

# Enterprise Consolidation Opportunities

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## Abstract

Systems Alliance has developed a three-dimensional assessment and planning process to help you maximize the potential business and operational benefits of enterprise consolidation. This brief paper describes our process and provides a quick assessment tool for helping IT decision makers evaluate their readiness and need for enterprise consolidation.

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## Overview

Systems Alliance clients and IT executives who've participated in our regional seminars often tell us they are challenged to justify IT spending and budgeting to their C-level peers. To overcome this issue, we help clients align IT operations and investments with strategic business objects – shifting the discussion from “please justify your existence” to “here’s how we deliver value.”

Based on the increasingly broad corporate involvement in initiatives aimed at increasing energy conservation and the reduction of greenhouse gasses (e.g., the United States Climate Action Partnership – led by GE, Alco, Duke Energy, etc.), we think the topic of enterprise consolidation represents another opportunity for IT executives to engage their C-level peers in a discussion about value creation that extends far beyond the walls of your data centers.

Enterprise consolidation presents your enterprise with opportunities for cutting costs, improving efficiency, boosting service capacity and accommodating changing business conditions – and at the same time, reducing the environmental impact of your operations. All of these outcomes have secondary and tertiary benefits (i.e., in February, Wal-Mart announced it would begin scoring suppliers based on their environmental progress and work more closely with those companies doing a better job).

To help you maximize the potential business and operational benefits of enterprise consolidation, Systems Alliance has developed a three-dimensional assessment and planning process which examines the efficiency of your long-term operational model. Thus, instead of evaluating the capacity, energy efficiency, manageability and functional integrity of your servers, storage and facilities, we focus on the inter-relationships of People, Processes and Technology – your three primary delivery and cost elements.

### Side Bar: An Eco-Economic Context for Consolidation

“By 2008, nearly 50 percent of data centers worldwide will lack the necessary power and cooling capacity to support high-density equipment.” – Michael Bell, Research Vice President, Gartner: December 1, 2006

“Today, energy costs typically form less than 10 percent of an overall IT budget. However, this could rise to more than 50 percent in the next few years. The bottom line is that the cost of power on this scale would be difficult to manage simply as a budget increase and most CIOs would struggle to justify the situation to company board members.” - Rakesh Kumar, research vice president, Gartner: September 28, 2006

## Systems Alliance Consolidation Approach

Enterprise consolidation is not a new concept. Through expanding and contracting economic cycles, consolidation activities are typically driven by a desire to reduce operational expenses (headcount), vendor maintenance expenses and vendors trying to sell their latest and greatest server and storage technology.

For the first time, we are entering a “perfect storm”, where all costs are increasing at previously unseen rates. Many SAI clients saw their annual budgets for power exhausted by the end of Q2 last year as widely divergent pricing occurred by market and month. Similar pricing pressure lays ahead for staffing, as the population of deeply skilled IT professionals shrinks (e.g., retiring baby boomers) or moves offshore.

Vendors would have us believe the accelerating adoption of virtualization would create an ever-increasing panacea of cost reduction opportunities. Yet, overall costs are increasing, particularly for software, where vendor consolidation will inevitably lead to higher per-seat pricing.

In this environment, only a comprehensive strategy will serve the longer-term goal of instantiating IT as a strategic differentiator in your business. Aligning IT with the business has a direct and proximate impact on shareholder value as IT costs have the potential to increase as an overall percentage of the cost of goods and services.

Our experience with enterprise clients indicates significant capital and operating cost reductions are achievable through integration techniques across systems and infrastructure.

For example, one of our manufacturing clients had developed a finely tuned approach for deploying applications to support new-business initiatives. Well-trained IT professionals gathered requirements, deployed package and custom software, provisioned infrastructure and negotiated aggressive vendor discounts. On a project value basis, they excelled at aligning value with cost. This process was repeated over 20 times in three years. As a result, they ended up with 16 individual “islands” of application and infrastructure investment, which later yielded significant savings when viewed and assessed on an enterprise basis.

The evolution of virtualization technologies and SOA is expanding the number of consolidation tools that can be used to increase value. A rational approach to consolidation begins with an assessment of the current environment with a focus on provisioned capabilities and cost. As you evaluate your current capabilities, we recommend that you use the questions below as a starting point to gauge the potential for successful consolidation efforts.

## Enterprise Consolidation – Are You Ready?

How can you determine when enterprise consolidation makes sense for your organization? Here's a quick assessment that should help you answer the question.

#	Assessment	Yes	No
1	Is your data center at or near capacity for power or cooling?		
2	Are energy costs becoming an increasingly large portion of your IT budget?		
3	Have you measured and benchmarked the performance and power consumption requirements of data center HVAC, computing and back-up systems?		
4	Are you at risk for growing beyond your currently provisioned power, cooling or network resources?		
5	Is your IT department being asked to do more with the same or fewer staff?		
6	Have you provisioned multiple major projects using separate infrastructure during the last three years?		
7	Are you maximizing the available utilization of your computing resources (servers and storage)?		
8	When did you last test utilization on your infrastructure?		
9	Have you evaluated opportunities for virtualizing your environment?		
10	Can you provision storage and server capacity on demand?		
11	Are your vendor maintenance costs growing, steady or decreasing as a percentage of overall IT spend?		
12	Is the design and physical integrity of your facility sufficient to protect your computing infrastructure from man-made or natural disaster?		

## Reap the Benefits

There are plenty of good reasons for investing in enterprise consolidation – you could build a solid business case around any of these choices:

- Escalating environmental costs such as power, cooling, floor space and brand impact
- Changing business conditions: mergers, acquisitions, divestitures
- Rising administrative cost and complexity
- Compliance and privacy requirements
- Growing focus on delivering IT as a service with predictable and sustainable service levels

Systems Alliance's three-dimensional assessment and planning process helps you maximize the potential business and operational benefits of enterprise consolidation by taking into account the people, process and technology attributes of your IT environment. This re-balances and strengthens the alignment of IT with overall business strategy, providing short-term economic benefits (i.e., energy and facilities cost savings) as well as long-term improvements in service delivery and IT value creation.

IT executives interested in exploring the benefits of Systems Alliance enterprise consolidation solutions can request a no-obligation introductory call with a Systems Alliance consultant by calling: 1-877-797-2554 or emailing [info@systemsalliance.com](mailto:info@systemsalliance.com).

### **About Systems Alliance, Inc.**

Founded in 1993, Systems Alliance, Inc. provides business and technology consulting services to Fortune 1000 corporations, state and local government, higher education and healthcare clients throughout the Mid-Atlantic and Southeastern United States. Systems Alliance is headquartered in Sparks, Maryland and has recently opened a regional office in Raleigh, North Carolina.

Want to learn more? We're here to help.  
Call Systems Alliance today: (410) 584-0595  
Or send us an email: [info@systemsalliance.com](mailto:info@systemsalliance.com)