the ITIL service management philosophy and methodology have become that standard. Additionally, Six Sigma, TQM, ITSM and other frameworks provide tools and methodologies that can be leveraged. This allows clients and service providers to talk the same language and offers a simpler way to identify the logical process bundles that can be integrated. This trend offers consistency across service providers, improves agility options for clients and offers an overall benchmark for process improvement.

Many providers like CompuCom have endorsed the ITIL approach to integrated service management, and in our case it is absolutely consistent with our IIM approach which we introduced in early 2000. An important metric for, and indeed almost a selection criteria for service providers is the ISO 20000 registration. ISO 20000 is, today, the only third-party validated organizational certification of

efficient use of ITIL practices. CompuCom is registered with the ISO organization and compliant with ISO 20000. As a client or prospect, why should you care? Because driving business value from IT infrastructure is more likely to succeed with an IT provider with proven and certified quality delivery processes. For us, it's not about just being certified, it's about how we actively use these processes and best practices every day to enable change.

Over the years, our unwavering focus on quality and our ability to deliver results have been recognized and verified many times by leading analyst firms. For example, by using best-in-class methodologies and frameworks, we helped a large manufacturing client reduce abandoned service calls by 48%, reduced level 2 support costs by 28%, and increased end-user productivity by 114%.

4.) Gain Variability with Infrastructure-as-a-ServiceSM (IaaS)

CompuCom believes that two of the most challenging and opportunity-rich cultural opportunities that can drive quality and cost advantage are in the areas of asset ownership and control. Many organizations today feel that they need to own and control their IT assets as they are strategic to the delivery of dependable, consistent high quality IT services. CompuCom offers a complete spectrum of ownership and control options when it comes to IT assets. For example, for several of our clients today, CompuCom will manage the entire procurement, ownership and management process, including a secure, green disposal process. This provides two distinct advantages for clients who want to work with a partner to drive more business value and flexibility into their processes. First, the client will have the one time opportunity to move capital assets off their balance sheet and receive a one-time cash infusion. Second, the entire ongoing infrastructure management process is variable—i.e. will scale in either direction for a growing or declining economy—and is accounted for typically as an expense rather than capital.

All of this is delivered to our clients as an Infrastructure-as-a-Service (IaaS) solution with, industry leading quality, guaranteed SLAs and pricing for one price-per-seat per month. Purchasing services in a turnkey fashion like this can help clients quickly achieve the following measurable results:

- Decrease capital costs
- Gain one-time cash infusion
- Increase variability and scalability
- Reduce time to market
- Lower risk and operational costs

Infrastructure-as-a-Service is a highly effective way to help clients achieve a predictable, per-asset cost that gives them added flexibility and scalability during up and down cycles in the market. By integrating billing, reporting, finance, comprehensive asset management and services delivery for a global manufacturing and service client, we reduced their capital costs by more than 20% while significantly lowering their operating costs and giving them unprecedented flexibility, efficiency and cost certainty they never had before.

5.) Be Strategic in Selectively Outsourcing

In a slowing economy, many more companies will take a fresh look at outsourcing due to the inherent benefits of having an outside expert manage their IT infrastructure more cost effectively. One significant lesson learned between the 2001 downturn and today is that mega-outsourcing is very difficult to manage and derive business advantage from—both from a client and an IT services provider perspective. First generation outsourcing deals were focused primarily on cost cutting, where as second and third generation engagements are becoming more balanced and focused on the triad of capabilities, capacity and ability to deliver cost savings. CompuCom believes that clients should be more selective and targeted in outsourcing the right combination of process bundles, as alluded to before, to the provider that has specialized expertise in that particular area allowing the client the right mix of control, ownership, flexibility and business advantage. The days of the 10-year mega-outsourcing contracts with many layers of subcontracting service delivery are numbered in our view. As first generation contracts come up for renewal, we strongly recommend clients take a closer look at their current provider to evaluate if they are the right match and if they have been locked into a relationship that has lacked flexibility, innovation and continuous cost and quality improvements.

We see a bright future for clients who maintain the right balance of internal strategy and architecture ownership, and strategically leverage the capabilities of multiple key outsourcing partners with flexible engagement and governance models—all focused on driving significant business value. Clients and IT service providers alike have much more experience and lessons learned since 2001, and clients who outsource are looking for the most effective ways to increase their business performance, profitability and competitiveness. On average, IT organizations are still saddled with a 70/30 split between fixed and variable costs that have handicapped them from making quick corrections during market flux. Today, there are new outsourcing models and very agile mid-sized service providers to consider that were not available in the early days of outsourcing. However, don't rush. As tempting as it might sound, remember a bad process outsourced is still a bad process. It is important to take your time and do your due diligence first before selecting the right partner. (See Figure 2.) When being

(Figure 2)
 "Stay Focused On Your Strategic Outsourcing Objectives—Even As Economic Pressures Mount" as promoted in Paul Roehrig, Ph.D., report from Forrester Research, March 3, 2008



more strategic and selective, companies can gain a broad range of benefits from outsourcing:

- Enhance capabilities in key competitive areas
- Partner with experts to increase innovation
- Increase the ability to focus on core competencies
- Shift more fixed IT costs to variable— with a one-time cash infusion
- Reduce costs
- Shorten time to market
- Improve business performance

Another dimension to consider when developing a more variable infrastructure is the labor pool. With pressure to run a leaner IT workforce, another avenue to evaluate is if to outsource your IT staffing needs to an outside company. Using a provider that has off-the-bench domestic and offshore IT contractor or project-based development capacity can provide a cost-effective solution for companies facing IT staff reductions, or the need to quickly increase personnel at new locations or add technical expertise to their staff in specialized areas.

CompuCom has significant experience in all aspects of IT outsourcing, and for over 20 years we have been providing a broad range of IT services to Fortune 500 companies. As a result of outsourcing, one of our long standing clients—the nation's largest wine maker and distributor—reduced total cost of ownership by 45%, improved support response time by an incredible 95% and was publicly recognized and ranked number one by a major technology publication as the nation's most innovative IT organizations. No matter what the size or type of IT engagement, we provide service quality excellence at a much lower cost than other larger providers.

6.) Go Green with a Smaller Footprint and Virtualization

Going green in IT through a smaller footprint—logically and physically—is another proven method of improving IT effectiveness and efficiency. This is accomplished by delivering a higher degree of productivity from existing technology through consolidation of underutilized, distributed server clusters. New virtualization technology allows multiple applications to operate securely within the same physical server and eliminates the need for one application operating on one server. By allowing multiple applications to share the same server, you can achieve 80-90% utilization rates that are much greater than typical rates of 15-20%.

Hardware blade and virtualization technologies have demonstrated a significant reduction in not only hardware and software procurement and installation costs, but also in the longer-term management, maintenance and utilization costs. Additionally these new solutions reduce the physical footprint and the amount of energy consumed, thereby killing two birds with one stone and making it a very eco-friendly approach while gaining significant levels of performance. By partnering with a large enterprise hardware manufacturer, we helped a large financial institution consolidate six data centers into two, using the latest blade technology to reduce their capital costs by XX% and save them an estimated XX% in energy costs each year.

7.) Drive More Productivity from Unified Communications

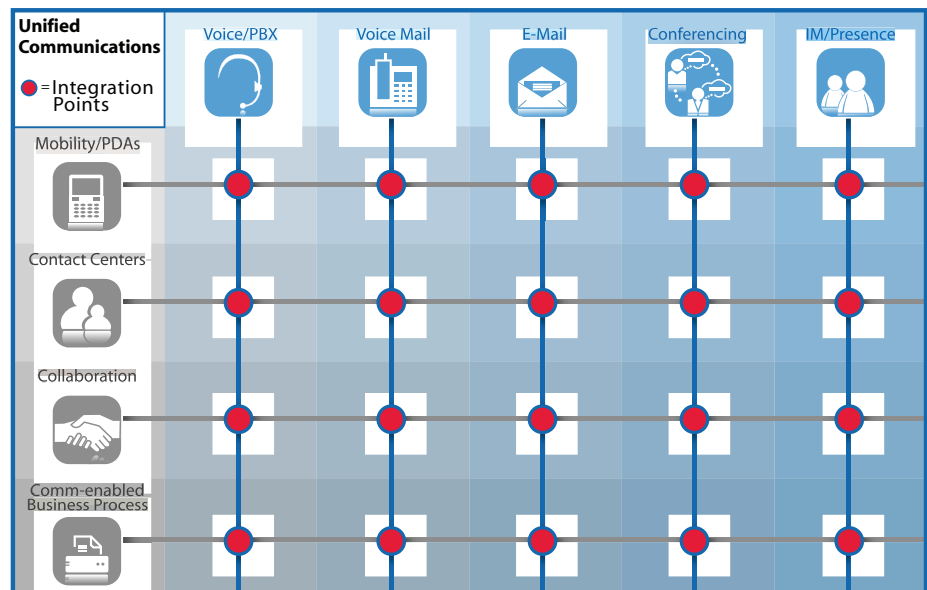
What today is referred to as Unified Communications (UC)—the convergence of voice and data technologies—is another example of a proven solution that we believe is under utilized in today’s challenging economy. Consider the amount of duplicity in infrastructure and infrastructure management your organization carries today as a result of having parallel hardware, software and services for voice and data services. Implementing and/or rolling out enterprise-wide the “UC pilot” of two years ago can reduce the overall infrastructure management costs and increase utilization and end-user satisfaction considerably. These technologies have a proven track record in the consumer markets and end-users are asking potentially uncomfortable questions of IT teams as to why the availability is limited within their own corporate infrastructure.

When executed correctly, UC can deliver significant benefits to the enterprise while at the same time achieving measurable cost savings. This is accomplished by:

- Replacing multiple “integration points” with a single, integrated communications infrastructure,
- Having a single support structure rather than separate support teams,
- Using fewer devices that are each able to access all communication types, rather than many devices that each have a single purpose
- Lowering travel and training costs

Implementing a UC strategy is incremental, and may take as long as a few years to complete, but each phased step can yield measurable cost reductions, increase productivity, and simplify the user experience leading to higher levels of satisfaction. CompuCom, as a long standing gold Cisco partner, worked together with a prominent financial client to develop and rollout a fully integrated system at 105 branch offices that will reduce capital and support costs by an estimated 23%.

(Figure 3)
Careful integration of multiple systems and processes required to ensure infrastructure is aligned and optimized



Summary—A Year of Challenges, Change and Opportunity

There is no doubt that 2008 is going to be a year of challenges, change and most of all, opportunities. If you decide to pursue all or just one of these strategies, benefits can be gained in varying degrees to reduce IT costs, enhance productivity, create agility and increase IT efficiency—depending on your company’s infrastructure maturity level and current market situation. Figure 4, below, provides a relative comparison and potential impact ranking, evaluated as high, medium and low, for each strategy and how quickly they can deliver desired results. Each approach may differ in its effectiveness, depending on whether you are currently insourcing or outsourcing your IT services.

If your company is just starting to consider outsourcing, or if you are currently outsourcing but want to make a change, it is important that you partner with the right service provider that fits your needs and objectives. It is also important that you have good communications and gain internal alignment and commitment across the organization with business units that will ultimately benefit from outsourcing before moving forward. Here is a list of criteria and questions we think are important when selecting an IT service provider:

- Is there good communication, trust and the right cultural fit with your organization?
- Do their service capabilities and delivery footprint match your needs?
- Do they use best practices such as ITIL, ITSM processes, and follow other IT standards?
- Are they ISO 20000 registered?
- Are they recognized as leaders in the industry?
- Do they clearly articulate the value of outsourcing and link and align outputs to the business value?
- Do they benchmark their quality and service delivery results?
- Can they provide client examples with quantifiable results?
- Do they consistently deliver high levels of service quality verified by third-party organizations and standards associations?
- Are their services easily scaleable and do they offer various contractual options to provide variability?
- Are they focused on innovation and do they excel in a specific IT discipline?

(Figure 4)
Provides relative strategy ranking against desired benefits outcome

RANK	IMPACT SCALE	COST SAVINGS	PRODUCTIVITY	AGILITY	EFFICIENCY
1	View Infrastructure as a Process	H	H	H	H
2	Remote Infrastructure Management	M	M	H	H
3	ITIL, ISO 20000 & ITSM Best Practices	M	M	H	H
4	Infrastructure-as-a-Service (IaaS)	H	M	H	H
5	Strategic Outsourcing	H	H	M	H
6	Server Consolidation & Virtualization	H	H	M	H
7	Unified Communications	M	M	H	H

CompuCom is an IT diamond that has been discovered

- More than 2.3 million seats
- More than 120,000 servers under management
- More than 80,000 devices monitored
- Almost 3 million help desk calls handled a year

There are bigger IT outsourcing companies, but none better...

- Desktop and Help Desk magic quadrant leader four years in a row
- 10 years in a row SCP certified
- Exceeded average industry client satisfaction ratings 7 consecutive years as measured by Service 800
- ITSM Best-in-Class industry leader as measured by Aberdeen
- Nearly 90% of CompuCom clients have more than 5 years tenure

As seen in past years, IT can and will help organizations get through the downturn. The challenge, and at the same time the opportunity, is to pursue the right set of strategies that deliver the desired results, in the right timeframe, without compromising quality and sacrificing future capabilities and effectiveness of the IT infrastructure. We're here to guide you and to build a relationship based on trust and measurable results. The key is to assess your current situation, develop a roadmap and execute against well defined stages, taking the time to review and measure progress often.

We pride ourselves in meeting and exceeding client expectations. As experts in infrastructure management, for example, we consistently deliver results that lower infrastructure management costs by 20-50%, increase asset management rates to 99% and deliver first-call resolution rates as high as 97%. If your numbers don't come up to these, call us today. Together, we can achieve better results than the industry average.

Let us put these and other strategies to work for you. Contact us or visit **www.CompuCom.com** to find out how we can help you drive greater business value from your IT infrastructure.

About the Author

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With more than 25 years of demonstrated IT solutions expertise, John McKenna is responsible for business planning, go-to-market strategic development, and key initiatives focused on process engineering and quality best practices. Since joining the company in 1999, Mr. McKenna has been instrumental in CompuCom's transformation into a highly regarded IT services provider. He is the architect of the company's Integrated Infrastructure Management™ (IIM) solution for optimizing hardware, software, and end-user service management. CompuCom's IIM approach is recognized by Gartner and others as a leading example of how to increase service quality and drive greater business value from IT infrastructure. McKenna's approach to viewing Infrastructure as a process and managing it as a service is changing the way IT services are delivered and measured.

A native of Scotland, Mr. McKenna holds a degree in computer science from Heriot-Watt University. He has authored several IT industry white papers, the most recent of which is, "Integrating the IT Infrastructure: Accelerating the Value from Your IT Investment."

About CompuCom

CompuCom Systems is a leading IT outsourcing company providing infrastructure management services, application services, systems integration and consulting services, as well as the procurement and management of hardware and software. With 20 years of IT experience, CompuCom employs more than 7,800 highly skilled associates who have earned a combined total of more than 44,000 industry certifications company-wide. As experts in workplace services, CompuCom's unique Integrated Infrastructure Management (IIM) solution reduces costs, increases productivity and helps clients gain maximum value from information.



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