

# Approach Note: Enterprise IT Cost Optimization



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A prudent organization continually attempts to take a structured and programmatic approach to cost management. For new age digital services companies that consider IT as a core competency, the cost management of IT resource procurement is even more complicated and have additional compulsions influencing the procurement and renewal of IT products and services.

To address the economic downturn resulting from the COVID-19 pandemic, an immediate response to conserve the cash flows and enhance the liquidity to help them go through a slow recovery and a longer phase of growth resumption is required.

Sify has put together a tiered framework for immediate to medium term and long-term opportunities to optimize the value for money allocated towards technology transformation.

### Recommendations

- **Reduce** - cut procurement costs by co-sourcing with Sify's *Cloud Neutral* capabilities
- **Rationalize** - eliminate surplus by practicing *Cloud Economics* and *IT as a Service*
- **Rearchitect** - transform into hybrid cloud for agility with flexibility with *Cloud Adjacency*

The *Reduce* and *Rationalize* options permit immediate to medium-term options to optimize costs *with no disruption* to operational abilities to deliver business services.

The *Rearchitect* option offers significant cost savings while opening up unprecedented flexibility and choices with *minimum disruption* to operational abilities when implemented with proper planning.

### Reduce – cut procurement costs by co-sourcing with Sify

The quickest way to reduce costs is by looking for better prices of commoditized products and services that can result in gains of about 5% to 10% without increasing the risk to deliver business services or regular operations. Sify can help in this process with:

- Economies of scale – more relevant for small and medium enterprises
- Partnerships with leading technology vendors – relevant for all levels of enterprises
- Cloud neutral capabilities – source from any of AWS/Oracle/Google/Azure/Private

In regard to *economies of scale*, while small and medium enterprises can benefit by aggregating their demand with Sify, most of the large organizations would have preferential contracts with leading technology vendors in place. Even then, Sify may bring up opportunities sometimes for better pricing with their exclusive pricing *partnerships with leading technology vendors*.

The *cloud neutral* capabilities of Sify developed on top of the cloud@core™ framework are especially useful for large organizations for cost arbitrage across competing cloud services who are very keen on improving their market share. While production workloads would be deployed on primary cloud platform, there will always be temporary workloads such as development/testing or short-term projects that can be deployed on alternate cloud platforms to exploit better prices.

## Rationalize – optimize and eliminate waste

The next most opportune lever to optimize IT spend is to continually monitor, assess and identify areas where organizations may be having surplus or unused capacity for products and services. This could deliver gains of about 5% to 15% without increasing the risk to deliver business services or regular operations. Sify can help in this process with their managed services for delivering:

- Cloud Economics - continually optimize the cost of consuming public clouds
- IT as a Service - mimic public cloud with self-hosted infrastructure to eliminate surplus
- Value stream management – optimize the cost of software delivery

*Cloud Economics* pertains to public cloud or hyperscale cloud cost optimization and it is a tactical art that requires a rich tool set and dedicated focus for continually identifying and leveraging the cost benefits. The approaches include:

- Develop cost show back for cloud costs at cost centers like a service or department
- Show back to sensitize users to right size their consumption and help with forecasts
- Leverage discounts and promotions aggressively with automation
- Avoid conservative over provisioning of resources, leveraging autoscaling for spikes
- Use provider managed services to reduce Total Cost of Ownership

With respect to *IT as a Service* implementation, the primary objective is to implement a *show back of the cost of resources* being used at a granular level such as a specific business service or business unit. The show back methodology helps fine tune the allocation of IT resources at optimal cost either by increasing the cost of the service to downstream users/customers or by eliminating unproductive usage of resources.

IT as a Service can be delivered by reconfiguring self-hosted vanilla virtualized resources on premises or a third-party datacenter into a *Managed Private Cloud* with the Sify CloudInfinet private cloud management platform or by subscribing to a *Hosted Private Cloud*.

The hosted private cloud is identical to managed private cloud with the only difference of the cloud being hosted and operated by the service provider from their data centers and with the private cloud configured on dedicated infrastructure from the service provider as a service.

With *Value Stream Management*, real time insights can be gleaned continually from the existing set of tool chains ranging from agile, testing, cloud and service management.

- KPIs and metrics for various levels from an initiative to a story
- Identify bottlenecks to improve velocity and efficiency
- Identify high performing teams and processes
- Identify cause for delays and quality issues
- Determine compliance gaps before they become issues

These insights help project, technology sponsors and business leaders reduce or eliminate delays for key initiatives, understand cost vs value delivered, and improve the efficiency of product delivery process.

### **Rearchitect – transform to bring more agility with flexibility at better costs**

With the economic recovery and renewal, organizations can focus on implementing strategic transformation initiatives that can leverage the hybrid and multi cloud capabilities offered by Sify. This approach typically can take from a few months to a few quarters to implement, and with proper planning and execution, it will bring minimal disruption to the operations and ability to deliver business services. While this approach delivers maximum benefits ranging from 10% to 30%, it will involve stakeholder acceptance and commitment to go through the change management process.

A hybrid cloud architecture federates resources from a private cloud and one or more public clouds. The features of private cloud such as compliance, data sovereignty, definitive cost visibility with no surprise costs and so on can be federated with the powerful capabilities of hyperscale cloud such as on demand availability and scalability, AI/ML and serverless functions. Entire workloads can be moved to private with modern DevOps toolchains in minutes or applications can continue to run on hyperscale and storage can be sourced from private cloud.

The benefits of hybrid cloud include:

1. Bringing more visibility and flexibility to choose between Private and Public Cloud infrastructure by leveraging Sify's Hybrid and Multi Cloud Management Platform – migrating resources (computer and storage) from a colocated facility to public cloud or AWS/Oracle or vice-versa. The choice should be cost-based rather than an agreement-based compulsion.
2. CDN across multiple platforms – moving some traffic from Akamai to AWS CF
3. IT Operations Transformation – moving from people-intensive IT operations to remote or hybrid delivery model for SLA-based approach, measured and managed by Tools and Automation frameworks of Sify
4. Network Integration – consolidation of Network Management
5. Deploy tools to automate DevOps and SecOps