

An Enterprise Innovation e-Guide

The CIO's Guide to Managed Services Success

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Introduction

CIOs in many organisations today have to meet the diverse IT requirements of business users, providing in-house managed and premise-based solutions. There are tremendous benefits for organisations to move from such DIY strategies, starting with Managed Services and moving on to Virtualisation – before going further into Cloud-based services or fully outsourced IT.

In a nutshell, Managed Services means tapping into additional external expert resources to complement or supplement existing skill sets, especially for more complex IT implementations.

But what are the expected benefits and potential pitfalls? More importantly, how does a CIO or IT director present Managed Services as a viable alternative to the CEO and CFO, and to get the buy-in of business users?

Telstra International is a leader in providing managed services to organisations across the globe. Tapping into its thought leadership, we present this e-guide as an essential tool for CIOs and IT directors.



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Opinion:

The business case for **Managed Services**

The last decade is notable for the economic whirlwind that has seen businesses rise and fall with the vagaries of the stock market and the financial woes that marked every ebb and flow of this tide.

With this period forming the backdrop, CIOs experienced one of their most testing times. IT was challenged to deliver increased services with reduced resources, and yet show cost efficiencies. The year 2010 seems to signal a change in tempo, as markets show signs of recovery, albeit at a

different pace depending on whether you're doing business in Europe, in the Americas or Asia.

Shrewd organisations are the ones who are quick to capitalise on this growth; but that's not going to happen if they continue with the 'belt-tightening' policy of yesteryears. Historically, organisations that survive over decades are the ones that adapt to the changing environment, expand and grow with the times. It is only those business activities focussed at promoting growth that deliver real, sustainable impact.

IT consolidation and simplification

The challenge then is for CIOs to make IT the driver of this growth within organisations. Strategies focusing on IT consolidation and simplification will invest in just the right technologies that create business value with limited spend.

For that, CIOs need to see the value of new business and technology models, and focus on options that will raise productivity, foster collaboration, and facilitate seamless inter-office communications, ultimately to help businesses create value and reach customers more effectively. New approaches such as Managed Services, Virtualisation, and Cloud

Computing will help improve IT utilisation and create efficiencies. Though some organisations are genuinely considering Cloud Computing strategies, the model nevertheless is still in its infancy.

However, Managed Services in particular, though not a new concept is the tried, tested and proven IT optimisation model. Managed Services can also incorporate Virtualisation as a key technology within its offering. Hence it is possible to gain all the benefits of Virtualisation and Managed Services in one fell swoop.



The road to productivity

The primary aim of seeking managed service offerings is to create business value by using existing resources productively, focusing on core competencies while outsourcing non-core functions. This is made possible by a combination of benefits, which can generally be classified under three broad outcomes:

1. Business outcomes

- operational efficiencies
- improved cost management
- improved client services
- faster time to market
- mitigating staff shortage risks
- flexibility and agility

2. Cost outcomes

- generally positive
- can be neutral or even slightly costlier, if services delivered by the Managed Services provider is of a higher quality than before

3. Service outcomes

- cost reductions in the process of delivering business services
- business process improvements

Ideally, the Managed Services deal requires an identification of the organisation's core-business processes, outsourcing the non-core processes to the Managed Services provider. Thus in a long-term Managed Services strategy, businesses can manage business outcomes and track performance on service level guarantees and assurances on an ongoing basis.





The business value of Managed Services

Managed Services offer CIOs an opportunity to close skills gaps, particularly in adopting newer technologies that allow for more productive use of IT. At the same time, the ability to draw on skills and technologies, from the managed service provider, that are beyond the organisations current scope, increases its flexibility to deal with variables in the business environment, present and future.

One of the most obvious business benefits of Managed Services is the ability to shift IT cost from CAPEX to OPEX. According to Jetstar CIO Stephen Tame, when they started operations in 2004, IT cost as a percentage of revenue stood at about 1.7 per cent. When the low-fare airliner Jetstar virtualised all of

its offshore systems with the help of Telstra's Managed Services, the initial increases in communications and higher levels of service drove down costs in all other areas of business, resulting in a net cost reduction. By 2008 IT costs as a percentage of revenue was down to a healthy 1.2 percent. Today these figures hover around 0.98 and 1.0 per cent. These astounding numbers testify to the value proposition Managed Services provide to business.

While providing flexibility, skills and technology, Managed Services can also improve the predictability of IT expenditure as they are provided on an OPEX basis.

Tips:

Potential pitfalls – and how to avoid them

CIOs should adopt a set of best practices when engaging a service provider. Here are some useful tips for embarking on Managed Services:

1 Selecting the ideal managed service provider

- Define your functional, processing and performance requirements to compare prospective managed service providers
- Do a market scan to identify a long list of providers that have the capability to deliver the services you need
- Assess how well each provider's offering matches your requirements. Do a preliminary cost calculation for their services and shortlist three to four candidate providers
- Assess each provider's strategic intent. For instance, do they have 'local knowledge', are they 'culturally' engaged in the area(s) of your intended operations
- Check that the shortlisted providers' standard terms and conditions and service levels are acceptable and that their standard self-service interface is user-friendly and can meet your delivery requirements
- Do a more detailed assessment of the shortlisted candidate's ability to perform their services. Reduce the shortlist to one or two providers, and do reference checking and due diligence

2 Ensure service levels align with business goals. Check that prospective contractual arrangements address business requirements

- Certification of staff delivering services
- Ensure the ease of getting your data back at contract end
- Service levels for systems availability and user response times for key transactions
- Service credits or rebates for not meeting agreed service levels
- Service levels for availability for support

3 Manage the deal according to the impact it will have on your business.

Put the deal to a regular performance review. Regularly reviewing the deal can help achieve cost and service improvements. Review your commercial terms and price at least annually to ensure an ongoing, cost-effective solution.

What you don't want in Managed Services

- Hidden costs
- Unexpected fees
- Costs of application and information integration
- Security overheads
- Switching costs

Cerebos rewires network with Telstra's Managed Services

Cerebos Pacific Limited (Cerebos), a leading regional food and health supplement enterprise, has deployed Telstra International's fully managed MPLS network across its operations in Asia Pacific including Australia and New Zealand.

Telstra International was selected to support the Cerebos Group's multi-site initiatives including a strategic IT effort to integrate its supply and demand chains for all its business operations in the region. In this outsourced solution, part of Cerebos' overall WAN infrastructure will be handled by Telstra.

Bringing multiple locations together as one

"With multiple product categories and multiple sites in different geographies to manage, it became apparent that a single, reliable, robust and scalable platform to consolidate all our supply and demand chain activities would be critical to our success," said Mr Liew Chee Yin, Vice President, Group Information Systems, Cerebos.

According to Mr Liew, the newly deployed

network will enhance Cerebos' business reporting and business intelligence needs as well as strengthen Cerebos' knowledge management capabilities.

"Ultimately, it is about reaching our customers, business partners and retailers in a more efficient and timely manner to deliver first-rate experiences with Cerebos at all stakeholder touch points," said Mr Liew.

Savings in IT operations

Telstra has operating licences and landing rights in most major global markets and facilitates access to over 1,500 Points-of-Presence (PoPs) worldwide.

According to Mr Greg Russell, SVP for Asia, Telstra International, access to its dual PoP network across nine key locations in Asia Pacific offered Cerebos peace of mind, the diversity to reduce risks, the ability to drive greater operational performance and the flexibility to improve cost management across the supply chain.

"Redundancy and business continuity were critical in Cerebos' selection of a new network partner given their experience of data traffic disruptions in the 2007 Taiwan earthquake," Mr Russell said.

Increasingly, businesses are consolidating their operations in data centres and putting more intelligence into their networks in order to foster multi-location collaboration and improve productivity levels.

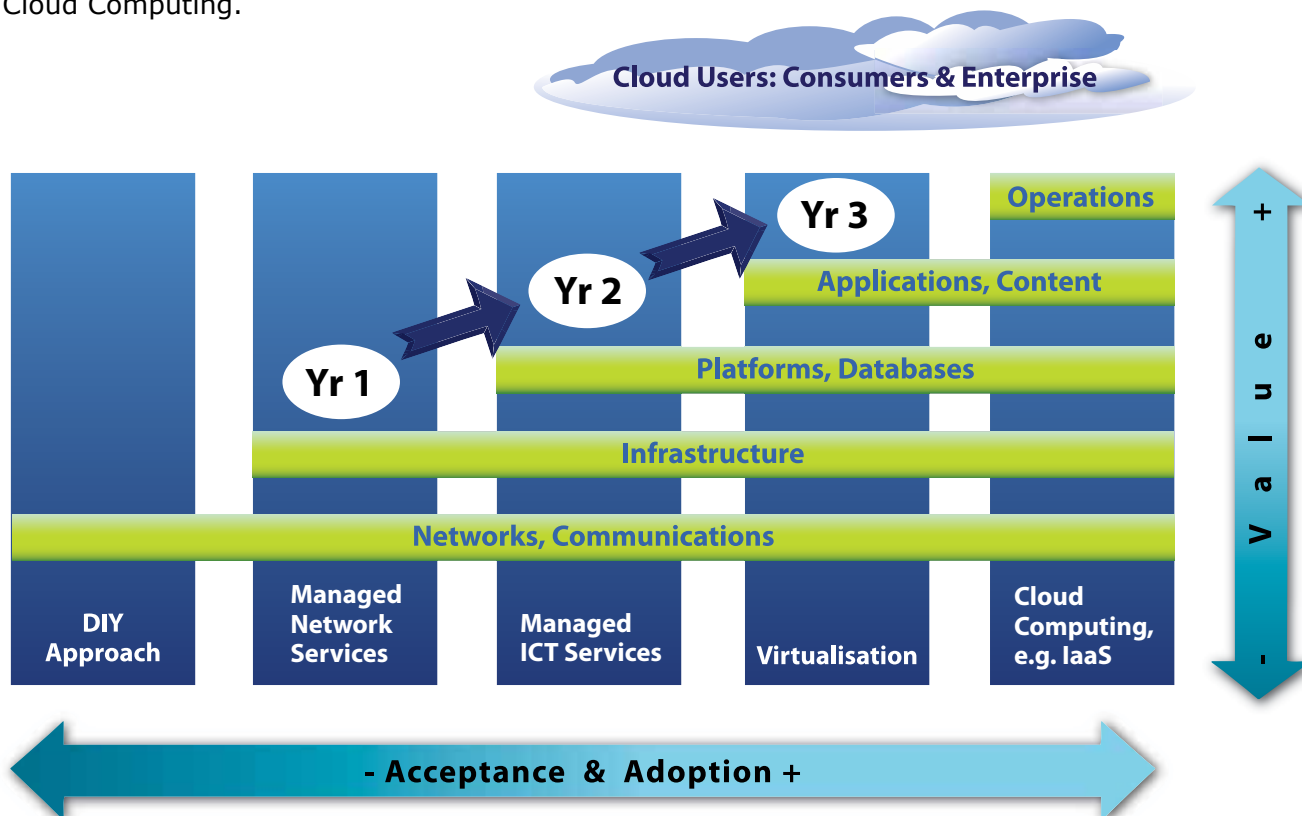
Filling this space, Telstra's Managed Services offering is expected to save Cerebos US\$300,000 per annum in IT operations.

Trends:

A journey through enterprise IT trends

Gartner has made the bold prediction that, by 2012, a fifth of all businesses will not own any IT assets. Also, most large organisations will be in the process of IT hardware divestiture. There will be a move away from the traditional dedicated IT infrastructure model to Managed Services, where IT services are delivered via shared assets in 'one-to-many' delivery models.¹

Telstra sees an evolution from the familiar internally resourced DIY approach, through the increasingly prevalent Managed Services and into newer trends that are gaining in maturity including Virtualisation and Cloud Computing.



Source: Telstra International

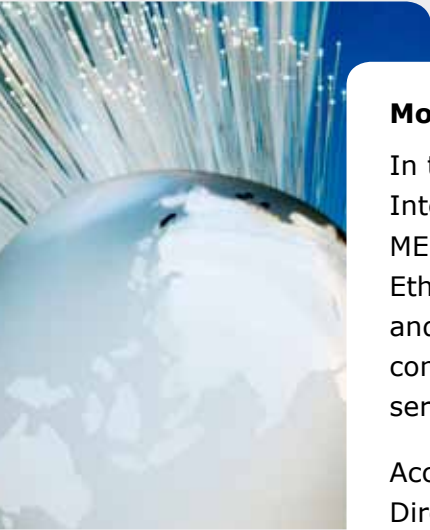
The ubiquity of networks

From the traditional DIY approach right through to Virtualisation and Cloud Computing, there is a clear need for robust, scalable and highly available networks. In a recent Telstra Productivity Indicator report², it was users of communications technology who see Managed Services as a means to achieve their two highest ranked business priorities – to improve customer service and productivity.

Such robust networks underpin business continuity and disaster recovery strategies, as well as provide secure access to enterprise data. These networks will continue to remain the 'silent' backbone that supports mission-critical and non-mission critical applications to drive accelerated performance. Increasingly these networks are being provided through managed service models.

¹ Gartner's Top Predictions for IT Organizations and Users, 2010 and Beyond: A New Balance, Gartner Inc., G00173482, 29 December 2009.

² The Telstra Productivity Indicator report can be accessed at <http://forms.telstraenterprise.com/forms/TelstraProductivityResearch>



Moving to Ethernet for next-generation communications

In the Ethernet space, Telstra International has secured MEF 9 and MEF 14 certifications of the MEF (Metro Ethernet Forum) showcasing the quality and performance assurance of the company's suite of global Ethernet services.

According to Jaymi McManus, Marketing Director, Telstra International, the market for global Ethernet services increases every year and the MEF is

playing a crucial role in assuring that service offerings run with the highest levels of performance quality and interoperability.

Telstra International's entire Ethernet portfolio - its Ethernet Private Line service and its Ethernet Virtual Private Line and Virtual Private LAN services has been certified compliant by the MEF.



Regional & global presence

In a rising Asian economy, businesses from Europe and North America are fast descending on this region, to tap into its growth. Speed and agility is key to succeed in this globalised economy. One of the best ways to achieve that is to utilise the expertise provided by Managed Services.

Housing IT infrastructure in your own data facility is getting more expensive all the time. The steady growth in data volumes and the need to provide business continuity mean that IT costs will continue to rise. The solution is to outsource your data centre costs by moving your servers and IT equipment to a managed service provider.

Pre-empting the rise of the 'Asian Tigers', Telstra has built relationships with its customers and suppliers from Australia to China and India, from London to San Jose, California, and everywhere in between.

Telstra has sustained investment into building PoPs, and dual-PoPs in all of

the major cities of Asia and beyond, so as to ensure that their customers benefit from a connected and resilient network service capable of delivering the most demanding applications and surpassing any other communications network in this region.

Telstra's Global Data Centres are located in key locations worldwide, including Asia, Australia and Europe, providing flexible capacity, high security and robust performance. Direct connection from each of Telstra's Global Data Centres to its high speed global IP backbone delivers access to a range of networking services including dedicated Internet, IPVPN, Ethernet and other options at cost-effective rates.

All these mean that customers can increase bandwidth and add connections to new offices quickly and easily as required, which in turn are underpinned by exacting standards backed by rigorous service level agreements.

WWF-UK enhances communications with Telstra's IPVPN

Charity workers from WWF-UK work on projects all over the UK and depend heavily on remote access to connect to their head office systems, retrieve information, upload photographs, produce reports and communicate with colleagues.

With a growing number of employees, WWF-UK was rapidly reaching the maximum capacity for its network connections. At the time, the charity had separate lines connecting each of its five regional offices in Great Britain. It also relied heavily on another charity for its disaster recovery arrangements. WWF-UK therefore sought to create a more robust, scalable and manageable wide area network, while also improving its business continuity protection.

The solution

WWF-UK selected Telstra to provide it with a new approach to wide area connectivity. The charity implemented a Telstra IP-based Virtual Private Network (VPN) to establish a fast, fault tolerant connection between its five regional offices. It then gave employees the ability to remotely connect to this VPN using advanced encryption and authentication tools.

Later, the charity also subscribed to Telstra's video conferencing solution, which enables employees from different offices to hold

virtual face-to-face meetings over the IPVPN connection.

In addition, WWF-UK took co-location space in Telstra's London data and hosting centre to mirror its head office systems. Telstra provides a fully managed service so, if any problems do occur, Telstra's team of engineers identifies and solves them, with minimal disruption to the charity's employees. The data and hosting centre also provides a high bandwidth Internet connection for the charity's exclusive use.

The benefits

With the IP-based VPN, employees can access central resources and applications quickly and easily from wherever they happen to be. The available bandwidth is more than adequate for the organisation's use and allows employees to easily view and exchange high resolution photographs and other large data files over the wide area network.

"It is important for us to deliver a high-quality working experience for our employees, whether they are in the office or assisting with an oil tanker disaster in the North Sea. Telstra's IP VPN and co-location service gives us secure and reliable connectivity, which enables us to continue the vital work of the charity, from any location." *Ian Exton, Network Manager, WWF-UK*

The use of Telstra's video conferencing solution enables WWF-UK to maximise the value that

it gains from its IP VPN. Employees in offices across the UK and overseas can collaborate effectively while making fewer business trips, which reduces both costs and carbon emissions.

Telstra's co-location service has enabled WWF-UK to build a far more robust business continuity plan, in line with industry regulations. In the event of a power outage or more serious incident at the head office, charity workers can continue to access their resources and applications from any other remote location.

By taking space in Telstra's London data and hosting centre, WWF-UK has also been able to simplify the IT infrastructure in its regional offices, and this has greatly reduced the network management burden on the charity's in-house IT staff. As a result, WWF-UK's IT team can instead focus on other projects that have more strategic value to the organisation.

Telstra International offerings:

Telstra International provides the following services to enterprises:

Managed Network Solutions

Reliable data connectivity and access is a must-have for most businesses. Telstra International offers a diverse portfolio of IP and Ethernet-based services underpinned by a world-class international backbone.

- Global IPVPN - A Virtual Private Network from Telstra is fast, flexible, and robust and offers aggressive service levels.
- Global Ethernet - Establish global point-to-point, point-to-multipoint and multipoint-to-multipoint connections using the same Ethernet technology for WAN as you use in your LAN.
- International Private Line - Global point to point connectivity with SDH interfaces offer dedicated bandwidth allocation up to 10Gbps.
- Global Internet – From anywhere in the world, whatever the size of the business, Telstra's internet solutions can be tailored to fit a range of requirements.

Managed Hosting and Security Solutions

Protecting your network, systems and data from a multitude of malicious threats has never been so difficult, costly or time-consuming. Trusted around the world, Telstra's security solutions offer multi-layer protection 24/7, 365 days a year.

- Managed Dedicated Servers – Specially catered for resource hungry business critical applications.
- Global Data Centres – A flexible, cost effective and scalable solution to co-locate IT infrastructures, over a high-speed IP backbone.
- Managed Firewalls – A customised solution that offers Telstra expertise to protect your network, with continuous, proactive monitoring and management.

Managed Value Added Solutions

The range of solutions from Telstra International builds upon robust data connectivity; hosting and security services to deliver increased confidence through value added and managed services.

- Global Managed Services – Allows organisations to choose which network operations to handle in-house, and which are best delivered by an external service provider, incorporating design, installation, management and maintenance of network infrastructure and comprehensive reporting to help plan capacity and budgeting activities.
- Global Conferencing - Telstra Audio, Web and Video Conferencing is delivered as a fully managed end-to-end solution, sparing upfront capital costs. Service includes consultancy, design, installation, room- fit out, end points, access, network carriage and monitoring.
- Global VoIP – Saves money by routing international voice calls over your existing WAN infrastructure.



Telstra International is part of Telstra Corporation Limited, Australia's leading and largest telecommunications and information-services-company.

Telstra provides global telecommunications services and solutions and is an expert in bringing the advantages of customer centric managed network solutions to the business community. Telstra operates award-winning networks which are the largest and most diverse in Asia Pacific. We have operating licenses and landing rights in most major Asian markets, the US and EMEA, facilitating access to over 1,500 PoPs in 230 countries and territories.

Telstra offers an extensive portfolio of state-of-the-art solutions including international voice and data products, Global Next IPT[™] and Global Next Generation Services[™]. Our portfolio is complemented by an independently-owned and managed switched UK network incorporating access to strategic PoPs and data centres located throughout Australia, Asia and EMEA.

Headquartered in Hong Kong and with locations in China, Japan, Singapore, India, London, New York, Dallas, Houston, Chicago, Boston, Los Angeles and San Francisco, Telstra International has developed relationships with Multi-National Companies and Carriers & Service Providers to conduct business beyond conventional boundaries by leveraging a technologically advanced network and global expertise.

Together with its international investments, Telstra serves over 200 of the world's top 500 companies and is ideally suited to provide your IT solutions, with its experience and expertise, security and reliability, trust and financial strength.

When you choose Telstra you join forces with one of the world's most innovative companies.

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