

NEWSLETTER

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A NOTE FROM OUR CEO

- Cathy Horst Forsyth

And yet in the current economic environment everyone is being challenged to do more with less, often delaying key projects and deferring investment in IT infrastructure. So how do we find the right balance, to ensure that minimizing or delaying investment in infrastructure doesn't cause a domino effect of business disruption that impacts the P&L statement, top to bottom?

I recently had the pleasure of speaking with the members of Extraordinary Women on Boards (EWOB) about this very topic: the importance of maintaining a strong IT infrastructure and the high price of tech debt. Most board members clearly understand cyber-risk but had never really thought about the risk of failing infrastructure. Nor did they consistently have conversations about this risk at the board level. But Southwest Airline's recent service failures got everyone's attention, and that is now changing.

We shared our recommendations on how Board Members should engage with IT leadership, including the questions to ask about both risk and risk remediation through targeted investment. If one thing became clear, it was the need to have active, ongoing dialogue between IT leadership, the C-suite and the Board. And while budget pressures won't abate because of this dialogue, at least all parties can have a clear and common line of sight to the ultimate cost of tech debt.

Once the cost of tech debt is quantified, many realize that new investment in IT infrastructure often pays for itself when legacy systems are rationalized. However, this can be difficult to do without an external set of experienced eyes, one with a supplier-neutral, client-first point of view. Strongbow does this exceptionally well for the large enterprises we work with.

Although I don't have a technical degree (or perhaps because I do not have a technical degree), I have serious respect for the IT experts in our industry – both those that lead business innovation through technical transformation, and those who keep businesses running 24/7. We often say IT is a thankless job because when it works well, all is quiet, but when things break, all hell breaks loose. And that's become even more true in recent years as the price of downtime has grown significantly.

Unfortunately, you don't need to look far to find examples of tech failure these days. We all know that technology does fail, but only careful and thoughtful planning can ensure that tech failures don't cause downtime. Failure to invest in technology modernization is another great risk, recently highlighted in a very painful way by Southwest Airlines. SWA's operational disruption in December 2022 (and then again just a few weeks ago) will ultimately cost the firm more than \$1B in lost revenues and unplanned expenditures, and that doesn't include the time and expense that must now be spent to remediate systems and technology that have been neglected for years.

Data Centers Aren't Dead Yet

- Alex Petrov

In recent years, as enterprises have retired their legacy infrastructure and pursued modernization initiatives, most companies have shifted away from legacy data centers towards cloud computing, seeking the benefits of elasticity, speed-to-market and cost efficiency (although the latter is the subject of frequent debate). Just a few years ago, many people argued that Cloud Service Providers (CSPs) like GCP, AWS and Azure would soon render on-premises data centers obsolete, but more recently it has become clear that both options have their own unique set of benefits and risks.

Even more recently, we are hearing the words 'repatriate workloads' indicating that the pendulum can swing both ways, and we believe that will happen more often in the future. In light of that, it's helpful to review the benefits (and downfalls) of both on-prem and cloud-based computing.

Cloud Service Providers

CSPs offer an array of benefits to both large and small enterprises alike, but they are not without their downsides. Enterprises need to carefully consider how to best leverage the benefits of cloud services while being careful to mitigate risks; risks that can cause some serious problems if not carefully navigated when developing a cloud strategy.

Benefits

- **Scalability** - One of the most significant advantages of cloud services is scalability, the ability to quickly and easily scale resources up or down as needed, based on business demands or seasonal fluctuations in workload volume. This can be particularly useful for enterprises that experience seasonal demand (think retail), as it allows them to avoid the costs of maintaining hardware and compute capacity that remains frequently underutilized.
- **Flexibility** - Cloud services provide greater flexibility than on-premises data centers, allowing

enterprises to easily spin up new instances or experiment with new technologies without having to invest in new hardware or space. This can be valuable for companies that need to rapidly innovate, or for smaller companies that need to rapidly increase capacity as they grow.

- **Reduced Capital Expenditures** - Cloud services can help enterprises reduce capital expenditures by eliminating the need to purchase and maintain expensive hardware. Instead, companies pay for the resources they use on a pay-as-you-go model, which can result in lower overall costs or a shifting of costs from capital expenses to operating expenses (please cross reference related risk noted below).

- **Global Footprint** - Most, if not all, cloud service providers have a global footprint, with data centers located in multiple regions around the world. This can be a significant advantage for enterprises that have customers or operations in multiple locations, as it allows them to deploy their applications closer to end-users, resulting in lower latency and better performance.

(Potential) Risks

- **Reduced Security** - Herein lies an ongoing debate: many still believe cloud services can be vulnerable to security threats, particularly if proper security protocols and best practices are not followed. However, significant investment by public cloud companies has somewhat alleviated this concern in recent years. Regardless, it is the enterprises' responsibility to ensure that their data is secure and protected, and that their company's security policies are well documented and practiced, when using public cloud services.
- **Lack of Control** - Enterprises have less control over their data and infrastructure when using public cloud services, compared to on-premises data centers. This can be a particular concern for companies that handle sensitive data or have regulatory compliance requirements.

- **Dependency (Vendor Lock-In)** - Heavily utilizing cloud services can create a dependency on a third-party provider, a problem commonly referred to as "Vendor Lock-In." And while many firms hope that a multi-cloud strategy will reduce this risk, some clouds are just better suited for certain applications, making seamless workload portability more of an aspiration than a reality.

- **Increased Operating Cost** - While cloud services can reduce capital expenditures, they can also result in increased operating expenses if not managed effectively. Enterprises often experience cloud expenses that keep rising month after month due to critical applications utilizing more compute power than originally planned. Companies need to carefully plan their cloud migrations to determine where applications and workloads are most efficiently hosted, as well as monitor their usage of cloud services to ensure that they are only paying for the resources they need.

Modern Data Centers

Despite the hype surrounding cloud infrastructure, the on-prem data center is not dead, and for many firms, modernized, privately owned Data Centers are a compelling alternative for many core business applications.

Benefits

- **Greater Control** - On-premises data centers offer greater control over company data and infrastructure. Enterprises can customize their hardware and software configurations to meet their specific workload requirements and have complete control over the security of their data.

- **Enhanced Security** - As noted above, many still debate whether public cloud is more secure than on prem, but as companies have complete control over their security protocols in the traditional data center model, they can ensure (and document) that they meet regulatory compliance requirements. Of course, this assumes that enterprises invest in the appropriate protections, which can be very costly, hence the debate continues.

- **Reduced Operating Cost** - While on-premises data centers often require significant upfront capital expenditures, they can result in lower operating expenses over time, as companies don't have to pay for ongoing cloud service fees. Depending on a company's financial strategy, there are benefits to depreciating capital expenditures versus increasing operating expenses.

Risks

- **Lack of Speed** - On-premises data centers can be challenging to scale quickly and efficiently. In fact, it takes years to build new facilities at scale, and often just as long to thoughtfully modernize existing data center facilities.

- **Lack of Scalability** - This model simply doesn't afford the scalability of a utility-based model, as additional capacity needs to be ordered and physically provisioned, and that takes time.

- **Maintenance Requirements and Costs** - On-premises data centers require ongoing maintenance and updates, which can be time-consuming and expensive.

- **Footprint** - On-premises data centers are limited in terms of footprint, which can result in higher latency and slower performance for users in distant areas. While it's certainly possible to operate multiple data centers in different geographic regions, that solution bears significant expense.

For most companies, a hybrid cloud strategy can be really powerful, and over time more and more enterprises will introduce a multi-cloud strategy to optimize performance and efficiency across multiple providers in the public cloud. That said, planning for such a complex environment is critical as there is significant potential for budgetary challenges and performance issues. A phased approach over several years makes sense, one that balances technical and commercial strategy. This is something we help our Enterprise clients with every day. Our process is customized for each organization's unique application requirements and financial objectives. If you would like to learn more about our approach, please contact us at info@strongbowgroup.com.

Trends in Outsourcing

- Kendall Harmeyer

In today's digital age, technology has become an integral part of business operations across all industries. For large enterprises, managing IT infrastructure, the foundation for digital enablement, is both complex and expensive. And at the same time, companies can't afford to experience downtime, so maintaining acceptable service levels is now more critical than ever. One of the key decisions large enterprises must make is whether to manage IT services internally or outsource them to a third-party provider.

Over the years, the trends have changed, and more recently we observe our largest enterprise clients seeking to insource operational support for several reasons, ranging from the strategic importance of critical infrastructure to the cost efficiencies afforded by the industry's latest automation and tooling solutions. But there are many factors to be considered and there is no one 'right answer' to this question.

Both insourcing and outsourcing solutions have their own advantages and disadvantages, and these should be aligned with the unique business and technology requirements for a firm, including factors such as technology lifecycle, geographic coverage and scalability requirements. We've outlined some of the pros and cons of internally managed services versus outsourced managed services below to help outline some of the thinking behind this 'build vs buy' dilemma.

With internally managed services, one of the biggest benefits is greater control. The organization has more control over the technology solutions it uses and how they're implemented when an internal team is designing, implementing and managing IT services. Additionally, an internal team has a deeper understanding of the company's business goals, culture and operations, which can help customize IT solutions to deliver optimal results. In some cases, having an internal team may be more cost-

effective than outsourcing, especially if the team is able to leverage existing resources and tools.

However, there are also potential downsides to internally managed services. For example, depending on the size of the IT team and the scope of the organization's needs, an internal team may not have the necessary resources, including the requisite skills and expertise, to provide all the services required. Indeed, resource constraint and competing priorities have become an industry constant, and service levels can suffer as a result. Additionally, insourced operations are often burdened with multiple, duplicate and overlapping systems and toolsets that generally lag the market's latest, leading solutions.

With an outsourced support model, one of the biggest benefits is access to specialized skills. An outsourced team can provide access to specialized skills and expertise that an internal team cannot afford to keep on staff full time. Outsourced resources also have the benefit of scale, which creates a strong base of knowledge and experience, in addition to cost efficiency. Additionally, outsourced services can be scaled up or down as needed, which can be particularly beneficial for enterprises with fluctuating needs. Of course, these benefits assume the third-party service provider continues to invest in people, process and technology, and that is not an assumption to be made in this current market.

As with internally managed services, there are potential downsides to outsourced managed services as well. For example, with an outsourced team, the organization will likely have less control over the technology solutions that are used and how they're implemented and supported. Lack of transparency is another key concern. Often, companies lack visibility into the services they are paying for and their associated costs, as well as the underlying methods, processes and procedures

required to run operations. Entrusting sensitive data to a third-party provider can create security risks, especially if the provider doesn't have adequate security measures in place. This is a major concern for companies in highly-regulated industries.

As stated above, there is no one 'right answer' to this question, and the optimal answer can change over time. For example, many companies like the build-

operate-transfer model where external resources help support transformation and implementation, and the early days of operational support. Once operations are stable, transferring to internal staff allows the benefits of an insourced solution with less risk. The devil is in the details, of course, as commercial agreements are incredibly important here to allow for the transition of systems, tools, processes and people at the right time.



EMPLOYEE SPOTLIGHT

- Greg Elliott

Greg Elliott, a seasoned consulting professional with over 35 years of IT industry experience,

joined Strongbow in April 2022 as a Managing Consultant and has quickly become an indispensable member of our team.

As a Managing Consultant at Strongbow, Greg is responsible for spearheading network transformation and cost optimization projects, driving great results for some of Strongbow's largest clients. Greg has a wealth of experience on both the supplier side and the consulting side of the industry and brings a comprehensive perspective to the table. His decades

of experience negotiating network and IT service agreements has helped Strongbow clients both capture savings and drive transformational programs including network modernization and large-scale insourcing programs.

When Greg is not busy supporting Strongbow client engagements, he can be found spending time with his wife Charlyn and their two sons Nick and Drew, both of whom are about to graduate high school. Greg is also active in his church and enjoys cooking, as well as watching Georgia Tech athletics.

We are proud to have Greg as a part of our team and look forward to his future accomplishments here at Strongbow.

ABOUT STRONGBOW

Leveraging our deep technical and commercial expertise from the Data Center to the Desktop, Strongbow helps Fortune 500 companies plan, build and implement infrastructure modernization plans for improved resiliency and speed to market in today's fast paced digital economy.

Our experienced bench of consultants understand next-generation technologies and legacy technologies, including bespoke configurations and outdated systems. Bridging the gap between old and new is critically important when delivering successful change programs with strong, positive financial returns.

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