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Transparency: A Critical Success Factor for IT Outsourcing



CONTENTS

3	Executive Summary
3	Outsourcing Still on the Rise
3	What You Don't Know Can Hurt You
	The promise of the Configuration Management Database (CMDB)
	The challenge: Up-to-date insight
4	BDNA: Trusted Insight for Successful Outsourcing
6	Overcoming Barriers to Outsourcing
6	Leveraging the Fact Base in the Outsourcing Relationship
	Finding cost savings
	Enabling innovation in the outsourcing relationship
	Discovering anomalies
	Accelerating new software adoption
	Benchmarking against similar companies
	Tracking work in progress
8	Summary: Supporting Success in Outsourced IT

Executive Summary

CIOs, under constant pressure to do more with less, are considering IT outsourcing as a way to meet some of their challenges. IT outsourcing initiatives are often focused on specific objectives such as application portfolio rationalization, legacy system modernization, and data center consolidation and virtualization. Whatever the actual project, the overall objectives are always strategic and similar: aligning IT with business needs and reducing the total cost of IT.

For an IT outsourcing project to be successful, both the outsourcing provider and the enterprise need an accurate and mutual understanding of the true project scope and objectives. Often, this alignment is impaired by the lack of accurate information about the current IT environment and assets. Many organizations have little insight into exactly where and how assets are deployed, their alignment with corporate standards, and other vital information including the lifecycle stage of important assets and their degree of utilization.

BDNA delivers transparency and insight into the enterprise-wide IT environment. BDNA Insight creates a trusted system of record for all assets and layers of IT resources, along with the analytics to turn that data into actionable information. Armed with this insight, CIOs and IT management can negotiate and manage outsourcing relationships from a fully-informed position, and measure and monitor the progress of IT outsourcing over time.

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Outsourcing Still on the Rise

Outsourcing of IT continues to grow. Five years ago, outsourced IT services only accounted for a quarter of all IT services spending. Gartner estimates that this figure reached one third by the end of 2007. IT infrastructure outsourcing end-user spending is projected to grow at a healthy compound annual growth rate of 7.4% until 2010, when it is projected to reach \$234B.

Research shows that while reduced costs and expected improvement in service levels are the key outsourcing motivators, clients also expect a variety of additional benefits from the process:

- Application portfolio rationalization
- Legacy system modernization
- ERP deployment
- Data center consolidation and virtualization: reducing under-utilized servers for cost savings and standardization

Although cost reduction and rationalization are often a company's main reasons for outsourcing, by outsourcing infrastructure management companies gain the flexibility to refocus internal IT skills on more strategic tasks.

Each of the initiatives listed above requires a firm understanding of the current status of the over IT environment in order to be successful.

What You Don't Know Can Hurt You

The problem for both enterprise CIOs and outsourcing providers alike is the lack of an accurate understanding of the existing IT environment. For example, a CIO might not know for certain whether there are 30,000 or 35,000 PCs in their network, what software is running on each server and how many licenses the company has. This information may be vital to accurate project scoping and setting realistic expectations.

The problem is exacerbated by recent trends towards mergers and acquisitions. Even companies that have tightly-run, standardized computing environments may inherit operations that are very different from their own and that they do not fully understand.

Without precise information about the existing infrastructure, it is difficult for the service provider to come up with a reliable and accurate offer and create a contract that will be successful. Given the tight margins on outsourcing contracts and the short timeframes in the initial bid

process, the potential for problems is large.

To be successful, clients and outsourcers need to define and agree on common metrics and benchmarks. These should include an approved methodology for collecting and analyzing data about the client infrastructure.

The promise of the Configuration Management Database (CMDB)

The Configuration Management Database (CMDB) would seem to be the answer to the problem. Many companies are deploying CMDB technologies, inspired in part by an increasing focus on IT service management.

In theory, a CMDB should contain all of the relevant information about each and every component of an organization’s IT infrastructure. In practice, many fail to meet expectations because a CMDB cannot operate in a vacuum. IT assets are dynamic, easily modified, and depreciate rapidly. The IT environment is constantly changing. Keeping track of these changes is difficult. Critical processes such as populating, reconciling and updating the CMDB remain cumbersome, manual and error-prone. Even if the CMDB is complete and accurate at its inception, it is bound to drift from reality unless it can be refreshed according to the actual environment.

The CMDB data must be accurate and complete, and must be kept up to date in an automated fashion. Discovery, verification of deployment, and reconciliation of the CMDB to the actual configuration are critical challenges. The legacy, agent-based monitoring tools typically used for discovery and reconciliation often present configuration challenges of their own. Populating a CMDB frequently takes between 6 and 24 months – at the end of which cycle much of the data is already obsolete. This CMDB “drift” problem is one that cannot be alleviated without active focus on processes and technologies that complement the CMDB to ensure its accuracy and consistency over time.

The challenge: Up-to-date comprehensive and relevant insight

To successfully support IT outsourcing, CIOs need accurate, up-to-date and relevant information about the IT environment. They need to be able to trust that the information presented is both complete and accurate. And they need to see the information in relevant context – such as products grouped by category or technologies aligned with business units and geographic regions.

BDNA Insight delivers a new level of transparency throughout the enterprise IT environment, enabling strategic outsourcing decisions and supporting a successful outsourcing relationship.

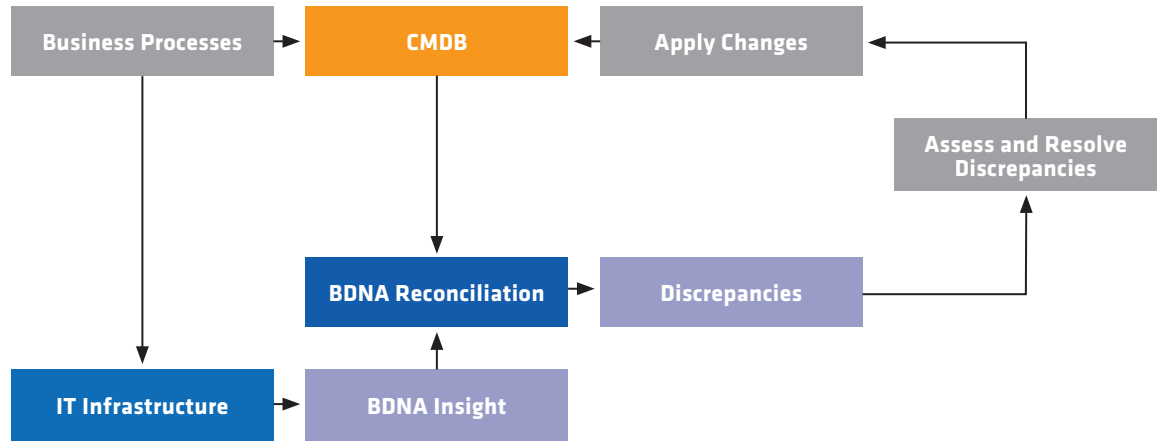
BDNA: Trusted Insight for Successful Outsourcing

BDNA Insight creates a trusted system of record for all assets and layers of IT resources. It combines high-speed, non-intrusive discovery technology with a rich catalog of public market data. BDNA Insight can help outsourcers and their clients align expectations, discover opportunities for savings, and ensure a successful outsourcing relationship.

“Before we installed BDNA, we had no complete view of our IT assets. The first run of BDNA showed surprising results: there was only a very partial match between the CMDB and the BDNA findings. We also discovered significant underutilization of certain servers but also, unexpectedly, other areas for savings such as printer toner. In addition, we uncovered security risks we weren’t aware of. Deciding to deploy BDNA requires a certain degree of belief since by definition you don’t know what you will discover and where the benefits will lie. We are glad we made the decision and we definitely realized a very significant return in a very short period of time.”

Jan Muechez
Chief Information Officer
KPN, The Netherlands

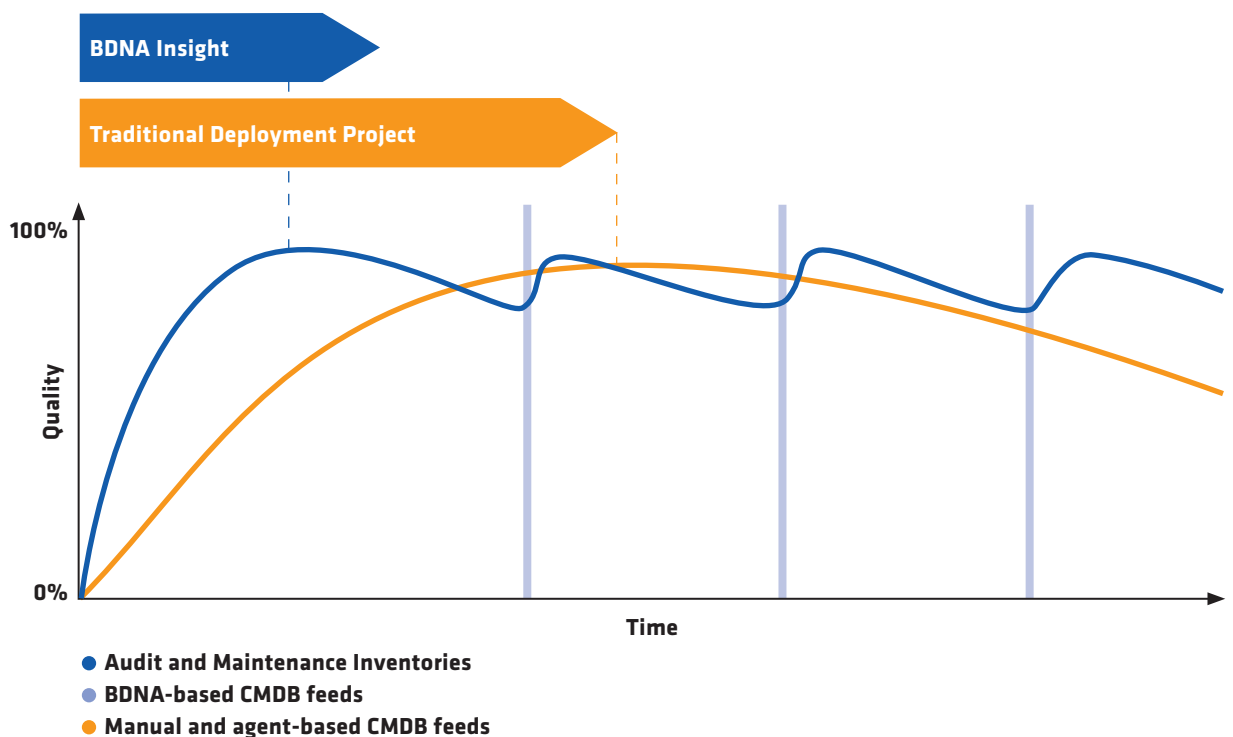
Fig. 1: BDNA's Automated Discovery and Reconciliation Solution



BDNA Insight discovers comprehensive, accurate and immediate information about all network-attached IT assets. Using a patented, non-intrusive discovery engine, BDNA Insight can discover thousands of IT hardware and software assets in a matter of hours. It captures key configuration information, enriches it with corporate ownership and market catalog information, and creates a complete fact base about the IT environment (the BDNA FactBase). This agentless solution has been proven in some of the world's largest IT organizations.

BDNA reconciles the technology FactBase with data from other sources. The reconciliation process can support many strategic initiatives, including CMDB population and update, license optimization, contract negotiations, server consolidation, vendor rationalization and obsolete product remediation.

Fig. 2: Addressing the data quality issue



BDNA's solutions address the data quality issue for CMDBs, both initially and over time. As assets continue to change, the automated nature of the BDNA solution ensures that data quality remains high. This is in contrast to many CMDB projects, in which data quality drifts over time as the real state of the environment changes without accurate and timely updates to the CMDB.

BDNA software supports successful outsourcing relationships by providing insight into the environment, which supports the alignment of objectives and provides a means of measuring and tracking progress over time.

Overcoming Barriers to Outsourcing

The three main inhibitors to outsourcing are lack of trust, loss of control, and risk (standards, security and support). BDNA addresses these barriers, helping both outsourcers and their clients find common ground for success.

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Trust: Lack of visibility into the IT infrastructure often leads to a lack of trust. BDNA supports both the enterprise and the service provider with a trusted, comprehensive fact base of infrastructure, including hardware, software and applications. This fact base creates the transparency necessary for a trusting relationship.

Control: With complete visibility into the infrastructure, clients have a real opportunity to provide input on decisions. For example, one of BDNA's customers uses a dashboard to track the progress of desktop operating system migration. This not only gives the customer visibility of the work in progress, but also prepares him for decisions about eventual hardware and software upgrades.

Risks: BDNA provides significant value in reducing the risks associated with outsourced IT projects.

- **Standards.** BDNA can detect any element of the IT infrastructure that is not aligned with corporate standards. A company or its service provider can create a "blacklist" of unauthorized software, and BDNA can discover "rogue assets" on the network that could jeopardize compliance and security.
- **Security.** One customer recently learned of a security risk because external contractors were connecting their PCs to the network and "opening the gates." BDNA detected this security risk, just as it can track updates of anti-virus definitions and detect any virus security risks in the corporate network.
- **Support.** BDNA can identify software that is approaching end of life, reducing the risk of losing support from the vendor, and the possible financial burden of having to pay for extended support of unsupported versions.

Leveraging the Fact Base in the Outsourcing Relationship

There are many ways to leverage the insight that BDNA provides in the IT outsourcing relationship, both in the initial project definition and over time.

Finding cost savings

Most organizations are looking for cost savings when outsourcing any portion of their IT operations. These cost savings may occur at three levels:

- At the workplace level (through standardization)
- At the data center level (server consolidation and virtualization)
- At the application level (application rationalization)

BDNA's software supports savings at all levels.

At the workplace level, BDNA's solutions can track the degree of standardization and check which locations are aligned with corporate standards.

At the data center level, BDNA supports server consolidation by tracking the servers in a data center and verifying server utilization. It provides detailed information about each server's

technical characteristics, including CPU count and speed, memory, and file systems. It also creates a software profile, including the types of applications supported on the server and their usage patterns. With this information, CIOs can craft robust migration strategies for data center consolidation, virtualization and clustering.

At the application level, the detailed software analysis provided by BDNA helps Procurement teams reduce costs through application rationalization and license optimization. It also helps support compliance initiatives.

Using BDNA Insight, a company can analyze all components of asset ownership, including utilization, standards compliance and obsolescence exposure, from both functional and financial perspectives. The BDNA Fact Base provides quantitative evidence to support the business case for a variety of initiatives.

“Consip, in its capacity of outsourcer of the IT infrastructure of the Ministry of Economy and Finance, has selected BDNA for the discovery in their IT Asset Management project. We’ve chosen BDNA to obtain a unique and integrated overview of the entire IT infrastructure of the Data Center”

Gino Carucci
Senior IT consultant
Rome Data Center
Coordinator
CONSIP, Italy

Enabling innovation in the outsourcing relationship

According to a recent Gartner survey, many companies that outsourced data center operations found themselves dissatisfied with the lack of innovation from their providers. As new technologies or approaches became available, the service provider did not necessarily present the possibilities or implement them.

BDNA can also help here. With precise and up-to-date information about the environment, the outsourcing service provider can better identify opportunities for improvement and innovative applications of technology.

Discovering anomalies

Having a better overall view facilitates end-to-end IT service management and makes it easier for the service provider to detect where problems are likely to occur.

For example, assume that there are CMDB configuration items that cannot be found on the network, as they were removed for maintenance. Is this fact registered in the CMDB? Unless the CMDB is reconciled with complete inventory on a regular basis, the reconciliation process will fail to identify missing CMDB items and unrecorded assets. Reconciling the CMDB with an accurate inventory using BDNA makes IT service management substantially more efficient.

Accelerating new software adoption

BDNA Insight tracks the utilization rate of enterprise software, expediting the roll-out of strategic applications.

Benchmarking against similar companies

BDNA can create a comprehensive, built-in catalog, including a current list of technology vendors, software and hardware products, versions, etc. This catalog enables customers to benchmark their complete IT infrastructure.

Using BDNA, enterprises are able to take a snapshot of their outsourced environment to compare it to other companies of similar size to see where it stands as to innovation, the number of servers per user, etc.

Tracking work in progress

BDNA can populate an IT infrastructure management dashboard with key performance indicators, such as standardization progress (including the remediation of unsupported systems), the degree of server virtualization, and the adoption/utilization of strategic applications. This enables ongoing measurement of success towards goals – and, when not on track, the ability to take quick action towards resolution.

Summary: Supporting Success in Outsourced IT

BDNA provides both outsourced service providers and enterprises undertaking IT outsourcing with complete transparency into the current IT environment. This informs and supports all phases of the outsourcing relationship.

- It helps overcome barriers to outsourcing.
- It supports the alignment of objectives and expectations.
- It provides a means to track and monitor the status of the outsourced IT project, supporting accountability.
- It helps identify opportunities to standardize and consolidate for cost savings, while providing the information to support innovation within the boundaries of the contract.

BDNA Insight helps ensure the success of outsourced IT projects – enabling the provider to deliver innovative and effective services, and supporting the enterprise in taking full strategic advantage of the benefits of outsourcing. Using BDNA Insight helps organizations measure and manage the process from the beginning through its natural lifecycle. Most critically, BDNA Insight provides the transparency to ensure that the business benefits that are identified as part of the business case of an outsourcing initiative are in fact captured – and in favor of the customer.

About BDNA

BDNA Insight provides the trusted fact base and analytics essential for executives in the Office of the CIO to manage the business of IT. Our on-demand FactBase with analytics for security, procurement, and operations delivers timely, complete, and accurate understanding about the company's IT infrastructure. This insight is vital to manage key IT imperatives and drive accountability. BDNA's customers include global organizations such as ENEL, KPN, Lockheed Martin, Motorola, Telecom Italia and the US Army. For more information, visit www.bdna.com.