



Power and the IT Department

A Survey of Large Organisations in N America, Europe and the
Middle East

July 2009



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INTRODUCTION

Research Methodology

Brocade Communications Systems commissioned independent specialist technology market research company Vanson Bourne to undertake the research upon which this report is based.

1050 interviews were carried out in June/July 2009 with senior IT decision-makers in Enterprise-level organisations. The survey was wide-reaching, covering the following countries/regions:

- North America
- Western Europe (Benelux, France, Germany/Austria/Switzerland, Italy, Spain)
- Nordic region (Denmark, Norway, Sweden)
- Turkey
- Dubai

The business sectors targeted were selected specifically because of their reliance on IT and/or their power consumption profile. They were:

- Financial services
- Manufacturing
- Public Sector
- Pharma/biotech
- Computer services
- Telecommunications

Results discussed in the main narrative are based on the entire global sample. Where variances in regional response or sector are worth noting they appear in a separate information box.

In these difficult economic times IT budgets are under pressure, so opportunities to find savings that do not compromise the effectiveness of the IT department should be interesting IT heads wherever they are. This study examines the pressures IT heads are under, how their purchasing behaviour has been affected and whether any savings they achieve are fed back into the IT department's budget.

As the following pages demonstrate, IT departments in large organisations are coming under greater pressure to cut power consumption and that, if they can achieve those reductions, many will enjoy the benefit as funds are recycled back into reduced IT budgets.

SUMMARY OF KEY FINDINGS

The impact of the global economic downturn

- Budgets are down, by around 20%
- Two-thirds of respondents have had to change their operational approach this year
- As a result IT leaders are having to focus on essential maintenance and replacement, projects with fast ROI and cancel any planned activity that does not meet these criteria

Corporate pressure to reduce costs and how that affects behaviour

- Half the IT decision-makers interviewed say they are under pressure from the organisation to cut power consumption – half of them simply to cut operational costs and the others because their organisation has “green” policies in place
- Despite this, factors such as “compatibility” and “performance” quite understandably remain at the top of the checklist when new hardware is being considered for purchase
- However, WHETHER an IT department is under organisational pressure to reduce power costs, and WHY they are under that pressure, have a noticeable bearing on the importance of a device’s power consumption when making the purchase
- The extent and nature of organisational pressure to cut consumption affect attitudes and behaviours throughout the survey – from purchasing, to power monitoring and to how savings might be used to benefit the organisation

Who pays the power bill?

- In 50% of cases facilities management owns the IT function’s power bill. In the rest, the responsibility lies either with the IT budget-holder or under dual control between IT and facilities management
- Where facilities management is responsible for the IT department’s power bill, cooperation between the two over power savings is patchy
- Nonetheless, a good proportion of respondents would expect to be able to re-direct savings made on power consumption into IT projects that have been mothballed due to the economic climate

The implications of making power cost savings

- Where power consumption savings (or where any OpEx savings) can be made, those IT heads who expect to be able to spend those savings on IT projects say that they would be most likely to invest the money into **security** projects

THE IMPACT ON IT DEPARTMENTS OF THE ECONOMIC DOWNTURN

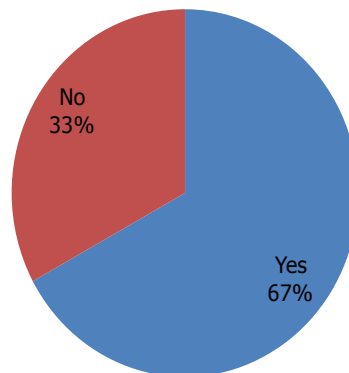
IT budgets are typically lower this year – although not every IT department is having to make do with less; other research Vanson Bourne conducted in Q2 of 2009 shows an average decline in IT budgets of around 20%. Under those circumstances, it is inevitable that the way in which the IT department operates is affected. As figure 1 shows, two-thirds of IT heads admitted operational changes.

Figure 1: Has the current economic climate resulted in a change in how you operate this year?

Notable Variances:

84% in Italy: 42% in Germany

75% in Manufacturing: 56% in Public sector



The operational changes made necessary by budget cuts inevitably mean a retrenchment in terms of planned projects and purchases, and figure 2 shows exactly how the IT department's reduced finances are forcing it to re-focus and pare back - around two-thirds are merely making the bare essential purchases and over half have put off new projects or cancelled them completely.

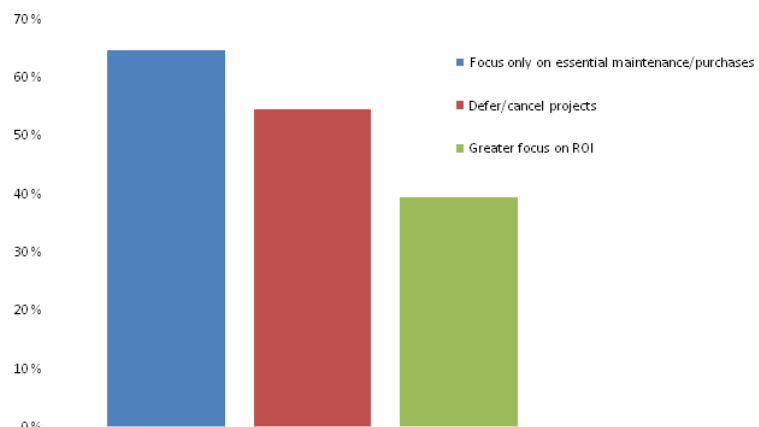
Return on Investment (ROI) is also becoming a matter of greater focus, especially in the commercial sectors (excluding Public Sector, where only 21% regard ROI as a new priority). Looking forward into the central issues covered by this report [IT power consumption], the re-emergence of ROI should mean that the ongoing cost of powering new equipment becomes a key purchase influencer.

Figure 2: What are you having to do differently? (Base: Those that have how they operate)

Notable Variances:

ROI focus 55% in UK: 15% in Spain

21% in Public Sector: half as many in commercial sectors



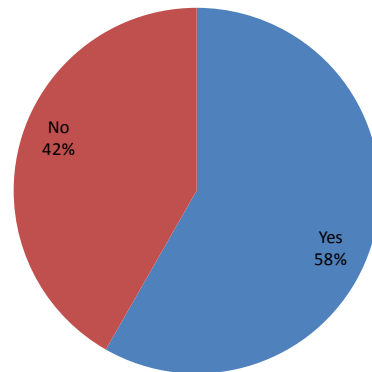
Within that same Q2 2009 Vanson Bourne research cited above, results showed that the scrutiny of proposed projects and purchases has increased greatly. Looking further into the ROI question here, we see that not only is the clarity/measurability of the ROI period increasingly important but also its speed. Figure 3 suggests that projects that can prove fast ROI have a better chance of getting through the scrutiny process. The figure of 58% increases to nearer two-thirds of commercial organisations – once more the Public Sector is behind the overall curve.

Figure 3: Are you now putting greater importance on projects with short-term ROI?

Notable Variances:

70% in USA: 35% in Germany

43% in Public Sector: 69% in Pharma/biotech



The story so far - of economic slowdown causing IT budget cuts, leading to a renewed focus on expenditure that is either essential or demonstrably cost-neutral very quickly - is hardly news. The point is that reducing IT power consumption is now less about corporate greening and more about the cost reductions that bolster a weakening bottom line. And that is an imperative that this economic climate makes hard to ignore.

The next section looks at how widespread corporate pressure on IT departments is, and what happens as a result of it.

CORPORATE PRESSURE TO REDUCE POWER CONSUMPTION, AND ITS EFFECTS

Organisational attitude

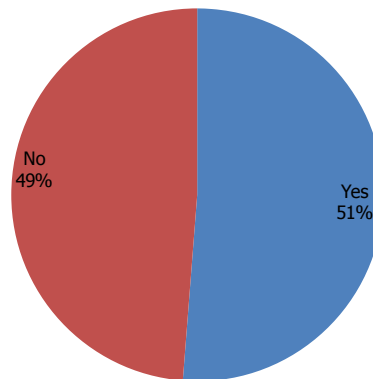
If CFOs are looking for lines of expenditure where the application of some management focus and attention could produce savings, then it is not hard to imagine that they regard the corporate energy bill as “low-hanging fruit”. But switching the lights/monitors off is one thing. Can IT reduce power consumption without harming the organisation’s productivity? In this section we examine if the CFO thinks so and is therefore applying pressure.

Figure 4 shows that IT heads’ experience in this respect is mixed, with as many denying that they face organisational pressure to reduce power consumption as acknowledge it.

Figure 4: Are you under pressure to reduce your power consumption?

Notable Variances:

“Yes” 75% in Italy: 28% in Germany



Survey findings revealed later in this report show that the IT department’s approach to power consumption is strongly influenced by whether pressure is being applied at an organisational level. More of that later.

Another key factor is *why* there is pressure from above to cut costs, as this also appears to affect the IT department’s approach to power consumption issues and what it expects if consumption savings are achieved.

Figure 5 shows that the principal reasons are neck-and-neck, with marginally more organisations citing “to reduce operational costs”.

Figure 5: Why are you under pressure to power consumption? (Base: Those under pressure)

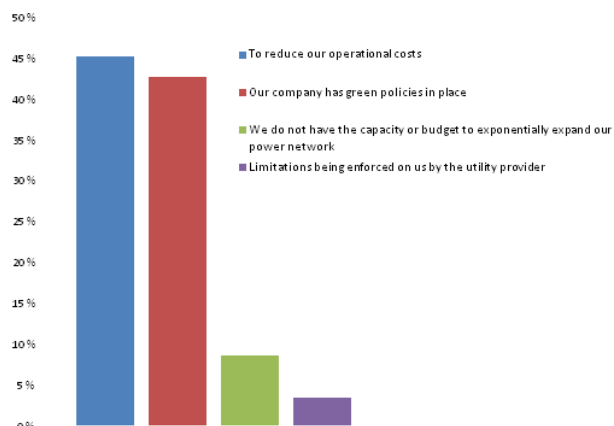
Notable Variances:

Reduce operational costs - 59% in

Germany: 35% in Benelux

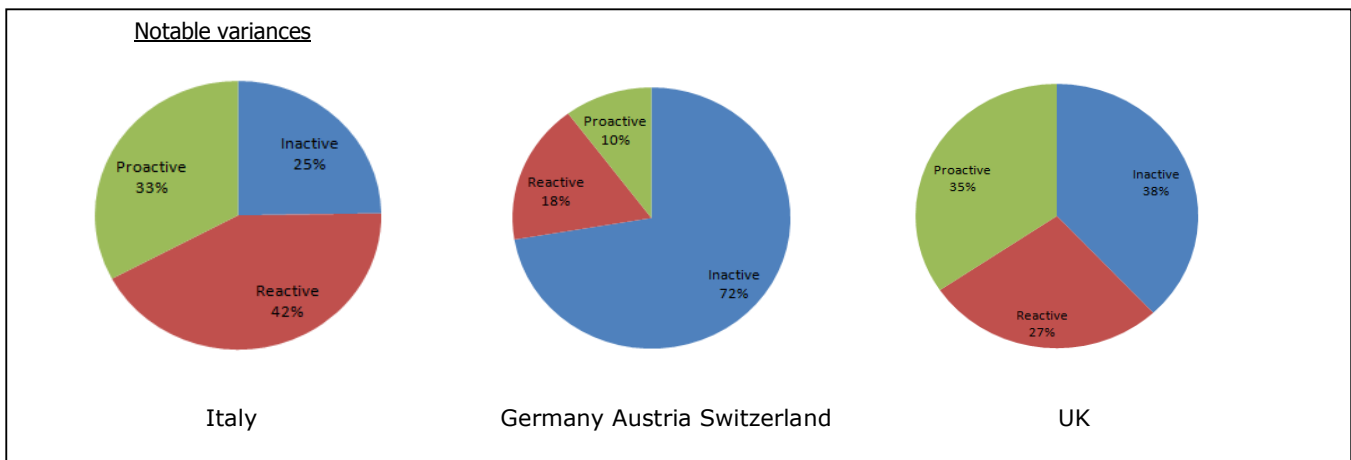
Green policies – 57% Benelux:

34% Germany



What can we infer from this three-way split?

- **Those under pressure to make savings because the organisation has green policies in place** - these are proactive organisations (25% of total), whose efforts to reduce consumption are part of a wider initiative
- **IT departments under pressure to make savings because of the need to reduce costs** - these are reactive organisations (26% of total) that see power consumption savings as one way of tightening the belt during the economic downturn
- **Organisations whose IT departments are NOT under pressure to reduce costs** - these are inactive organisations (49% of total), whose budgets are yet to feel the strain of the economic downturn and who have not yet extended corporate social responsibility policies into energy consumption



The behaviour of the three categories of organisations, in approach to power consumption management, does diverge in various ways, as will be demonstrated later in this report.

The effect on purchasing habits

The 1050 IT heads we surveyed were asked to rank in terms of priority the eight purchasing considerations shown in figure 6a. The figure shows the average ranking each was given. Unsurprisingly, "compatibility with existing hardware" and "performance" were given the highest priority with "power consumption" averaging fifth.

Figure 6a: What are your priorities when considering new hardware/infrastructure investments?

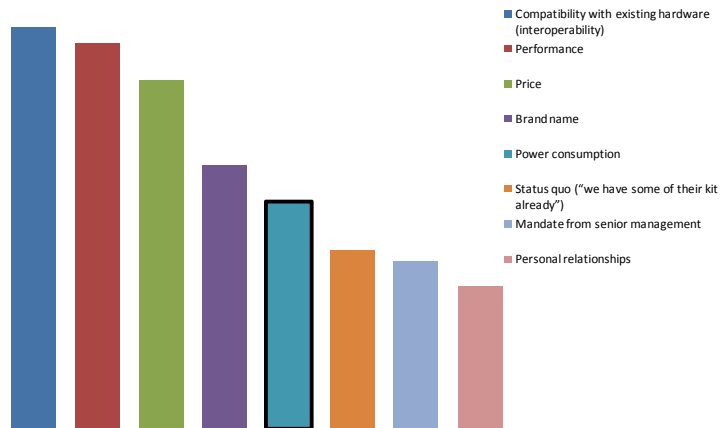
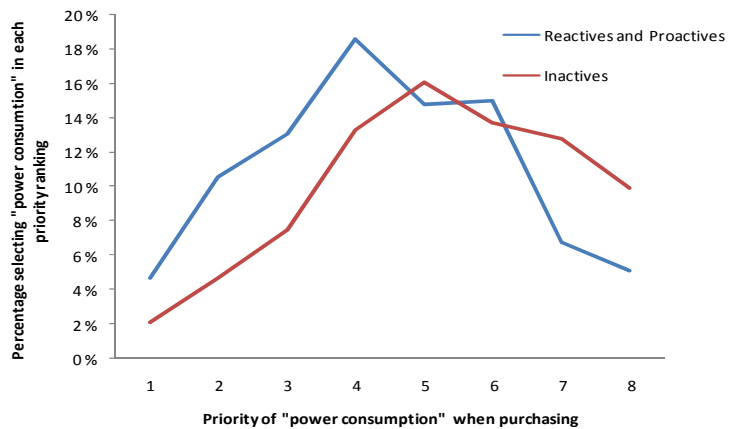


Figure 6b breaks out the percentage of IT heads voting "power consumption" into each ranking place and it shows a clear difference in attitude to power consumption as a purchase criterion, depending on whether the organisation is under pressure from their organisation to reduce consumption. Those that admitted such a pressure were noticeably more likely to rank "power consumption" as a higher priority.

Figure 6b: Distribution of ranking for "Power Consumption" as a priority when considering new hardware/infrastructure investments?

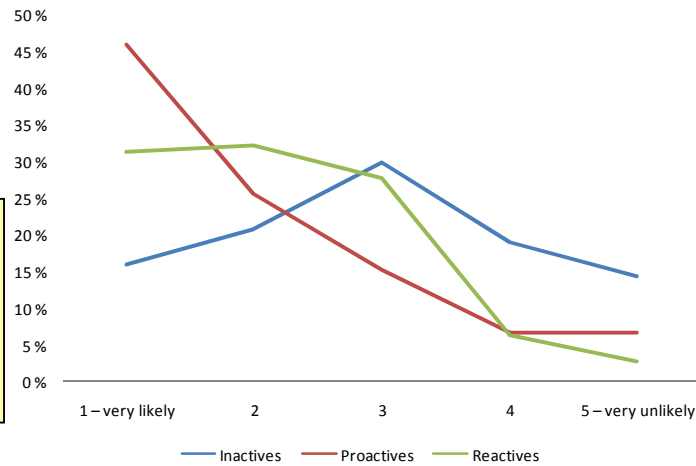


The previous page shows that power consumption is on most organisations' radar, to a greater or lesser extent but with different emphasis depending on the prevailing organisational attitude. To sanity check this finding, respondents were asked if they actually do review the power consumption before making a purchase. By the narrowest of margins, the majority (51%) said that they were "likely" or "very likely" to do so.

However, as figure 7 shows, irrespective of differences in behaviour at a country or sector level, there is a significant variance in this response based on which of the three organisational categories the respondent was in.

Figure 7: How likely are you to review the power consumption of a device/solution before investment?

Notable variances
 "Likely" or "very likely" - France 73%:
 Spain 24%
 Public sector 45%: Telecommunications
 60%

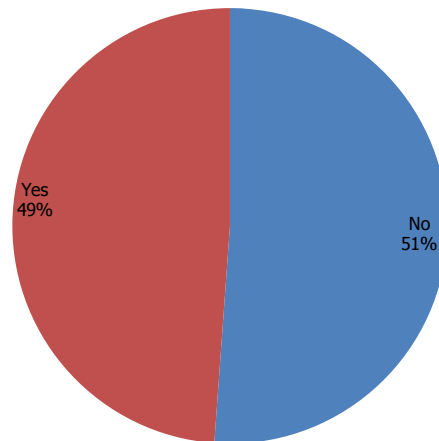


The effect on usage habits

The research has so far identified that power consumption is a topic of interest within IT departments - medium-level at best - at the time of purchase, but that the interest level is dependent upon the attitude/focus of management within the organisation. This section looks at the visibility of IT hardware's power consumption and the adoption of energy-efficient processes. As figure 8 shows how many organisations surveyed can measure hardware power consumption.

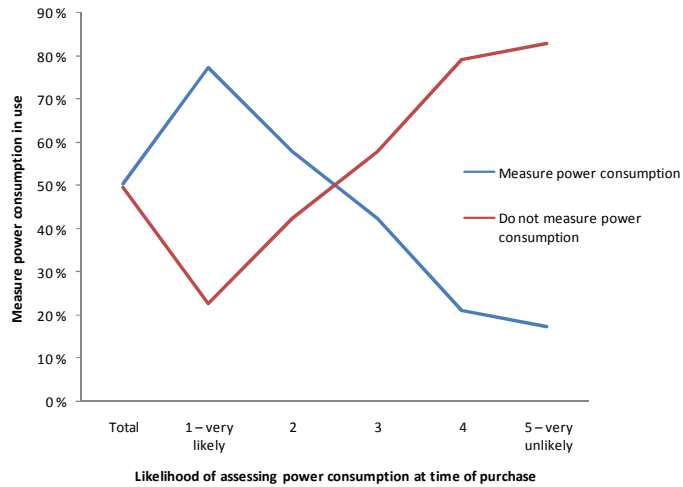
Figure 8: Do you have procedures in place to measure the amount of power your hardware consumes?

Notable variances
 "Yes" – Public Sector 40%:
 Telecommunications 58%
 Turkey: 83%: N America 38%



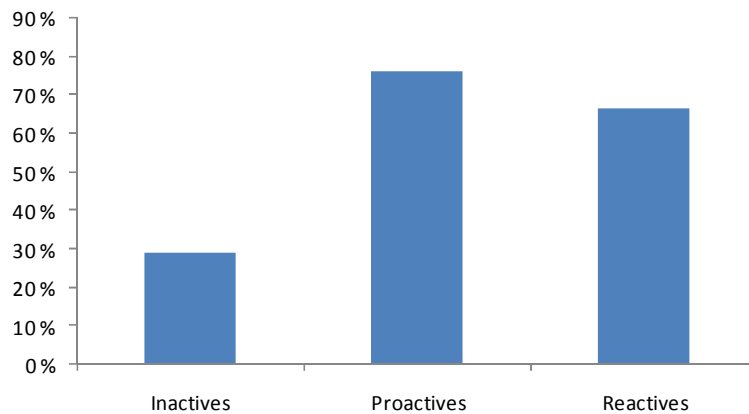
Looking beyond the near 50:50 split shown above, figure 8b reveals that “power consumption awareness” is not present solely at the point of purchase. As the blue line on the graph shows, an IT department that takes note of power consumption when buying is also far more likely to measure its power consumption in use. This is indicative of an overall mindset about power management, that 50% of our sample “gets it” and the other half does not.

Figure 8b: Correlation between “review of power consumption BEFORE investment” and “Procedures in place to measure power consumption in use”



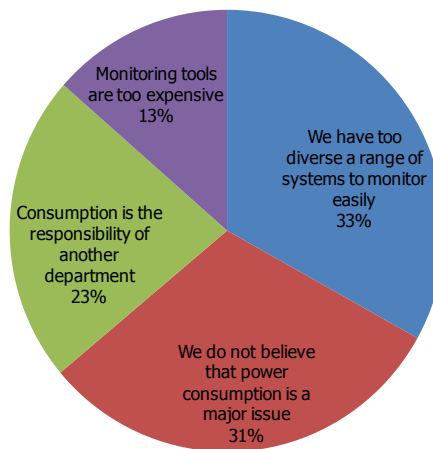
And if we look at the organisational categories defined on page 8, again we see a very strong link between the organisation’s focus on power savings and how likely that organisation is to measure IT power consumption. It is interesting to note that the “Reactives” (those feeling pressure to reduce consumption in order to save operational costs) are LESS likely to measure hardware power consumption than the “Proactives” (those following a wiser organisational “green” agenda). It looks as though the mandate had gone out to cut costs, but that the tools are not in place to uphold the directive.

Figure 8c: Correlation between those that have procedures to measure hardware power consumption and organisational category



The survey then asked the 49% of organisations that DO NOT have power consumption monitoring procedures in place why this was. Although one quarter (23%) effectively said it was some other department's problem (not that this explains WHY there are no procedures in place), equal top responses were that it is too complicated or that power consumption is not a major issue.

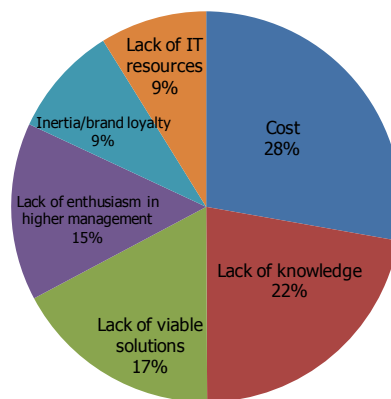
Figure 9: Why don't you have procedures in place to measure the amount of power your hardware consumes? (Base: Do not measure hardware power consumption)



Notable variances - "Not a major issue"
 48% N America: 16% Benelux and Turkey
 42% "Not under pressure to reduce consumption": 7% "Under pressure...."

Looking more broadly at overall energy efficiency in the IT department, IT heads were asked to specify the most significant barrier they face. As figure 10 shows, over one-quarter said "cost", with "lack of knowledge" a close second.

Figure 10: What is the biggest barrier to implementing more energy efficient processes?



Notable variances - "Lack of enthusiasm in higher management"
 20% Public Sector
 23% of organisations "Not under pressure to reduce consumption" (The No. 1 barrier for this group)

This section has examined organisations' approach to reducing power consumption, in terms of mindset and actions taken. It has shown the strong correlation between the course set by senior management within an organisation and how that shows up in tactical behaviour in the IT department. The next section looks at the issue of budgets and expenditure.

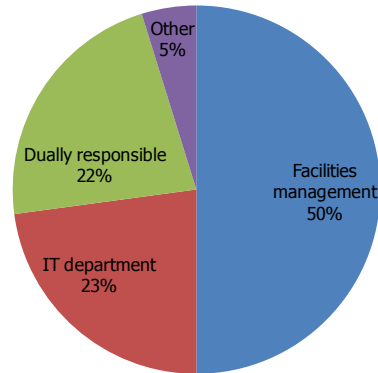
WHO PAYS IT'S POWER BILL AND WHAT HAPPENS TO COST SAVINGS?

In this section we are looking at whose budget pays the IT power bill and what, if any, effect that has on attitudes to power savings. And, if savings are possible, how are those savings redeployed.

Figure 11 shows how the 1050 IT heads responded when asked who pays the IT power bill. We see that, in 55% of cases, the power bill is delivered elsewhere, typically to facilities management, whilst the rest have either complete (23%) or partial (22%) control.

Figure 11: Which departmental budget pays for IT energy consumption?

Notable variances – “Facilities Management”
70% UK: 40% N America



Whether the IT department's power is managed from local funds or from central facilities, the estimated expense as a proportion of Operational Expenditure (OpEx) is 15-16%; potential savings that would positively impact the organisation's 'bottom line'.

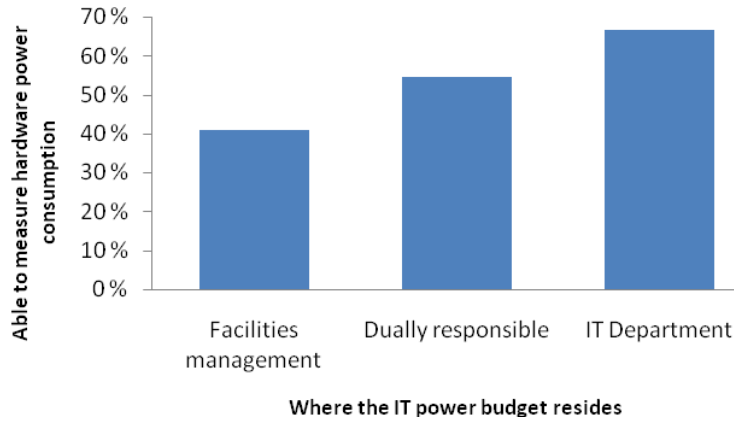
Looking back at the previous section, with this breakdown of where budgetary responsibility lies as a filter, it becomes evident that IT heads close to the IT power budget are more likely to be feeling the pressure to make savings:

- Where IT owns the power budget - 60% are under pressure
- Where IT is dually responsible - 61% are under pressure
- Where Facilities Management owns the budget - 44% of IT heads are under pressure

This suggests that pressure exists within the organisation, but is one step removed from the IT department, at this stage.

Figure 12 re-confirms the view that, the closer the IT head is to power consumption ownership, the more likely it is that management processes exist. In scenarios where the IT head looks after the power budget, that organisation is 50% more likely (60% vs. 40%) to be measuring IT power consumption.

Figure 12: Correlation between where IT power budget is managed and existence of procedures in place to measure hardware consumption.



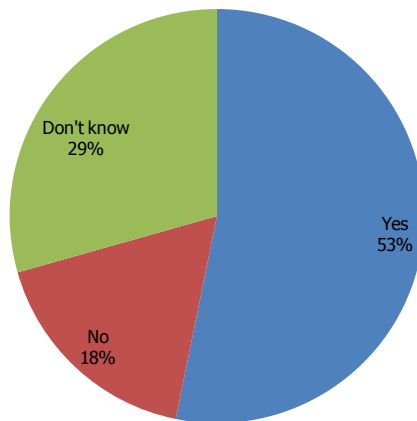
This begs the question: “are facilities managers feeling the pressure to reduce power consumption LESS than IT heads?” Or: “is the facilities function so stretched that it has not got round to measuring IT power consumption yet?” Either way, it looks as though, if an organisation wants to reduce IT power consumption, make it the responsibility of the IT department.

Sharing the spoils 1 – the role of Facilities Management

Here we are looking at what happens to the potential budget savings made through reducing power consumption; whether savings made here could be used to resurrect the deferred or cancelled projects respondents referred to earlier in the report.

We asked IT heads whose departmental power bills are funded outside, or in partnership with, the IT department, whether collaboration processes exist. Figure 13 shows that this is definitely the case in only half these organisations (53%). This suggests a lack of impetus and ties in with the bullet points on page 13, which indicate that organisational pressure to make power savings is less evident where the facilities management department runs the IT power budget.

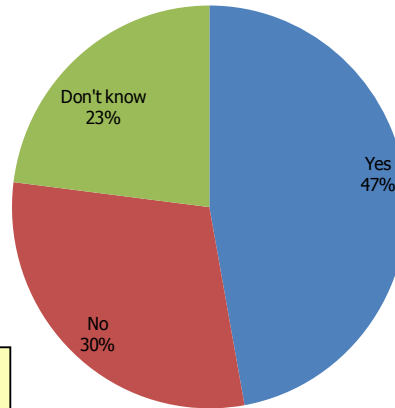
Figure 13: If the opportunity rose to save money both within IT and Facilities Management, are there systems for you to collaborate? (Base: Those where IT dept is NOT solely responsible for



Notable variances – “Yes”
 69% N America: 18% Turkey
 60% Computer Services: 43% Public Sector
 69% “Under pressure..”: 42% “Not under pressure..”

The natural follow-up question was to establish whether IT budgets would benefit thanks to power savings, when the IT department is NOT in overall charge of the power budget. And, as figure 14 shows, at first glance the picture is mixed. Just fewer than half the IT heads interviewed in this group were sure that their budget would benefit. There are significant clusters below the top line outcome, however, where re-purposing of funds saved back into IT projects is far more likely.

Figure 14: If you implemented changes which reduced the IT function's energy costs, would IT budgets benefit? (Base: Those where IT dept is NOT solely responsible for power consumption costs)



Notable variances - "Yes"
 71% Italy: 36% UK
 59% Pharma/biotech: 40% Public Sector

Figures 14b and 14c show that where there is organisational pressure to cut IT power consumption, the likelihood of reimbursement is FAR greater. And this is also the case where IT and facilities management departments have processes in place to collaborate to make cuts.

Figure 14b: The correlation between IT budget benefit and organisational pressure to reduce IT power consumption (Base: Those where IT dept is NOT solely responsible for power consumption costs)

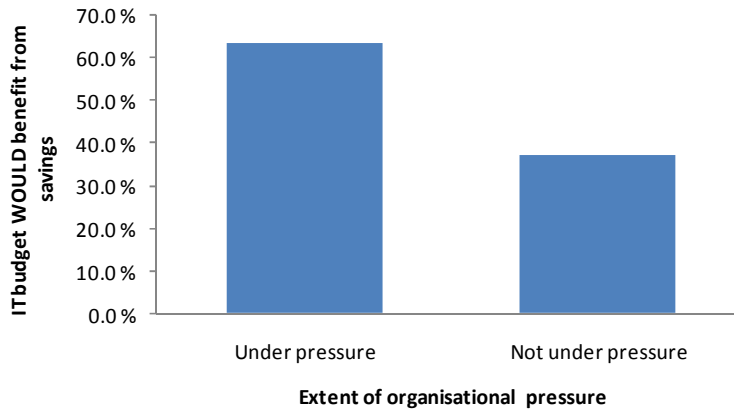
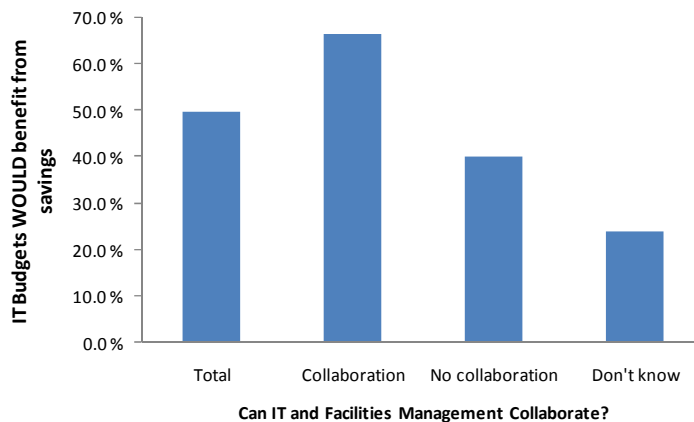


Figure 14c: The correlation between IT budget benefit and IT/Facilities Management collaboration (Base: Those where IT dept is NOT solely responsible for power consumption costs)

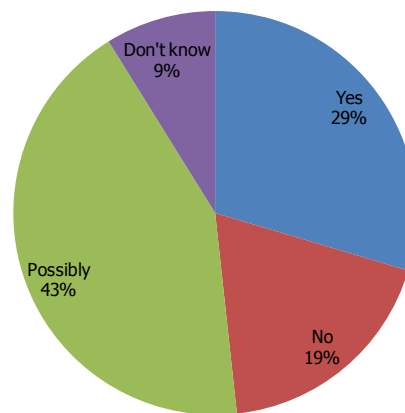


Sharing the spoils 2 – When IT owns the power budget

“Sharing the spoils” so far has ignored IT heads who pay IT departmental power consumption costs from their own budget and are solely responsible (23% of the overall sample). We put a very pointed question to them, knowing them to have that responsibility - whether OpEx savings could be redirected to revive the cancelled or deferred projects we learned of earlier (see figure 2). Figure 15 shows that only a minority (29%) were certain of being able to do that. Perhaps this low number shouldn’t be such a surprise, given the economic uncertainties the commercial world is facing. We discussed earlier the extreme scrutiny to which all expenditure is subject; this is likely to be simply a manifestation of the uncertainty that arises in that environment. Notice how many said “Possibly” - we live in uncertain times.....

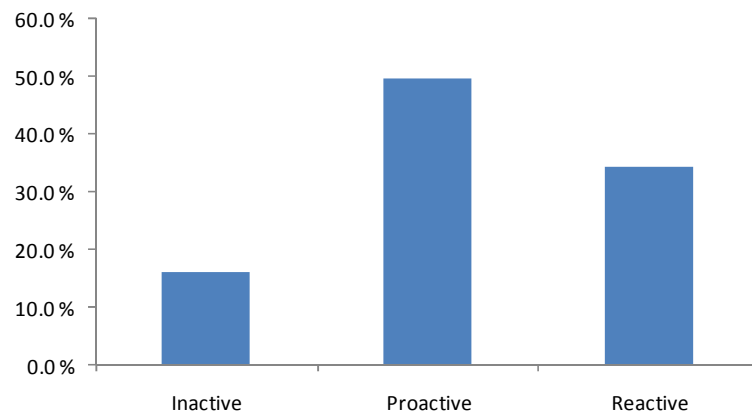
Figure 15: If you were able to save money on OpEx, do you believe that you would be able to revive some cancelled or deferred projects?

Notable variances – “Yes”
 44% Dubai: 17% Nordic region
 46% Telecommunications: 24% Public Sector



However, there are IT heads who are much more positive about their ability to trade spending cuts for re-investment. As figure 16 shows, those under pressure from their organisation to make power savings are FAR more likely to be able to spend their power consumption savings - the “Proactives” (those whose pressure to make cuts is inspired by corporate green policies) significantly more so than the “Reactives” (who are simply mandated to cut operational costs).

Figure 16: Correlation between ability to revive cancelled or deferred projects and organisational category

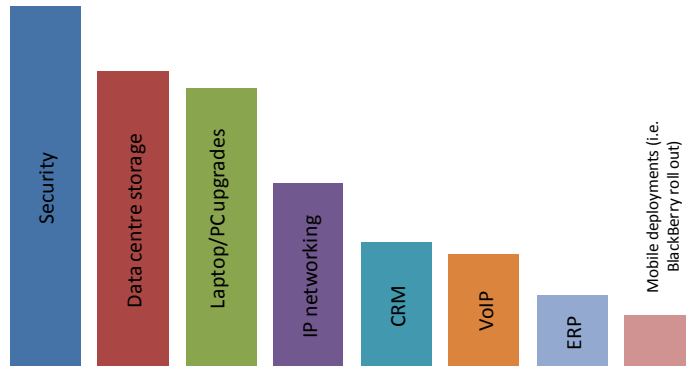


So it looks as though the organisations that are applying pressure from the highest level and/or have procedures in place to make it easy for IT and facilities management to collaborate have the best chance of keeping more projects alive. But which projects?

The remarkable finding (see figure 17) is that 34% of IT heads in this group cited “security” as the most urgent project they would revive using the funds freed up from power consumption savings. That is 50% more than the next most urgent project. So whilst we might ponder on why security is NOT an essential, “no-brainer”, investment, ring-fenced against any budget cuts, the reality seems to be that OpEx savings from any source would first be directed at making the organisation’s data resources and systems more secure.

Figure 17: What would be the priority in terms of projects that you could revive? (Base: Those that said “yes” or “possibly” in figure 15)

Notable variances
 France and Spain both chose “laptop/PC upgrades” as their No. 1 priority



This final point crystallises the central finding of the research. Scarcity of budget has caused important (apparently indispensable) IT projects to be shelved. At the same time certain enlightened organisations (around 50% of those surveyed) are putting the corporate spotlight on IT power consumption, often in the context of wider initiatives. And where that focus of management attention is coupled with a management style that allows collaboration between spending departments, there are real opportunities for the IT department to redirect at least some of those cost savings to revive the deferred projects that would seem so essential to the safe running of the organisation.