

## New Business Models for Converging Communications – Transforming the Enterprise

Enterprises need to transform their networks to increase productivity, lower costs, build revenue, and gain a competitive edge. The network is becoming a key business asset as applications made available over the infrastructure are vital to an enterprise's business strategies and processes and provide new opportunities for growth and innovation.

For IT/telecom executives, the challenge is how to take advantage of next generation technologies without disrupting current service levels, manage increased voice and data traffic, ensure security, and match network capacity to demand.

Several proven outsourcing models meet these needs. They include selective engagements, managed/hosted applications, and strategic outsourcing. In the selective engagement model, the enterprise outsources specific management functions to a third party that has the required expertise and infrastructure capabilities. Managed/hosted applications are network-based services located either on the customer's premise or at the hosting partner's data center. Strategic outsourcing entails the creation of a relationship between the enterprise and outsourcing partner, in which the purpose is to facilitate the seamless migration to a next generation of services in order to realize long term financial and business objectives.

Outsourcing partnerships are for the long term so selecting a partner is not without some risk. To ensure the right choice is made, a set of criteria should be applied in selecting the right partner in order to achieve value-sustaining success.



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## Introduction

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It has been a challenging decade for IT and telecom managers and the coming years promise to be even more so. The past 10-15 years have seen a shift in how executives view IT/telecom infrastructure. In the 1990s, executives managed IT/telecom to reduce its cost; in the early-mid 2000s, it was managed to help reduce overall enterprise spending; today, IT/telecom is critical to successfully running the increasingly mobile and flexible business.

With IT and telecom networks converging, corporate network technology is evolving and becoming more complex. These converged voice, data, and video communications are now fundamental to realizing the CEO's desired business goals, and must be architected to integrate with business processes. Making the appropriate investment and business decisions will allow the organization to use IT/telecom to:

- Reduce operational costs
- Meet customer demands
- Increase workforce productivity
- Improve quality of products and processes
- Stay ahead of or keep pace with the competition

Achieving these goals now requires that IT/Telecom generate business growth through transforming the enterprise. However, enterprises are often not equipped to manage this transformation and keep pace with technological evolution. Another solution is required.

## Why Converged Communications Matters

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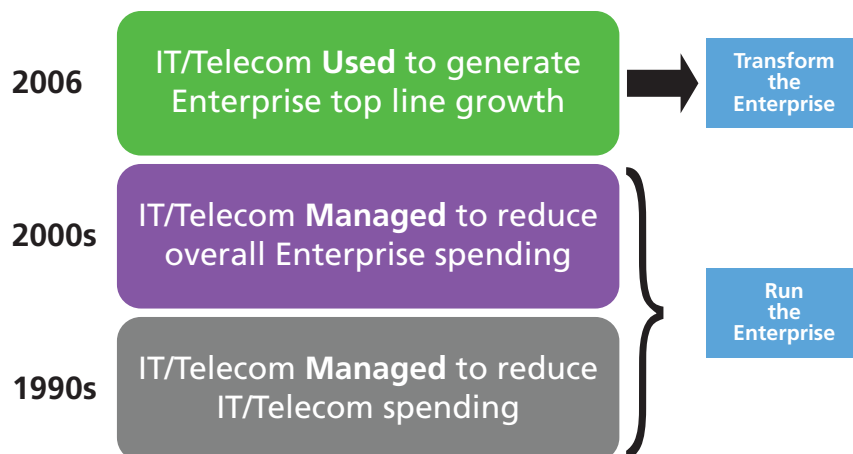


Figure 1. The Changing Role of IT/telecom

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Transformation is required to capitalize on the ability of a converged network to expand the boundaries of the enterprise and provide new pathways for growth and innovation – capabilities that are often demanded by end-users, including employees, customers, partners and vendors. Some of the capabilities required include:

- **Communications capabilities** – An ever increasing mobile workforce needs to be able to communicate in real time. Currently end users are juggling devices, numbers, mailboxes, passwords and email accounts resulting in decreased productivity and increased frustration.

- **Real-time decisions** – The business world increasingly demands that information flow and decision-making capabilities operate in real-time. Mobile and non-mobile workers require communications capabilities that are fully incorporated into work processes.
- **Virtual Collaboration** – Workers need better communications to sustain and build the enterprise’s ecosystem of relationships. With increasing numbers of the workforce working remotely or mobile, there is a need for improved teamwork and responsiveness to customers, colleagues and business partners, as well as fewer communications gaps.

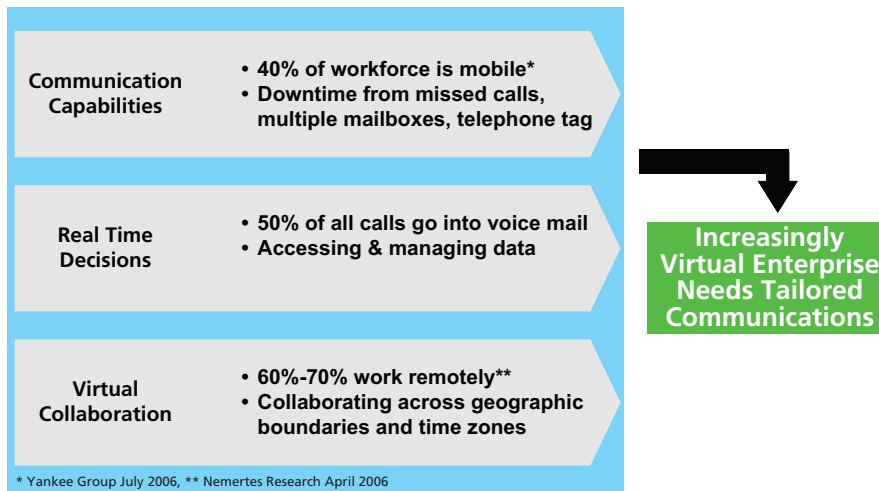


Figure 2. Communications Challenges Facing Today’s Enterprise End Users

End users are demanding:

- Communications that span the enterprise ecosystem of relationships
- Support for a broad range of equipment, applications, and technology
- Tailored and easy communications that empower decision making
- Network security and reliability regardless of geographic boundaries

These demands require enterprises to move away from traditional comfort zones and evaluate a variety of business models that support new business requirements including:

- Technology transformation and innovation
- Reduced operational complexity
- Improved productivity of an increasingly virtual enterprise

Issues facing IT and telecom executives include:

- How to take advantage of next generation network technologies without causing a disruption in current service levels
- How to create competitive differentiation by increasing the productivity of the organization’s employees
- How to effectively manage voice and data traffic as the business grows in global markets
- How to reduce the threat of security intrusion within the network
- How to more closely match network capacity to demand

While addressing these challenges, these executives are expected to save 15% to 30% on Opex, while simultaneously helping to increase end user productivity and client satisfaction.

## Meet the Challenges

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Fortunately, there are viable economic and tailored outsourcing business models that meet the requirements of the enterprise's complex networking environment. They include:

- Selective Engagements
- Managed/Hosted Applications
- Strategic Outsourcing

### **Selective Engagements**

These arrangements focus on a specific management function or task that a third-party can perform more economically and effectively. The burden and expense of initial setup to support the engagement is reduced by using an experienced outsourcing partner that can often help to reshape or transform the way the function is performed.

The primary reasons for selective engagements are to address specific areas where immediate enterprise resources are not available, including access to skilled talent and/or the required financial resources. Some common selective engagement responsibilities include operating and managing a LAN or WAN, specific network engineering and design activities, and product maintenance services.

### **Managed/Hosted Applications**

Hosted/managed applications are network-based services that typically reside either at the partner's data center or on customer premises. Like the overall telecommunications marketplace, the applications marketplace is changing rapidly. Yesterday's applications, such as voicemail and text messaging, are becoming today's application enablers. Enterprises need to provide applications that are cost-effective, increase productivity and improve satisfaction. However, before offering these new applications, hundreds of new application opportunities must be evaluated to create a range of services that meets business imperatives. Examples of managed/hosted network applications include VoIP, enterprise conference calling services, and customer call center applications and platforms.

### **Strategic Outsourcing**

This approach features a strategic relationship for network transformation and seamless migration to next generation converged services in order to realize long-term financial and business objectives. This is a comprehensive solution that supports all aspects of the entire network lifecycle. It is more than just a relationship between a supplier and vendor – it is a relationship between business allies.

Simply stated, an outsourcing partner manages the organization's network so the organization can manage its business.

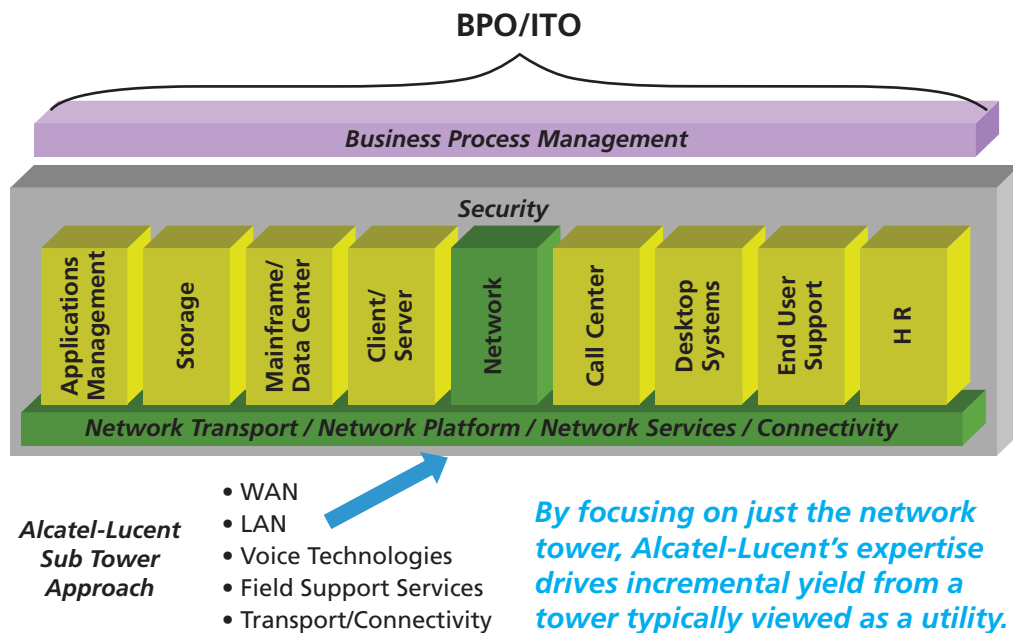


Figure 3. Alcatel-Lucent Approach to Enterprise Network Outsourcing

## Focus on Building your Business

With the correct strategic partner, enterprises are free to grow their business and efficiently transform their infrastructure to accommodate next-generation converged services. Enterprises can concentrate on their customers and business rather than day-to-day network operations.

Capital expenses (CAPEX) and operational expenses (OPEX) can become more predictable and total cost of ownership can drop. OPEX reduction can result from economies of scale associated with the partner's operations center, infrastructure and personnel investment. Costs can be more accurately controlled and forecast as regards managing the network, new application deployment, and network expansion.

CAPEX reduction can result through minimizing or eliminating certain ongoing investments in development and maintenance, and operations center expenditures.

The partner's capabilities can assure top performance while the enterprise maintains network control through rigorous service level agreement (SLA) management. This collaboration provides a degree of network control that delivers superior results and client satisfaction.

The outsourcing business model helps companies:

- Use technology to realize competitive differentiation and achieve important business objectives by implementing technology that provides a survivable platform with room for growth and expansion
- Manage and operate a network to cost effectively deliver integrated voice and data services across multiple locations
- Put the enterprise end user in the driver's seat by providing ubiquitous access to services independent of devices and network types
- Protect assets and intellectual property while delivering superior customer service to employees and clients by delivering improved customer operations and committed network service levels.



## **What to Look for in a Partner**

An effective outsourcing business model provides solutions tailored to the enterprise's specific needs and environment. Outsourcing can bring tremendous benefits if the right partner is chosen – a partner dedicated to providing client-driven innovative solutions. There are a number of criteria that are useful for choosing an outsourcing partner including people and experience, knowledge assets, and the existence of a proven methodology.

### **PEOPLE AND EXPERIENCE**

A prospective partner's staff should include a large complement of network experts with years of end-to-end experience supporting diverse multivendor networks. They should be certified engineers and technicians who are familiar with a wide range of systems and have an extensive track record of designing and building networks quickly and efficiently. Their resume should include professional change management capabilities and a proven methodology for network transformation. A partner with these qualifications can provide world-class network quality based on best-in-class SLAs that drive customer satisfaction and retention.

### **KNOWLEDGE ASSETS**

The managed services partner should be backed by research and development capabilities that provide the latest in business modeling and analysis tools to speed up successful implementation. Also essential are global network operating centers (GNOCs) to provide the latest in network operations technology and a secure platform for ongoing management of complex multivendor networks.

### **PROVEN METHODOLOGY**

The partner should have proven outsourcing methodology, governance models, best-in-class tools, processes, and metrics. Progress and process implementation should be measurable. A superior methodology spans all dimensions of next generation network planning, design, implementation, and management. This type of proven outsourcing approach goes beyond contract management and focuses on driving value from the strategic relationship and enhancing overall business contributions.

### **DELIVERING VALUE**

From a financial perspective, at the very least enterprises expect an outsourcing relationship to produce improvements in Capex and Opex. Enterprises can often realize a savings of 15% to 30% over the present mode of operation. In addition, these new business models are driving significant growth in market capitalization. Experience has shown that the more complex the network and the more transformation required, the greater is the potential for savings (see Figure 4 below).

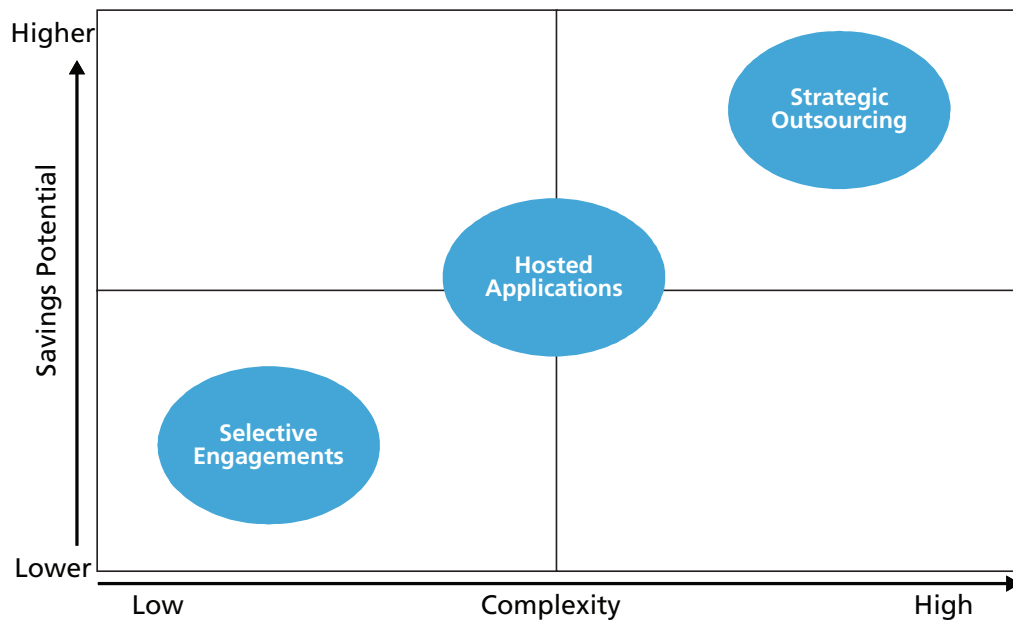


Figure 4. Savings Related to Complexity

There are many other areas where the benefits of an outsourcing arrangement can provide improvements. Operational processes improve through management of SLAs and network management is simplified with a single point of accountability. Risk can be mitigated and working with networking infrastructure becomes a far simpler process due to the round-the-clock presence of the outsourcing partner. Finally, by leveraging a partner's expertise through knowledge transfer, an enterprise remains up to date on the latest technologies and trends that can impact its business.

Outsourcing provides the innovative business model that allows enterprises to transform their business to address rapid market changes, enhance earnings, enter new markets, launch new applications, and increase focus on end-user value. These drivers are the catalyst behind the increase in enterprise network outsourcing.

## Conclusion

As networks converge, corporate technology is evolving and becoming more complex. Converged voice, data, and video communications are fundamental to achieving the CEO's desired business value, and must be designed to integrate with business processes. This transformation creates new network and operations management challenges. Enterprises must maintain focus on network advancements and client satisfaction in an environment of constant technology change, yet while addressing these challenges, executives expect improved financial performance.

As a result, more and more enterprises are realizing that owning network infrastructure is no longer their core business. They need instead to focus on:

Decreasing the length of innovation cycles

- Decreasing time-to-market for new services and applications to help improve productivity and to support the enterprise ecosystem of relationships
- Mitigating the risk of up-front investments in new technologies
- Scaling capacity to meet demand
- Focusing on the services offered over a network, rather than the network itself as an asset

This has created an environment where a growing number of enterprises are looking to alternative business models for competitive advantage. These business models offer tried and tested approaches to outsourcing, aiding business success through providing tailored solutions for complex environments.

Enterprises benefit from cost optimization, maximized financial performance, a stringent set of performance standards and objectives, assured business continuity and a sense of security. It is a proven strategy for success.

## About the Author

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Mark Bishop has 21 years experience in IT services and has held various management positions within operations, application development, infrastructure, and business development in both the US and Europe. He spent 19 years with EDS prior to joining Alcatel-Lucent in 2005. Currently Mark oversees and directs initiatives and operations related to creating and defining strategic outsourcing and managed services relationships with Service Providers and Enterprises.

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