



# MOVING OUT

**THE IDEA OF INFRASTRUCTURE OUTSOURCING IS SIMPLE: OFFLOAD THE SERVERS AND NETWORK TO A SOLUTIONS PROVIDER TO FREE UP TIME FOR AN ORGANISATION'S IT TEAM TO WORK ON DELIVERING MORE VALUE TO THE BUSINESS. BUT ARE LARGE ENTERPRISES READY TO DO THIS EN-MASSE, AND SHOULD THEY BE WORRIED ABOUT CLAIMS THAT OUTSOURCING INFRASTRUCTURE CAN ACTUALLY STIFLE INNOVATION?**

**M**ore and more enterprises are adopting managed IT and cloud infrastructure services to accelerate operational efficiency and achieve better results. Think about it: who does not want to avoid up-front capital expenditure and increase operational efficiency?”

That's the view of Yasser Zeineldin, CEO of eHostingDataFort, anyway. In explaining the growth in demand for infrastructure outsourcing, he cites a 2012 IDC study that indicated the overall managed and data centre services market in the UAE is growing by 16% each year. And from his personal experience, he says that he sees organisations in the Middle East — particularly the UAE and Saudi Arabia — increasingly working with specialised IT service providers to remotely manage their IT infrastructures.

But are Middle Eastern enterprises really convinced by the — admittedly growing — small number of success stories that have trickled through from managed service providers? Concerns over data privacy and security still prevent many from taking the jump to outsourcing major parts of their infrastructures. And, among some thinkers at least, there is a concern that outsourcing IT in general can stifle innovation, which by extension blunts any competitive edges that the business may have in the market.

Indeed, a combination of these factors still means that large enterprises in this region still prefer to build and manage their own data centres, according to Mahesh Vaidya, CEO of ISIT and chairman of SNIA's Middle East Committee. He does, however, believe that smaller organisations are opening up to the idea of infrastructure outsourcing.

“Smaller to medium-sized enterprises are more open to the co-location of their infrastructure to local co-location service providers, but still prefer to manage their hardware and applications themselves. They will simply utilise the space, power and cooling from the outsourcing company but retain all control of the management of the hardware, applications and data themselves,” he says.

For many, the issue comes down to data security and privacy, Vaidya explains. When it comes to critical infrastructure, most organisations want to retain complete control, and in the event that they do outsource any element of the infrastructure, they want it to be hosted within the country. And that goes for non-critical elements of the infrastructure, too, he says.

“Most enterprise customers want to maintain personal control of their critical infrastructure. In terms of non-critical applications, they would be willing to look at outsourcing these but to locally-based companies only. Their non-critical services may be applications such as backup and archiving of certain non-critical corporate data, an example of which is backup data from remote branches,” he says.

Not everyone agrees, however. According to Biswajeet Mahapatra, research director at Gartner, Middle Eastern organi-

sations are already prone to outsourcing parts of their infrastructure. He says that some of the well-known and traditional outsourcing players are reasonably active, and that outsourcing is now part of many organisations' overall IT strategy. “It works well,” he asserts.

What's more, the advantages of outsourcing don't have to be confined to non-critical infrastructure, Mahapatra says. If security is a concern, it shouldn't be, so long as the contractual and service-level agreement aspects of outsourcing are taken care of, he explains. Indeed, there are plenty of reasons why a company might turn to outsourcing, he says, particularly if organisations simply want a more efficient way of ‘keeping the lights on’.

“We tend to outsource the routine and mundane activities and these are mostly the regular ones which help run the basic services and keep the lights on,” he explains.

#### TO CLOUD OR NOT TO CLOUD?

While many businesses may see the benefits of outsourcing elements of their infrastructures, some have been scared off by thinking that it denotes coming up with a cloud strategy, which they may not have been ready to scale out. Mahapatra, however, explains that the two do not have to go hand in hand.

“Cloud and outsourcing can be either complementing or competing strategies, depending on the situation. Sometimes the entire outsourcing happens without any cloud elements in it and sometimes, based on the situation — economics and business — cloud can be part of the strategy,” he says.

That said, many conversations to do with infrastructure outsourcing are now inevitably moving in the direction of cloud, particularly as cloud acceptance grows and as cloud service providers deliver increasingly complex services. Naturally, some industries are more open to the idea of cloud-based outsourcing than others, and according to Matthew Boice, EMEAI vice president at Ellucian, the education sector is taking the cloud conversation very seriously.

“Cloud-based solutions have endless benefits including flexibility and accessibility. For higher education institutions, advances in cloud capabilities and software have made it possible for institutions to choose which solutions they wish to run from campus, and when to use private or public cloud

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**Biswajeet Mahapatra, research director at Gartner**



↑ ISIT's Vaidya says that, while most organisations like to manage their own infrastructures, outsourcing is on the up



↑ Matthew Boice, from Ellucian, says that universities have benefitted greatly from cloud-based outsourcing solutions



↑ Dimension Data's du Plessis believes that sourcing models should be chosen carefully based on requirements

services to complement their campus strategies. It also allows for greater collaboration amongst the stakeholders and across borders," he says.

And while cloud adoption does not necessarily mean adopting an outsourcing approach, some believe that the two are becoming intertwined. For example, Faisal Husain, CEO of Synchronon, an IT consulting firm, says that the Middle East has shown a "tremendous" inclination towards outsourcing with the emergence of cloud services. The idea that everything has to be kept in-house, he says, is slipping away as the quality of infrastructure outsourcing services has increased, and that includes the cloud-based services.

"Cloud-based solutions are recommended for businesses since they are more robust and can provide high-end performance with minimal infrastructure setup," he says.

Mechelle Buys du Plessis, senior sales manager at Dimension Data Middle East explains that she also sees infrastructure outsourcing becoming more popular as the adoption of cloud continues to grow. She advises organisations to choose their sourcing models based on how the company will benefit, whether the answer is cloud or not.

"The importance of service management and aggregation is paramount, as that is where you build the process of value creation, innovation, cost containment, measurement of benefits, and management of actual delivery across third parties. Dimension Data offers packaged cloud solutions, together with packaged managed services, which are applied to deliver some service towers where a client requires the benefit, but does not have the requirement of complete outsourcing. This provides the client with flexibility and a choice of service procurement models," she says.

#### **THE QUESTION OF INNOVATION**

All of that said, some global CIOs have questioned any form of outsourcing, as they believe that not having IT services in-house can stifle innovation. Last month, the CIO of General Motors, Randall Mott, made headlines by explaining he was bringing everything back under the General Motors roof, as he felt this was the only way that the company's IT team could innovate properly.

According to Mahapatra, this is a legitimate concern. He says that, if the outsourcing partner shares profits and losses, then it would be just as motivated to innovate. However, he concedes that such scenarios are few and far between. "If your processes are not mature, if the outsourcing partner is not well integrated into the internal team, and if there is no incentive for the outsourcing partner to innovate, generally innovation will not happen," he says.

However, Mahapatra explains that this may not be true for all companies, and Thierry Chamayou, vice president for Schneider Electric's Middle East and Africa's IT business, agrees. As with anything related to big IT decisions, there is no one-size-fits-all solution, he says — some companies may very be able to innovate even with large chunks of their infrastructure being outsourced, while others might find innovation more difficult.

"Both strategic thinking and a clear road map are important before commencing outsourcing. There are variables which are unique to each enterprise. It depends on how an enterprise evaluates these variables; for instance any logic, true for one can be false for another. It is not a case of one size fits all and is dependent on industry due to unique needs of each and every segment they operate in," he says. ●