2009 Network Plans and Priorities:
Good News in a Challenging Economy

Despite the worldwide economic crisis, the outlook for networking is relatively positive as companies look to telecommunications as a path to surviving – and even thriving – in these turbulent times. Overall, telecommunications will see some negative impact, but telecommunication services budgets are remaining essentially at existing levels. This is most likely due to an increase in dependence on networking functions as a part of business processes, and may especially be due to an increase in the use of managed services.

Introduction and Key Findings

In November of 2008, as the impact of current economic conditions became clear, the worldwide Webtorials community was invited to participate in a survey concerning their companies' economic outlook for 2009. While the User base was the primary focus for the survey, additional perspectives were considered as well.[1]

There are two goals of this document. First, it is intended to provide Enterprise network C-Levels, planners and administrators with a baseline to compare their plans with those of their colleagues. In particular, this should be helpful in obtaining approval for additional funding as needed. Secondly, it is intended to help reinforce methods by which networking technology can be used to redefine business processes to increase/preserve profitability.

The key findings of this analysis are:

- While there will be a negative impact on 2009 telecommunications budgets, this impact is not expected to be severe, and over one-third of the companies expect no impact or some degree of increased funding. Overall, a quantitative index for Users showed the anticipated impact to be halfway between "No Impact" and a "Moderate Negative Impact."
- Companies will be dependent on telecommunications more than ever, but there will be little additional funding (or, overall, a decrease in funding) to support both ongoing and new initiatives.
- Funding for telecommunications services and staff salaries will be the least affected of the areas about which the respondents were queried. These two subcategories will, for all practical purposes, see no significant change.

The bottom line from the above-mentioned trends is that the effective use of telecommunications networks will not only be a key component in surviving the current economic conditions, but effective use can actually allow a company to thrive in these conditions.

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[1] In addition to users who are actively involved in the on-going planning and operation of their networks, we also solicited responses from the broader base of individuals who were representative of the portion of the Webtorials base that comes from within the industry. Overall, there were 300 respondents to at least a part of the survey, and almost 250 people responded to the entire survey. Of the Users responding to the survey, the distribution by company size (in number of employees) was 1-99, 11%; 100 – 499, 19%; 500 – 999, 8%; 1,000 - 4,999, 22%; 5,000 - 9,999, 8%; 10,000 - 49,999, 14%; 50,000 or more, 18%

This is not unlike prior, less severe, economic downturns over the past thirty years. Although the exact level of computing and networking has evolved steadily over the years, the business-critical nature of the network has continued to escalate exponentially. Consequently, the network will play an absolutely critical role, enabling the "impossible dream" of simultaneously enhancing existing services, enabling budget cuts in other areas (such as travel), and containing costs.

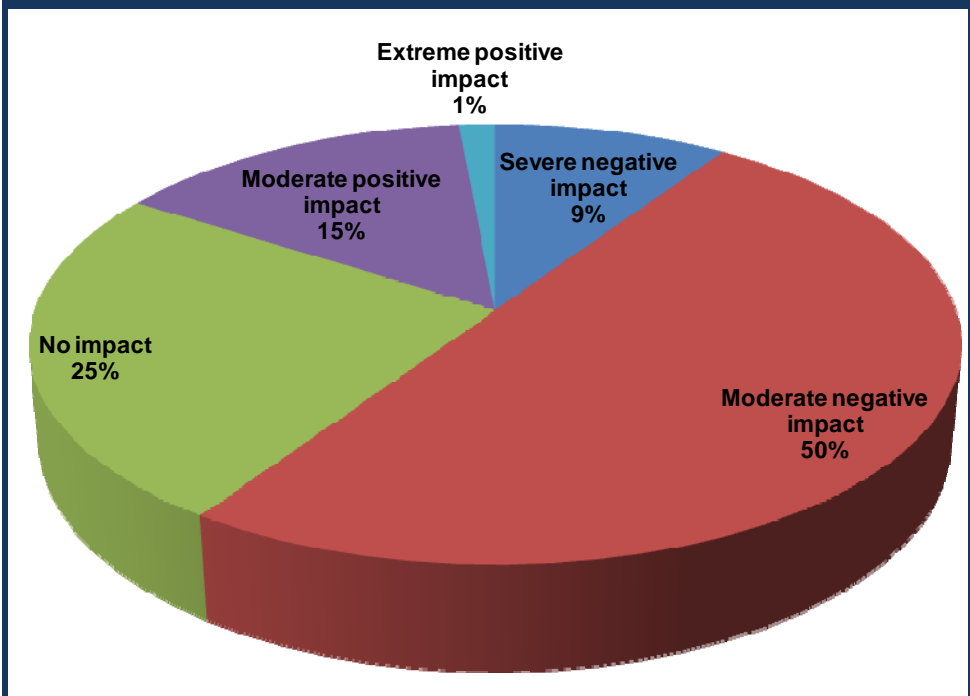## Overall Impact of the Current Economic Conditions

The Webtorials community was asked "To what extent do you anticipate the global economic conditions having an impact on your IT/Telecommunications operations in 2009? (Note that a positive impact could result from IT/Telecommunications enhancing productivity.)" As shown in **Figure 1**, while 50% of the *Users* saw a moderate negative impact on their budgets, over one-third saw no impact or a moderate positive impact.

As noted in the question, the positive impact comes from the use of technology to accomplish tasks more cost-effectively. And while it is not good news at all for the overall employment picture, the simple fact remains that adding technology is more cost effective than adding people. Instead, the technology can make people more productive.

Prime examples of how technology can be more cost-effective include the use of collaborative software to replace "in-person" meetings and the use of teleconferencing (especially with emerging telepresence[2] capabilities) to replace travel.[3]

The "Users," as referred to above, are the respondents who classified themselves in answering the questionnaire as "a professional involved in some aspect of installing, operating, planning, and/or designing an enterprise communications network." This group represents 57% of the respondents. The remaining 43% of respondents, whom we'll refer to as "Industry

Figure 1: Users' Anticipated Changes in 2009 Telecommunications Budgets

Extreme positive impact 1%

Severe negative impact 9%

Moderate positive impact 15%

No impact 25%

Moderate negative impact 50%

User Responses: To what extent do you anticipate the global economic conditions having an impact on your IT/Telecommunications operations in 2009?

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[2] In this report, "telepresence" is used to refer to advanced high-definition teleconferencing regardless of products from any specific vendor.
[3] In considering travel budgets, one must consider both the cost of travel and the time that is spent in transit.

Figure 2: Users' vs. Industry Respondents' Anticipated Changes in 2009 Telecommunications Budgets
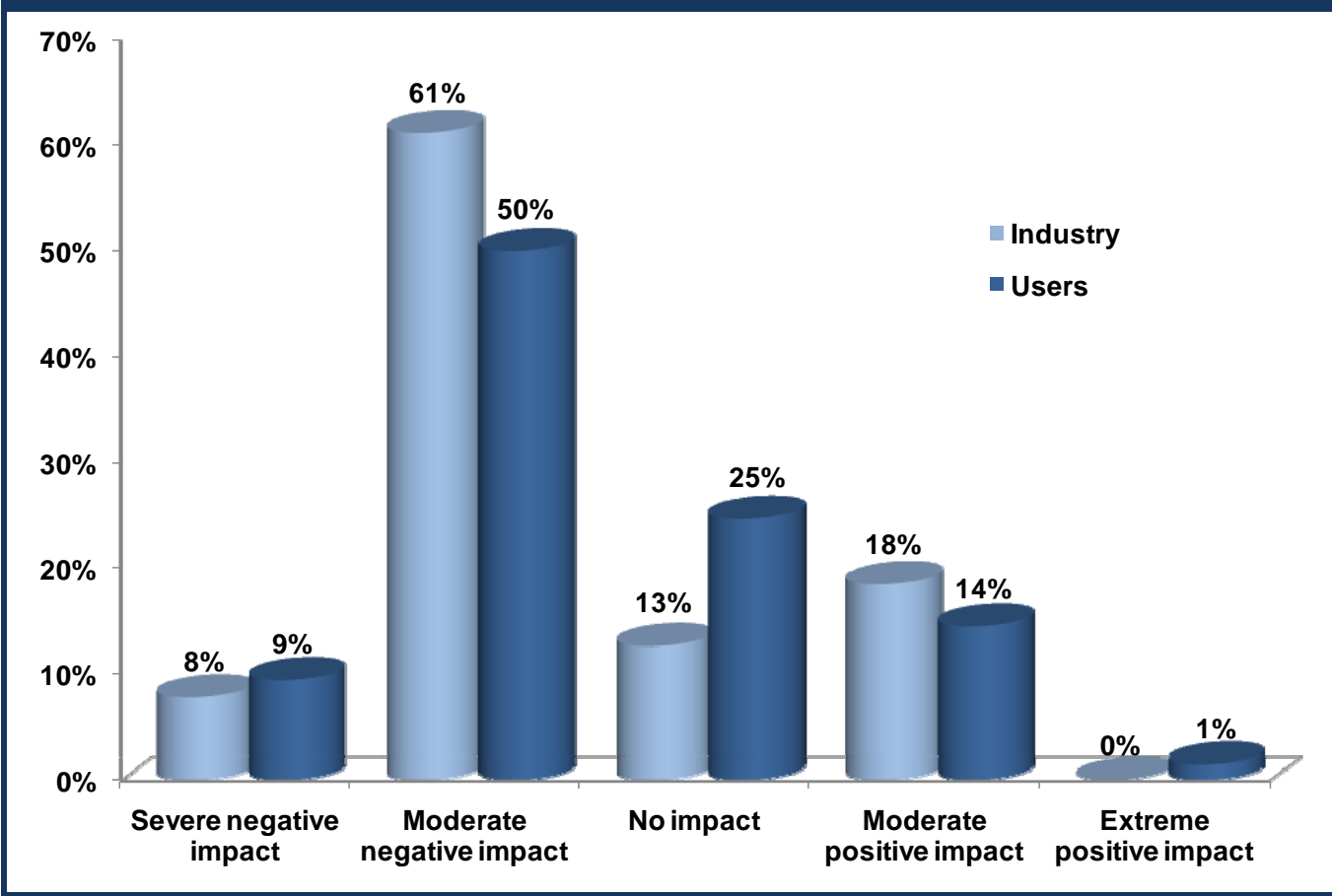
Users are anticipating less severe changes than Industry Respondents

Respondents," classified themselves as "an equipment manufacturer, vendor, service provider, integrator, VAR or consultant involved in some aspect of installing, operating, planning, and/or designing enterprise corporate networks, representing my own opinions about industry trends."

As shown in **Figure 2**, the Users were actually less pessimistic about the impact on budgets for 2009 than were the Industry Respondents.

In addition to the graphical representation of the responses, we calculated an index for the Users and for the Industry Respondents. In this analysis, a response of "Severe negative impact" was assigned a value of -2, "Moderate negative impact" a -1, "No impact" a 0, "Moderate positive impact" a 1, and "Extreme positive impact" a 2. Then, the assigned values were averaged.

A value of "-1.0" would indicate an overall consensus of a moderate negative impact. However, among the Users, the calculated impact was -0.51 – halfway between no impact and a moderate negative impact. The calculated impact for Industry Respondents, who were much more polarized in their opinions with only 13% (as opposed to 25%) seeing "No impact," was -0.58. The "good news" is that the anticipated impact, especially by users, could be much worse.

Expectations versus Funding

As mentioned above, in 2009 Users will be expected to provide a higher level of services without a commensurate increase in funding to do so. The respondents to the questionnaire were asked "In what way do you see the changes in 2009 in each of the following areas?" and were then given the options of "Significant decrease," "Some Decrease," No major change," "Some Increase," and "Significant Increase."

As shown in **Figure 3**, which is limited to responses from Users, fewer than half of the respondents will, on the average, have no major change in importance and no major change in funding. Comparing the columns on the left of center, the percentage with a decrease in funding is much higher than the percentage with a decrease in importance. Similarly, as shown in the columns to the right of center, a drastically higher percentage are anticipating an increase in importance than are anticipating an increase in funding.
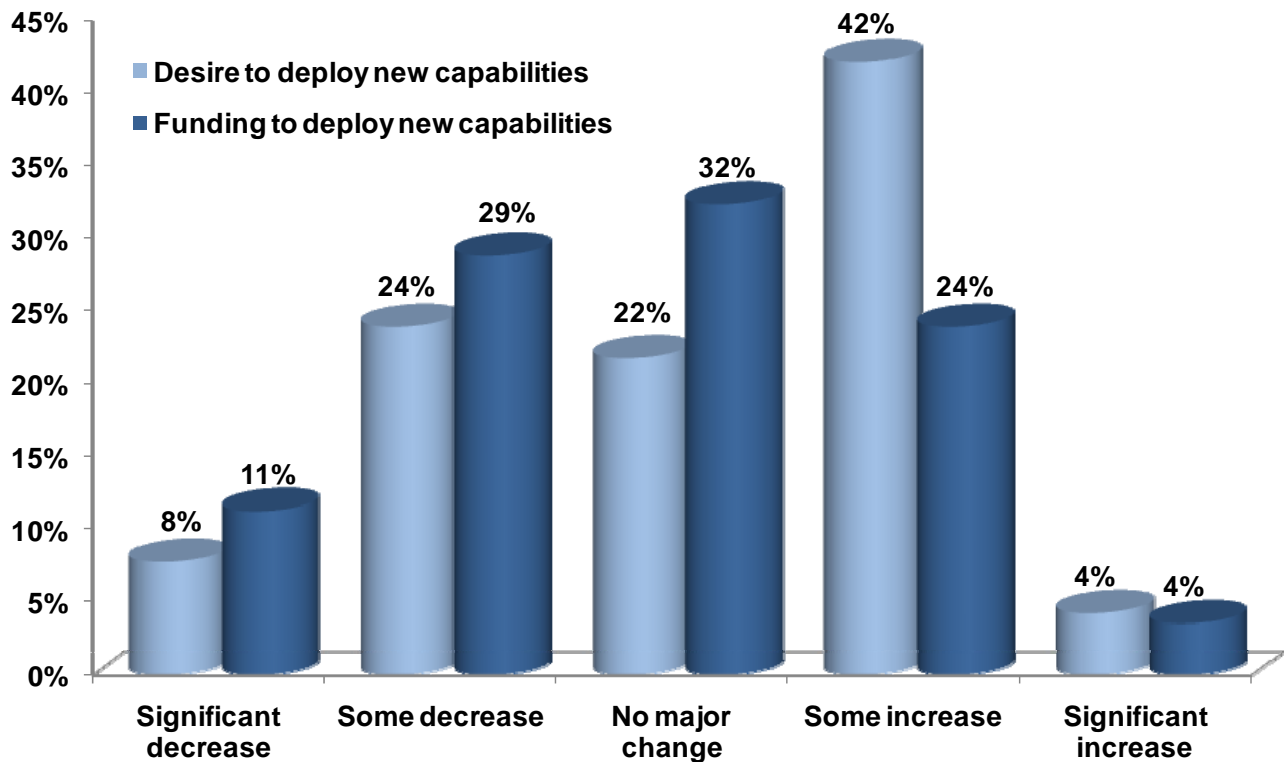
Digging a bit more deeply into these results, we see that only 13% of the Users anticipate a decrease in importance, while 49% anticipate an increase in importance. But from the funding perspective, 37% anticipate a decrease in funding while only 23% anticipate an increase in funding.

Figure 3: Importance versus Funding for IT Functions
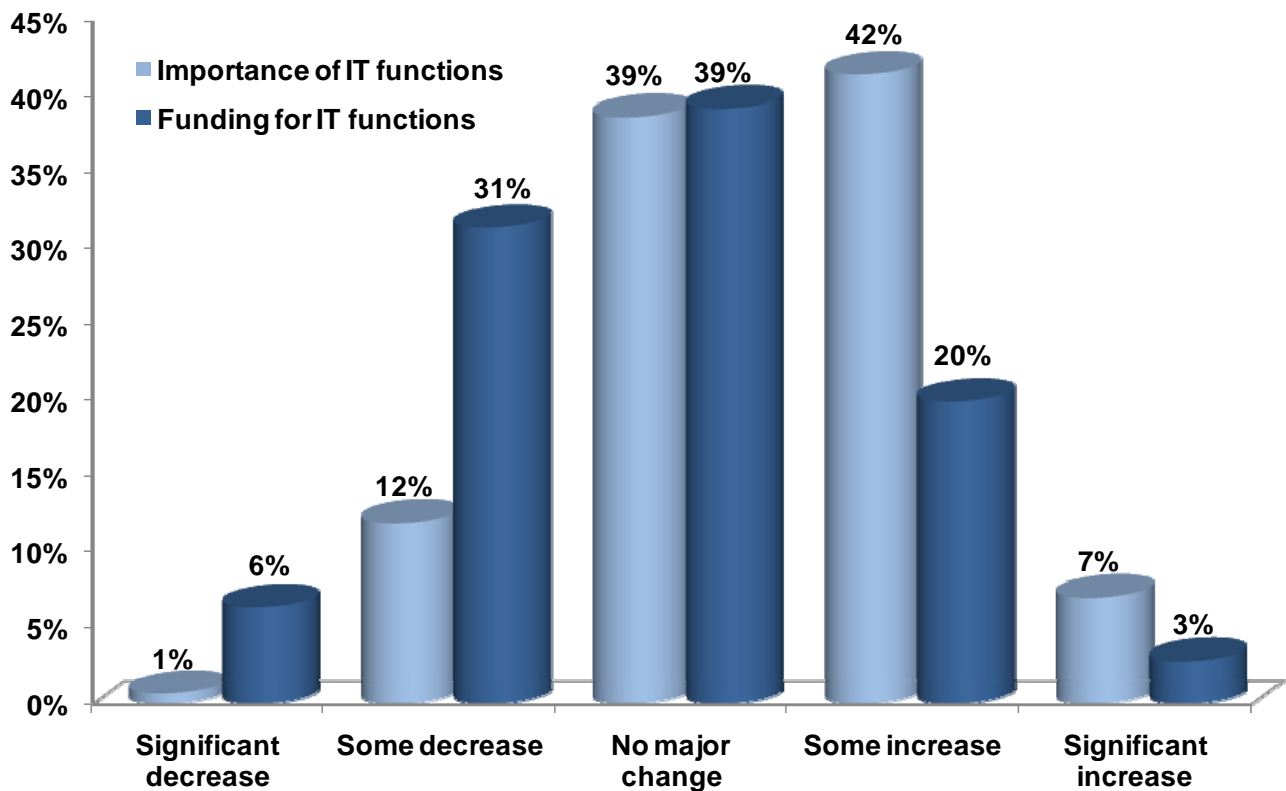
Users are foreseeing an increase in importance for IT functions, but they are not anticipating an increase in funding of the same magnitude.

Figure 4: Importance versus Funding for Deploying New Capabilities

Legend:
- Desire to deploy new capabilities
- Funding to deploy new capabilities

Data (Desire / Funding):
- Significant decrease: 8% / 11%
- Some decrease: 24% / 29%
- No major change: 22% / 32%
- Some increase: 42% / 24%
- Significant increase: 4% / 4%

As with the overall importance of IT functions, Users are foreseeing an increase in desire to deploy new capabilities, but they are not anticipating an increase in funding of the same magnitude.

Continuing to look at these composite results in **Figure 3**, it's important to realize that the 39% with "No Major Change" in both importance and funding does *not* necessarily represent that the same individual respondents saw no change.[4] Instead, looking at the results from a holistic perspective, one must anticipate that those who foresaw no change in importance probably see a decrease in funding. Similarly, those who foresaw no major change in funding probably see increase in importance.

Respondents were also asked more specifically about the importance versus funding for "deploying new capabilities (e.g. telepresence, etc.)" for the coming year. As shown in **Figure 4**, there is a quite similar pattern to the "overall importance" (in **Figure 3**), but the general impact is not quite as drastic.

Looking at the columns to the left of center (which show a decrease in funding), a higher percentage (32%) saw a decrease in desire for new capabilities than saw a decrease (13%) in overall importance of IT functions. It is most striking, however, that 46% of the respondents saw a desire for increased capabilities, while the funding still lagged by almost half (28%). Nevertheless, if one examines this data from a "glass half full" perspective, it is encouraging that 60% of the respondents saw either no change in budget or an increase in budget.

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[4] In fact, this was the case for only 19% of the respondents out of 39% who saw "No major change."

Figure 5: Weighted Importance versus Funding for Overall IT Functions and Deploying New Capabilities
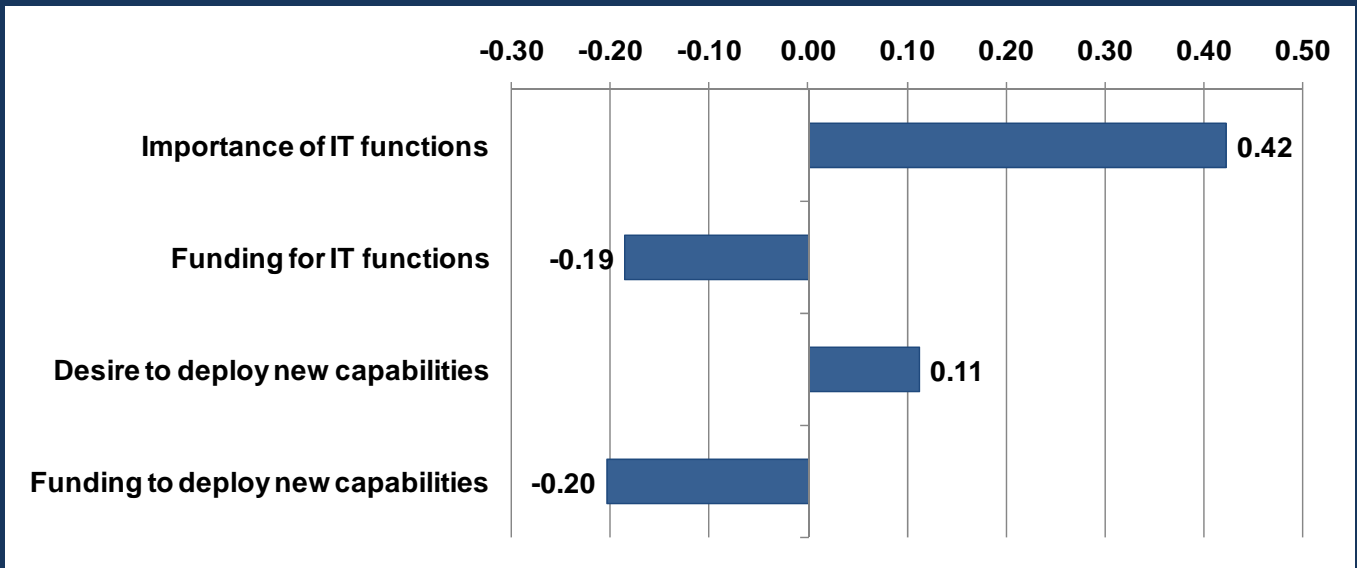
Users are anticipating a stronger increase in the overall importance of IT functions than in the desire to deploy new capabilities. However, the lack of funding for each is essentially equal.

As with the impact on budgets, we calculated indices for the importance and the funding both for IT functions and for the desire to deploy new capabilities. Once again, a response of "Significant decrease" was assigned a value of -2, "Some decrease" a -1, "No major change" a 0, "Some increase" a 1, and "Significant increase" a 2. Then, the assigned values were averaged. Also, once again, a value of "-1.0" would indicate an overall consensus of a moderate decrease while a value of "+1" would indicate a moderate increase.

While **Figure 5** (again limited to Users' responses) is significant and shows that there is more of an increase in importance/desire than there is in funding to support these increases, the good news is that from an overall perspective, the anticipated funding is, for all practical purposes, flat, and that the increase in importance is moderate. Consequently, Users should be able to weather this storm by ingenious allocation of current funding.

Budgets in Specific Areas

The survey respondents were asked to indicate the extent to which they saw their budgets changing from 2008 levels in several specific areas. The responses from Users are shown in **Figure 6**. In the figure, the categories are listed in order of *decreasing* change. That is, the items listed from top to bottom have increasing cuts.[5]

The last column shows a weighted change, just as in prior sections, such that the respondents with a significant increase or decrease were assigned a value of plus or minus "2," a moderate increase was assigned a plus or minus "1," and no change a zero. Then, the results were averaged.

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[5] In the survey itself, the various items were presented to the survey-taker in a random order to prevent bias based on the placement of each item within the question.

Figure 6: Anticipated Budget Changes in Specific Areas

	Significant decrease	Some decrease	No major change	Some increase	Significant increase	Weighted Change
Telecommunications services	3%	21%	52%	22%	1%	-0.03
Staff salaries	1%	16%	67%	16%	0%	-0.03
Conference attendance - local	8%	27%	54%	10%	1%	-0.30
Staff training	9%	35%	39%	14%	2%	-0.35
Staff (headcount)	8%	37%	47%	8%	0%	-0.44
Capital equipment	13%	37%	39%	9%	2%	-0.49
Contractor services	15%	38%	30%	17%	0%	-0.51
Conferences requiring travel	29%	41%	24%	6%	0%	-0.94

Users were asked to indicate their expected changes in budgets for a select group of specific areas.

Several items are remarkable in this analysis. First, within the statistical accuracy of the results, there is essentially no change in the budgets for telecommunications services or for staff salaries. The lack of change in budgets for staff salaries makes it clear that (not surprisingly) no major salary increases are anticipated, but there may be some slight reductions in staff headcount. From a professional development viewpoint, it is of interest that "conferences requiring travel" has by far the largest reduction, while local conference attendance and staff training have more modest cuts.

The lack of change in budget for telecommunications services is perhaps the most striking. While overall there is a lack of change, the "Telecommunications services" area actually leads in increases, followed by a statistical dead heat with "Staff salaries" and "Contractor services."

While still focusing only on the responses from Users, **Figure 7** shows exclusively the areas in which there are anticipated budget increases. Again, "Telecommunications services" and "Contractor services" deserve particularly close attention.
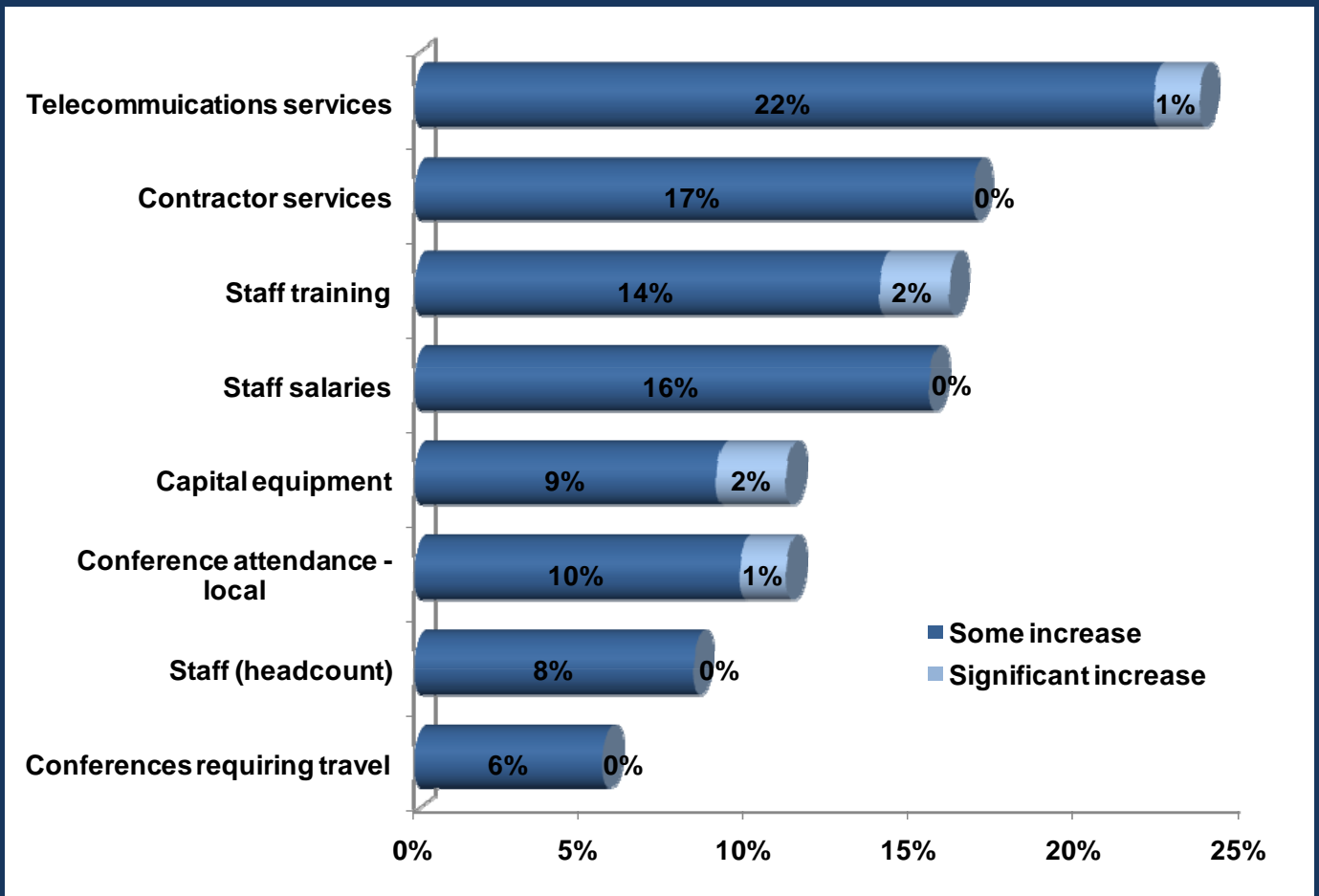
The overall increase of 23%[6] for these services can be attributed primarily to the use of new or enhanced services. Over the past 30 years, the cost per transmission unit has continued to fall dramatically, and we expect this trend to continue. Consequently, Users who are spending the same amount will probably receive more services, and even those who are expecting some budget cuts probably will not have significant cuts in function. Rather, they will continue to receive the same level of service at a lower per-unit price.

The area of "Contractor services" is a bit more of a conundrum, especially since these services could be contracted services (as a part of managed services, for example) or could be other types of on-site contractors. Consequently, one must examine other data to extrapolate the meaning, especially since this area has the second fewest Users seeing "No major changes."

Our take on this is that when one looks at staffing trends, the latter category above – on-site contractors who are essentially "contract employees" – may be where the decreases will be seen. The area of growth will most likely be in the area of "Contractor services" that would include using managed services

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[6] In reality, the picture for telecommunications services is even slightly brighter. "Some increase" and "Significant increase" have values of 22.4% and 1.4% when carried one decimal place further, which would round to a total of 24%.

Figure 7: Anticipated Increases in Budgets in Specific Areas

Area	Some increase	Significant increase
Telecommuications services	22%	1%
Contractor services	17%	0%
Staff training	14%	2%
Staff salaries	16%	0%
Capital equipment	9%	2%
Conference attendance - local	10%	1%
Staff (headcount)	8%	0%
Conferences requiring travel	6%	0%

Users anticipate more increase in the budget for "Telecommunications services" than any other area.

instead of in-house staff for some tasks. This is indeed consistent with other research that was conducted concurrently concerning managed services. In that research, we found that a very significant percentage of respondents – 44% – anticipated an increase in the use of managed services. And the most common reason given for using managed services, chosen by over half of the respondents, was to "allow existing staff to concentrate on strategic as opposed to tactical tasks."

All in all, we see this as being especially good news for the area of managed services. Managed services provide a method by which Users can indeed perform some of the necessary "magic" of accomplishing more while containing costs. This is achieved by taking advantage of the economies of scale offered by having a service provider replicate similar functions both within the network and on the customer premises for multiple users. Consequently, we finally can move away from the antiquated BYOB[7] attitude that has permeated the Enterprise for the past 25 to 30 years.

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[7] "Be Your Own Bell" – a term for performing tasks in-house as opposed to using a service provider for similar tasks.

Conclusion

While one cannot in good conscience predict a trouble-free year for IT shops in general and, more specifically, for telecommunications, it is still reasonable to paraphrase Mark Twain in saying that "the rumors of a total meltdown have been vastly exaggerated."

Indeed, the telecommunications marketplace is one of the few areas of the economy that should hold its own or even prosper in 2009, assuming that Users make wise moves. And the results of our research show that, at least within the Webtorials user base, the proper moves are being made.

Many industries will have a tough time in the coming year. For instance, the future does not look bright for the building industry, and this trickles down to other industries such as furniture. (If people don't have new houses, then they don't need new furnishings.)

However, even within the industries that are struggling, the IT departments in those industries have two major opportunities. For the immediate future, existing operations can be streamlined and even enhanced by deploying appropriate technologies for cost containment, such as using collaboration software, teleconferencing, and telepresence instead of both the out-of-pocket cost and time/opportunity costs of travel.

And for the longer term, the one item that cannot go by the wayside is time for planning. While Users will be strapped for resources – in terms of both time and budgets – new technologies and opportunities always emerge as we recover from difficult economic times. Consequently, it's imperative that Users continue to plan for the networks and capabilities that will be available as the worldwide economic climate improves.

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