

## Innovations

# Getting More out of Your IT Investment

*Amid upward pressure on business costs, companies need to identify smarter and more “disruptive” strategies to better leverage their IT infrastructure. BiZQ takes a closer look.*

The 2014 fourth quarter Singapore Business Federation-DP Information Group SME Index revealed that businesses are cautiously optimistic in their outlook for 2015 as regional economic pressures remain uncertain. Companies are constantly being challenged to revisit the way they operate amid ongoing economic restructuring.

Despite these headwinds, businesses have started to plan, invest and seek growth opportunities at home and abroad.

A key part of the strategy involves taking a second look at IT infrastructure investment – an important component in today’s open, digital economy and one that increasingly involves greater resources.

At the recent National Productivity Month: Technology Symposium, a key takeaway from expert speakers at the event was that there are now more cost-effective IT solutions which do not require significant investment and could help businesses



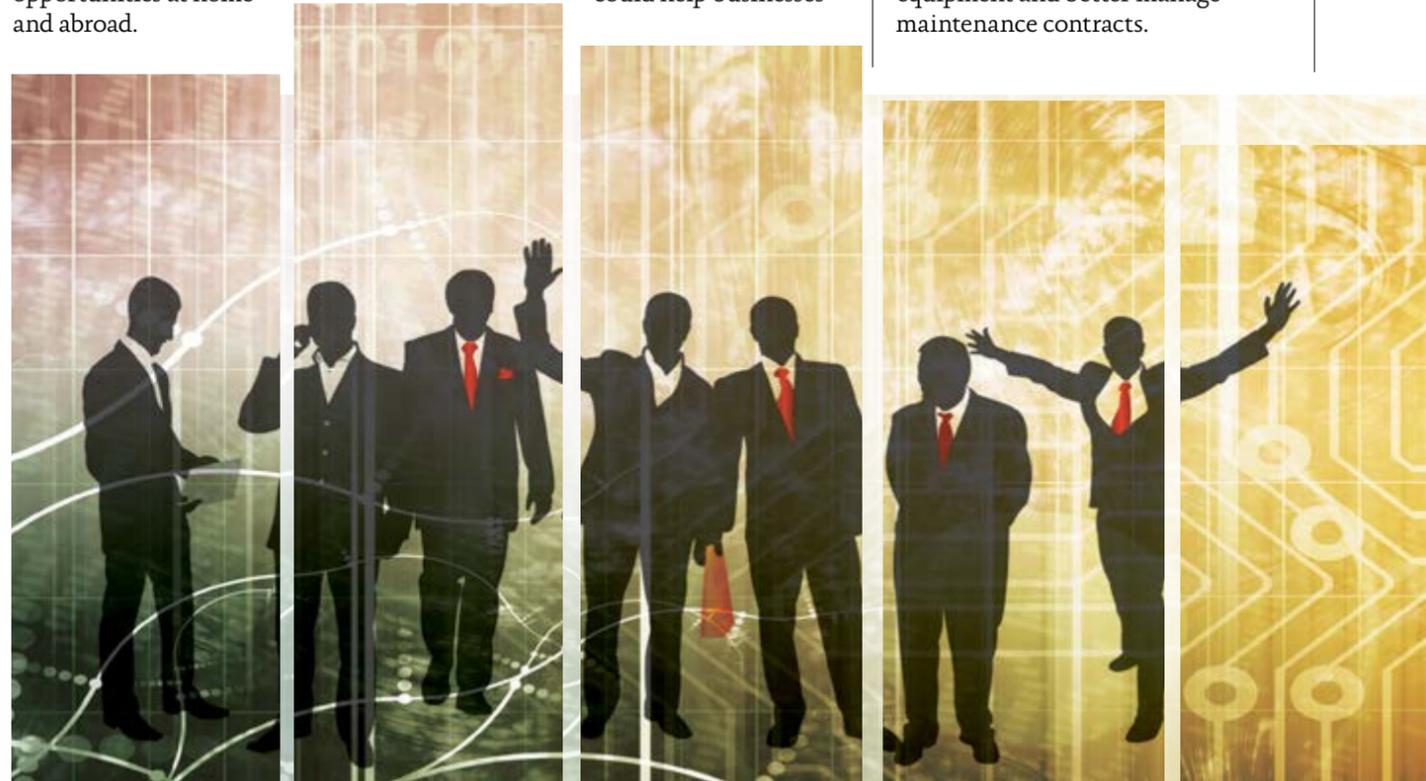
Jason Ogden, Vice President for Asia Pacific, Curvature Singapore

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become more efficient.

Experts say there are now more innovative ways for businesses to structure their operations to create greater opportunities for product and business model innovations.

One of these innovative strategies requires businesses to examine how they allocate financial resources for IT investments and how they can upgrade their equipment and better manage maintenance contracts.



## Myths and realities of managing IT

A recent study by Forrester Research Inc on 300 global business decision makers (30% were Singapore respondents) showed that there is much wastage in most businesses’ IT infrastructure.

The insights from this global survey, “Challenging the Status Quo on Maintenance Contracts and Refresh Cycles to Lower Costs”, revealed two underlying misconceptions, one relating to the life cycles of network equipment and the other relating to support for such equipment.

These myths are contributing to wastage in IT spending, said Jason Ogden, Vice President for Asia Pacific, Curvature Singapore. The company specialises in helping businesses manage their IT investments more efficiently.

First, there is an ingrained mindset that businesses need to upgrade their networking and IT equipment every five years. The Forrester findings revealed that all 300 respondents in the survey said that 79% of their IT equipment is refreshed every three to five years.

Ogden debunked this by explaining that empirical evidence shows that the useful life of most IT equipment is from seven to 10 years and the mean time between failure of such equipment is from 18 and 33 years.

“This suggests that businesses are getting rid of very valuable and useful IT and networking equipment too early in their product life cycles,” he told BiZQ.

The survey also showed that 85% of decision makers would retain their IT equipment if the original equipment manufacturers (OEMs) continued to provide necessary support, failing which many decision makers feel compelled to upgrade.

The survey results also showed that at the time of upgrade, 80% of the respondents did not know of competitive alternatives to OEM support, compounding the confusion in the marketplace.

“This shows that businesses

are pursuing a default strategy of choosing the same mode of buying and maintaining their IT equipment without giving additional thought to more strategic alternatives,” said Ogden.

## Tighter IT budgets

Second, the survey showed that respondents felt that their businesses needed to have 100% Internetwork Operating System (IOS) contractual support from a manufacturer for all their networking equipment and IT infrastructure.

Ogden explained that in reality, only 40% to 60% of such equipment requires such support.

Making reference to Singapore, Ogden said that businesses here had similar misconceptions in addition to having to manage smaller IT budgets.

According to him, the survey showed that 75% of businesses in Singapore, similar to their global counterparts, are concerned about rising costs and feel a need to curtail such expenditure.

Hence, 78% of businesses in Singapore are open to options that enable them to reduce IT operational costs to free up precious corporate dollars for new technology development, as well as product and service innovation.

Ogden added that these survey findings and additional marketplace insights led to four principal conclusions:

- Many businesses are spending disproportionate amounts of effort and resources to try and pare down IT hardware costs;
- Corporate decision makers are being unjustifiably influenced by IT suppliers to install state-of-the-art networking equipment;
- In the rush to keep pace with technological advances, businesses prematurely dispose of too much IT and networking infrastructure; and
- Most organisations follow similar processes in buying IT equipment, signing maintenance contracts and upgrading equipment, despite knowing that

## Rethink Your IT Investment Strategy

**Keep what’s working.** Organisations should take a pragmatic view of their infrastructure and assess which services need to be delivered and what the infrastructure can handle – especially when networking equipment and IT infrastructure can work efficiently and effectively for more than five years.

**Don’t pay for software updates unnecessarily, or if they are available for free.**

**Maintenance agreements with OEMs are costly and do not always provide maintenance and upgrades for the hardware that customers are actually running.**

**Put maintenance contracts out for competitive bid.**

**Consider third-party options in addition to those from OEMs and their resellers.**

**Put metrics in place.**

**Metrics are important; companies should reward value, quality and longevity, not just resilience.**

smarter and more agile ways of managing IT investment need to be implemented.

Ogden said these insights reveal that business decision makers need to take a more strategic look at how they prioritise their IT investments.

Companies should be able to choose to manage their networks the way they want, by adhering to a few simple strategies (See side story: “Rethink Your IT Investment Strategy”).

He said that Curvature, in helping businesses overcome these challenges and offering them choices, has managed to deliver close to US\$400 million (S\$521.5 million) in corporate savings since 2008. ●