

# Outsourcing Insights

Australia/New Zealand — January 2008 Newsletter

## Australian Organisations Identify Need for IT Services Tune-Up

All organisations want to satisfy and retain customers, increase business agility, reduce costs, grow profits and improve productivity. IT managers want to fine-tune infrastructure and applications to help achieve these outcomes. However, the latest Unisys IT Services Best Practices Research<sup>1</sup> finds Australian organisations lag in their ability to achieve business and IT goals.

In a recent survey, 550 senior IT managers in 10 countries, including 50 in Australia, rated their organisations' business and IT priorities and their effectiveness in achieving these on a 10-point scale. The research identifies IT Services Leaders – organisations whose IT managers rate their own organisations as highly effective at managing IT resources to support business goals<sup>2</sup> – and compares their priorities and effectiveness against the Australians. Of the 550 respondents, 139 are identified as Leaders, including 11 Australians.

The research shows clear differences between the priorities of Leaders and Australians, and that while Australian IT managers recognise the important role they play in supporting business priorities, many report that they are not effective in doing so.

### Focus on Growth & Innovation

The research reveals that Leaders have a heightened sense of importance regarding *all* business outcomes, but place the highest priority on customer satisfaction and loyalty and business agility, followed by profit and top-line growth (refer to graph). It is noteworthy that the most important business outcomes to Leaders, with the exception of cost reduction, revolve around adding value, improving processes and streamlining operations. Essentially, Leaders are committed to achieving strategically-oriented objectives that go beyond mere cost-cutting.

On the other hand, Australians prioritise cost reduction and improving productivity, and rate customer satisfaction and loyalty, business agility, and profit and top-line growth as less important than the Leaders do.

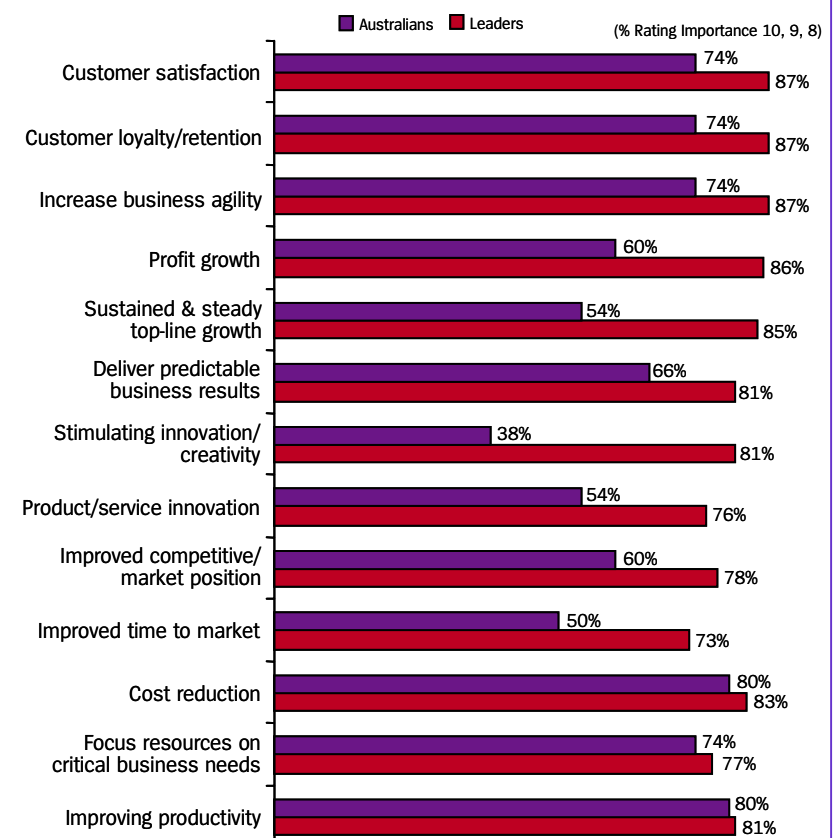
The most significant difference appears in the importance placed on innovation. Stimulating innovation was the lowest priority for Australians, while it is high importance to 81% of Leaders.

The differences between Leaders and Australians extend beyond their business priorities. Australians are well behind Leaders when it comes to their effectiveness at *achieving* these business outcomes. On average, 36% of Australians, compared to 71% of Leaders, rate their organisations as highly effective at achieving these business outcomes. Even for outcomes they rank of highest importance – reducing costs and improving productivity – only 32% of Australians rate their organisations as highly effective at achieving these.

Leaders are focused on achieving a variety of strategic business outcomes rather than elevating one or two as isolated priorities. To improve their effectiveness in achieving the outcomes they deem most important, organisations should not view outcomes as mutually exclusive but as part of a cohesive and complementary strategy. For example, business agility – the ability to respond quickly to new opportunities or threats – is directly correlated to an organisation's overall productivity and innovation.

By looking beyond mere cost-cutting and viewing agility, productivity and innovation as parts of a whole, organisations can become more effective at attaining a range of business objectives. (continued on Pg 2)

**Rate each of the following business outcomes on IMPORTANCE to your organisation.**



## Australian Organisations Identify Need for IT Services Tune-Up (cont.)

### Leaders Emphasise Reduced Risk, Improved Service Delivery, Aligned IT and Business Goals

Leaders and Australians are more closely aligned when it comes to IT management goals. Both prioritise reducing risk of operational failures, improving service delivery and service to end users, and aligning business and IT goals; however, Leaders put slightly higher priority on *all* of these outcomes. Australians also put controlling IT costs and gaining access to critical IT skills and resources in their top priority list. Compared to Australians, Leaders are considerably more focused on supporting the business outcomes of improved business adaptability and organisational change.

While not the area of highest priority for respondents generally, the greatest difference between Leaders and Australians is in the applications space. Leaders put much more emphasis on moving from customised to standard applications, upgrading application quality, processes and methodology, re-hosting applications delivery options, optimising the performance of internal applications staff, and reducing application staff.

Again, when it comes to achieving IT management priorities, Leaders are more effective than Australians, who report low effectiveness ratings for even their highest priorities (refer to graph). Leaders put greater emphasis on, and are more effective at achieving, IT management priorities that both streamline internal IT operations and improve customer service.

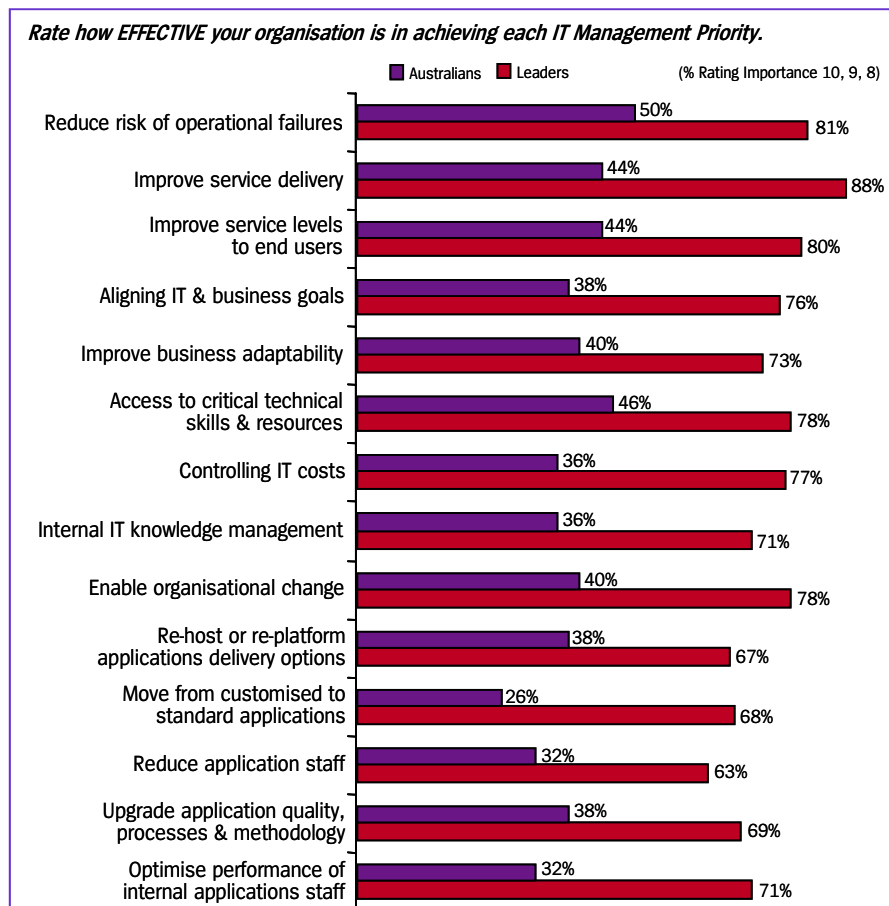
Often these are two sides of the same coin, such as in the case of having internal IT knowledge management systems and improving service levels to end users. IT managers should put greater emphasis on, and improve their delivery of, both internally and externally-focused IT management priorities.

IT departments should pursue a number of IT management goals to establish and then solidify their role as partners in the business and not simply reinforce their role as enablers of the business. Rather than just aligning IT services with the business, IT departments can collaborate with, or even lead the business in delivering IT-enabled services to drive business outcomes.

The second part of the Unisys IT Services Best Practice Research report examines the differences between the IT services practices (including outsourcing) employed by Leaders and Australians, and the impact of these practices on the achievement of business and IT priorities.

The research finds that the key to IT services success is employing the 'best fit' best practices for each organisation depending on its business and IT priorities, and also identifies several practices that have the greatest positive impact on the widest range of goals.

The highlights of part two of the research will appear in the next edition of *Outsourcing Insights*.



<sup>1</sup>The Unisys IT Services Best Practices Research was conducted by IDG Research in the third quarter of 2007 as a global online study of 550 public and private organisations. The respondents are from organisations with more than US\$500m in revenue, an average of 33,000 employees and more than 500 IT employees globally. 52% of Australian respondents are from multinational organisations.

<sup>2</sup>IT Services Leaders are defined as those organisations whose respondents rated their effectiveness at managing IT resources to support strategy and goals as 9 or 10 on a 10-point scale.

If you would like a session with Unisys to benchmark your organisation's priorities and effectiveness against the Leaders and Australian respondents and workshop the 'best fit' IT or Business Process Services best practices for your organisation, please contact your account team or email Jennifer Arnold: [jennifer.arnold@au.unisys.com](mailto:jennifer.arnold@au.unisys.com).

## Harness and Tame the Power of Virtualisation



IT departments are increasingly challenged to deliver infrastructure that meets business demands in real time. They face server sprawl pushing costs up and testing the physical limits of data centres, and are expected to deliver new services while coping with significant maintenance costs and overcoming process and technology immaturity. On top of it all, many are now tasked with reducing the impact of power and cooling on the organisation's carbon footprint. In response to these challenges, virtualisation is becoming seen as a realistic and practical solution.

Efficient utilisation of servers and processor power is important in justifying their cost and maintenance, but reducing carbon footprints is as important. Done properly, virtualisation can address both issues in a way that deployment of multiple low-end servers cannot. It also enables organisations to create pay-as-you-go applications that allow resource usage to be charged back to specific departments, making the applications more accountable and measurable. Virtualisation can be part of a bigger real-time infrastructure, with assets in a flexible pool of resources rather than fixed, monolithic installations.

However, virtualisation also creates the potential to make many of the same mistakes, much faster. The ability to switch on new servers brings with it a responsibility to do so for the right business reasons, using the right management tools. Otherwise, the costs of managing these virtual machines can outweigh the benefits and create unnecessary work for already-stretched IT departments. One particular problem is proper software licensing, which can get out of control when servers can be created quickly. Another issue is usage; applications such as heavily-utilised databases are not suited to virtualisation techniques and require alternative approaches, while others require specialised storage hardware and processes to work effectively in virtual environments.

To maximise value from virtualisation, organisations will need to develop in-depth knowledge of infrastructure components; identify optimal virtualisation candidates across a heterogeneous environment; automate the physical-to-virtual implementation process; and address complex resource governance issues. Transiting to a virtual environment involves changing and upgrading not only the physical hardware, but the operational procedures, management processes and tools surrounding it. Unisys can help an organisation transit by defining where it is today, where it wants to be in the future and building a practical plan to get there.

## Unisys Data Centres Turn Green

While computing power is increasing in Unisys data centres in Australia and New Zealand, they are becoming more efficient through better energy utilisation, water management and the use of physical space. Unisys is working with some clients to consolidate their existing servers into blade servers, which require less cooling, occupy approximately half the floor space and can save up to 40% of energy usage. For clients using its ES7000 servers, Unisys can provide virtualisation solutions that deliver a significant carbon footprint reduction: 165 tonnes annually compared to 454 tonnes. In addition, to further reduce their carbon footprints, Unisys offers clients the option of purchasing green power generated by energy providers from renewable resources.

A major green initiative for Unisys is the reduction of water consumption at its Sydney data centre. To cool the high temperatures generated by the hardware, up to 40,000 litres of mains water per day is pumped through the data centre to evaporative coolers on the roof where the water flows over a heat exchanger before being discharged into the sewerage system. Unisys recently installed a new building maintenance system that controls this water flow much more efficiently, resulting in savings of up to 12,500 litres per week. In the next six months, Unisys plans to install a 70,000 litre rainwater tank to provide some of the cooling water, and also connect to a 120,000 litre rainwater tank on a neighbouring company's site for back-up rainwater access.

Unisys is working to make its data centres in other countries greener as well. The company completed the expansion of its data centre in Eagan, Minnesota last December. During construction, Unisys recycled more than 68,000 kilograms of building materials and integrated sustainable design elements into the interior, including a raised floor that enables superior air flow, fluorescent lamps and ballasts, variable-speed fan systems and lower-emitting emergency generators. It also installed a glycol air conditioning system that improves cooling efficiency by 44% over levels normally found in data centres. In addition, a sophisticated control system allows power usage to be continually balanced with fluctuating heating and cooling requirements. By using a virtualised environment, the Unisys servers at the centre reduce carbon emissions by 67% compared to servers dedicated to a single application at a customer site. Unisys also launched a number of green initiatives outside the facility, including restoring a 3.5-acre oak savanna and returning acreage next to the centre to a natural prairie containing wild grasses and flowers, eliminating the need for irrigation or fertilizers.

Unisys looks forward to sharing its other green initiatives in future editions of this newsletter.



## NSW DET: Pushing the Boundaries of Communication & Collaboration

The New South Wales Department of Education and Training (the Department) is Australia's largest single organisation, with 1.2 million students and 130,000 administrators and staff. The Department provides pre-school education through to the award of the Higher School Certificate in years 11 and 12. Additional services include TAFE courses, adult and community education courses, migrant English programs, post-secondary art courses and advice to the government on higher education. The Department also coordinates all public education and training services in NSW.

The Department wanted to provide consistency of education delivery to all students around the state so it engaged Unisys to procure communication and collaboration services in the form of secure email and Internet facilities for every student and staff member. The services enforce the Department's 'Duty of Care' responsibilities, while providing equity of service and access across NSW.

From April to December 2006, the services were rolled out to all NSW public schools – more than 2,400 in total. From July to December 2007, Unisys extended the rollout to all 248 public technical colleges. Email services can be accessed by staff and students from home, with additional support for mobile and full client access. Along with email and Internet services, Unisys provides the Department with a collaboration portal that includes chat, list services and forums. Unisys also hosts over 2,500 school and departmental web sites.

### Delivering on 'Duty of Care'

Through a single log-on, students and educators can access all services authorised by their profiles. When building the solution, Unisys took into account the wide age range of the Department's 1.2 million students and created a corporate filter as well as 15 individual levels of protection based on the age group for each school year. Younger students are provided a higher level of protection than older students. In addition, the Department can turn services on or off or expand individual services as desired.

The key security aspect of the Unisys email and web filtering service is the enforcement of the Department's Duty of Care policy which requires stringent protection of students from inappropriate Internet content, uninvited emails, inappropriate email content and attachments, inappropriate Internet contact with adults and unknown parties, and cyber-bullying. The staff and students – over 500,000 active users per month and 100% of registered users – are protected by the service.



*Students are kept safe by 15 age-appropriate levels of protection.*

While the service does not monitor authorised system activity, it does generate a secure audit log of all service usage that can be used to substantiate or refute direct claims of inappropriate behaviour.

"In partnership with Unisys, the NSW Department of Education and Training is delivering on its goal of enhancing educational outcomes with secure online communication and collaboration that complements the classroom environment," said Grant Wargren, Manager, Learning Systems, NSW Department of Education and Training. "One of the standout successes of the partnership has been the delivery of the secure email and web filtering service, enabling us to deliver on our Duty of Care commitment to schools, students and parents."

### Pushing the Boundaries

At its 2006 launch, the Unisys service was both the largest roll-out of Microsoft Exchange and the largest single application of Microsoft Active Directory in the world. The Microsoft Exchange service is currently being migrated to Microsoft Exchange 2007 to provide even richer collaboration functionality for users.

The solution's boundaries are being further extended thanks to a pilot collaboration initiative based on Microsoft Sharepoint 2007 technology as part of the Department's new wave of investment in collaboration services. The pilot, spread across 10 participating NSW public schools, supports enhanced collaboration with a focus on project work within and between classes, document sharing, version control, information and assignment posting and discussion forums.

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