Getting Real with ROI

From technology investment to business cash flow: Presidio's Chris Reed and Steve Kaplan discuss ROI with Suzanne Kosub of Concentra.

How Concentra built a business case for technology change, turning a $1.8 million investment into a $2.5 million windfall.

Performance gains. Rock-solid service level agreements (SLAs). Systems consolidation. Easier IT administration. Cost reductions.

All of them are desirable. But they're not enough. Not anymore.

"The industry is making a dramatic shift from a feature and benefit model to an investment and ROI model," says David McNicholas, Director of Strategic Business Development at Comstor, a distributor of networking, collaboration, security, and data center solutions. "Everyone is realizing that features and benefits don't mean anything unless they deliver predictable and quantifiable business results."

ROI is nothing new, of course. Technology providers have long touted the return customers will receive for their investments. But that return has historically been described in technology terms, not business terms.

"ROI can no longer be lip service," says McNicholas. "It has to be real. And it has to be more than cost reductions, which can run counter to business goals and agendas."

For enterprise organizations, this means bucking the trend of purchasing solutions for technology improvement. Instead, it's an investment in better business processes–and the resulting cash flows.

Building a business case for technology change

Concentra, a national healthcare company with more than 320 medical centers across 40 states in the U.S., was facing common circumstances in 2010. The company was running out of power and cooling resources, maintaining hundreds of aging servers, and staring down the barrel of a data center rebuild.

"We had two options," says Suzanne Kosub, Senior Vice President and CIO of Concentra. "We could replace and maintain the status quo–at a $2.3 million price tag–or we could do things smarter."

A bill of that size to reduce electricity costs and keep the lights running was not going to pass muster with the CEO and CFO of Concentra. Kosub had to build a better business case. It started with a simple question:

What is the cost of doing nothing?

With the assistance of Presidio, a Comstor partner and leading provider of data center solutions and services, Kosub started characterizing the financial and business implications of technology change. The first step was determining the cost of the status quo.

"Most people look purely at the cost of change," Kosub explains. "We wanted to put everything in perspective and measure the current state against the desired future state. A $2-million price tag is daunting until you realize current expenses and risks are much higher."

Concentra had been renting a backup generator, at a cost of $7,600 per month, to help support a data center that was near its power capacity. The data center was in need of five tons of extra cooling, representing a $700,000 upgrade. And many of Concentra's servers were beyond their end-of-support dates. The time was ripe for a strategic change.

"Suzanne and her team had the right technology vision," says Steve Kaplan, Vice President of Presidio's Virtualization and Cloud Practice, "and they realized the vision would need to be conveyed from business and financial perspectives. Through ROI modeling and discounted cash flow analysis, we helped them build a very compelling business case for virtualizing their data center."

Viewed through a different lens, the virtualization project went from a black hole of debt to an innovative business investment with an 11.9 month payback—and positive cash flow thereafter.

From technology strategy to investment strategy

With Presidio's help, Concentra virtualized its entire infrastructure using the Cisco® Unified Computing System™ (UCS), based on Intel® Xeon® processors. Concentra was able to consolidate its infrastructure systems—with 40 connections instead of 1800, and 40 blades versus 353 servers—reducing capital costs and easing systems administration. The company relieved the mounting strain on power and cooling resources, lowering operating costs and avoiding a data center rebuild. And Concentra vastly improved infrastructure reliability, minimizing the risk and cost of downtime.

But what does this really mean in dollars and cents? In financial and business terms?

The five-year net cost of virtualizing Concentra's data center was $1.8 million. It was far less costly and risky than maintaining the status quo. And it was less expensive than a pure replacement of Concentra's aging servers.

What's more, the investment will deliver a five-year return of 141 percent, giving $2.5 million back to the business.

"Building a business case is a discipline at Concentra. It's in our culture," Kosub says. "With the right planning and financial analysis, we were able to show exactly how much the project would cost, how long it would take to pay for itself, and what the company would gain moving forward."

The technology benefits speak for themselves. But the numbers often speak the loudest.

Discount Cash Flow Analysis for Cloud Strategy

If your organization is ready, Presidio will engage with you to prepare a detailed financial analysis using a discounted cash flow model to quantify the projected benefits of your data center or desktop virtualization initiatives. For more information and to qualify, visit: www.UnleashingIT.com.

Featuring the Intel® Xeon® Processor

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