

A CFO'S GUIDE TO IT ASSET RECOVERY

Recovering value from your IT hardware while promoting sustainability in the data center



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THE DIGITAL CFO



There's frequent talk about the critical role a modern chief financial officer plays in advancing a company's digital transformation (DX). Industry experts regularly encourage CFOs to embrace DX in a way that is both commercially progressive and fiscally sustainable.

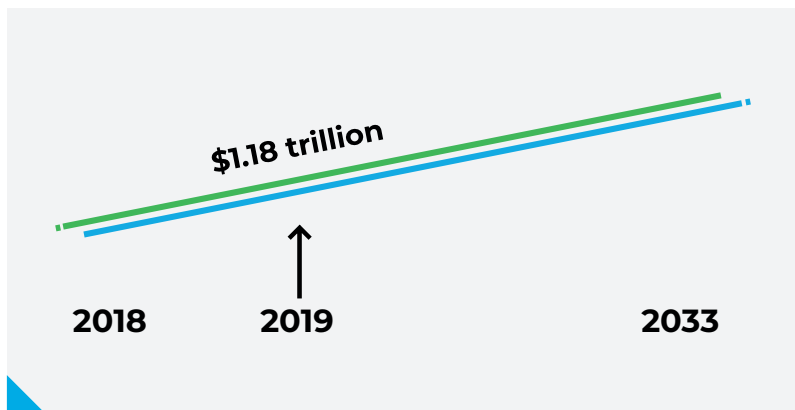
Few would argue against the vital role digital plays in driving the modern economy. Data is increasingly central to business transformation. As a CFO, you cannot avoid technological advance and the changes to computing hardware that come with it, whatever sector you're in and regardless of the size of your company.

But what exactly is a digital CFO and what does being digital mean from the perspective of IT hardware management? In the pages that follow, we lay out the case not only for digital transformation from the financial perspective but the specific ways in which the practice of IT asset recovery can assist a CFO in building a sustainable approach to hardware lifecycle management that your IT team will respect and trust.

EMBRACING DIGITAL TRANSFORMATION

Expectations around the CFO role are higher than ever. Four out of five CFOs consider it their responsibility to identify new growth areas across the enterprise, according to Mark Schwartz, enterprise strategist at AWS and long-time industry CIO.

To make this happen, IT must be viewed as “an enabler of business growth and a driver of innovation,” Schwartz argues. “The CFO cannot be a “no-sayer.” On the contrary, good financial stewardship means encouraging and supporting innovation and the spending required for growth.”



International Data Corporation (IDC) forecasts global DX spending will reach \$1.18 trillion in 2019, an increase of 17.9% over 2018. Organizational spending on DX is expected to total more than \$6 trillion over the next four years.

According to IDC, businesses which have invested heavily in DX over the last two to three years are “already reaping the rewards in terms of faster revenue growth and stronger net profits compared to businesses lagging in DX initiatives and investments.”

"Strong DX technology investment growth is forecast across all sectors, ranging between 15% and 20%, with the financial sector forecast to be the fastest with a compound annual growth rate (CAGR) of 20.4% between 2017 and 2022."

Eileen Smith, program vice president with IDC's Customer Insights & Analysis group.



Cloud Computing

Cloud computing is one of the key areas in which CFOs can assist IT in driving digital transformation. Companies continue to funnel significant investment into the cloud, but CFOs routinely cite uncertainty about how best to leverage and measure the cloud's benefits. In an online survey by CFO Research and Tata Consultancy Services, four out of ten of those surveyed described integrating cloud services into business operations as a big challenge.

As a CFO, take concrete steps to mitigate this uncertainty. Help your CIO develop a robust economic case for keeping or moving business applications and infrastructure to the cloud. "That case should go beyond pure cost reduction (from shrinking or closing data centers, for example)," says Krishnan Ramanujamm, president of business and technology services at Tata Consultancy Services. "It should include the ability to provide exceptional but data-intensive customer experiences and whole digital products online."



Data Storage

Organizational policies around data storage represent another area in which CFOs can support the IT function and help drive digital transformation. How much and what kind of data should your company store, and for what purpose? How long will you store it, where will you store it, and what are the associated costs?

Whatever your company's strategy around data storage and the cloud, there will inevitably be an implication for IT hardware. Whether your company is deploying new equipment, decommissioning older hardware, or a combination of both, the greater a CFO is up-to-speed with best practices around hardware procurement, the stronger position your company will be in advancing its digital transformation.

SPENDING ON DATA CENTER HARDWARE

Data center hardware represents an expanding line item for most companies these days, even those busy deploying resources to the cloud. The rise of edge computing and the desire to retain low-latency, compute-intensive workloads on-premise mean there are very few cloud-only plays in today's technological mix.

HYBRID AS THE NEW NORMAL

Consider Netflix, whose IT infrastructure is entirely hybrid, despite being a vocal advocate for the cloud. The technical infrastructure required to stream Netflix content lives exclusively within Netflix's proprietary (and painstakingly built) content delivery network. Every other aspect of the Netflix service (until the point of content delivery) lives in the cloud. Who said you can't have the best of both worlds?

Indeed, aggregate spend on data center hardware continues to increase as companies push ahead with digital transformation. According to Synergy Research Group, worldwide spending on data center hardware and software in 2018 grew by 17%. For enterprises, spending on data center infrastructure increased by 13%, mainly driven by growth in private cloud or cloud-enabled infrastructure. Compounding the growth, a requirement for ever-richer server configurations drove up enterprise server average selling prices.

In any scenario and to whatever degree you are factoring the cloud into your strategic planning, your organization will likely be spending more on data center hardware. As a chief financial officer, understanding the hardware landscape and how this maps to the increasing digitization of your business is critical.

THE BENEFITS OF OPEN HARDWARE

Open hardware brings a number of advantages, including feature flexibility and freedom from vendor lock-in. The secondary markets for the resale of open hardware are beginning to mature and offer real opportunities for asset recovery when the time comes to dispose of the equipment.



Hardware Questions That A CFO Should Be Asking

- ▶ How “rich” are the server configurations in your data center? Is the average selling price increasing on the equipment your company is purchasing?
- ▶ If so, do you understand why and do you have a process in place to recover value from the hardware once it is no longer needed?
- ▶ What's your company's approach to data center decommissioning—closing down all of part of a data center— compared with data center migration, shifting data center hardware and software assets to a new location?
- ▶ What's your strategy on retrofitting existing data centers compared with building new ones? What's the plan for the hardware left behind?
- ▶ Do you properly understand how data center software can be used to bring new capabilities to existing hardware?
- ▶ What's your IT team's approach to open source hardware as market share for open hardware equipment continues to grow?

GETTING MORE OUT OF YOUR EXISTING HARDWARE

When it comes to IT management it's easy to fall into a cycle of constant spending, but you will be surprised at the depth of the resources your organization already has at its disposal.

As a CFO, what are the questions you should be asking your IT function around the utilization of existing hardware? Are you leveraging the performance data of your deployed hardware to gain valuable buying insights moving forward? Are you using excess inventory data to help model a better understanding of your future needs?

MAXIMIZING STORAGE

A perennial challenge facing data centers of all sizes is optimizing the available storage. Ask your IT managers about the methods they use to assess storage optimization across hardware. What are your company's benchmarks for utilizing storage and how does that stack up against industry norms?

Are you up-to-speed on the deployment of new computing architectures and interconnect technologies capable of getting more out of your existing IT? What is your company's strategy for adopting NVMe, the super-fast interconnect protocol designed specifically for solid state drives in the enterprise? Are you able to monetize increased value and bottom-line impact from technologies such as NVMe that offer measurably increased computing capabilities?

Your IT managers should have answers at the ready in these areas, together with roadmaps for implementing best practices.

The Allure Of New Equipment

Of course, there will always be a push-and-pull between the hardware you already have and the allure of new equipment. According to research from Spiceworks, more than a third of organizations intend to purchase new server hardware in 2019, with a further 25 percent planning to buy servers within the next one to two years. That means that over a two-to-three-year window, more than half of firms will be in the market for new hardware.

Although this may sound expensive, such companies might actually be spending wisely. Studies indicate organizations that refresh their hardware every three years enjoy operating costs up to almost 60% lower than companies that run refresh cycles every six years. Getting the balance right on these purchasing decisions is clearly a delicate business.

As CFO, ensure that your company has clear, evidence-based policies on refresh cycles in place, supported by a budget for IT procurement that is both flexible and responsible.

MORE BANG FOR THE BYTE: A 30 SECOND PRIMER

To measure the financial impact of upgrading its storage drives, a CFO must understand the underlying economics from the perspective of cost per terabyte.

Say a 10-terabyte drive costs \$240 or \$24 per terabyte, whereas a 2-terabyte drive costs \$44 or \$22 per terabyte. The 10-terabyte drive has to drop to \$220 to reach price parity with the 2TB drives selling at \$44.

Once pricing between the two capacities reach parity, there may be benefits to upgrading the drive. For example, the newer drive may bring lower power consumption, produce less heat, and potentially perform with a lower mean rate of failure.

Don't forget there is residual value in the retiring 2TB drive. When you choose to dispose, be sure to maximize value recovery from this asset.



REDUCING ORGANIZATIONAL LIABILITY

As a CFO, you are constantly scouting out areas of potential liability that could cost your organization dearly if not pre-emptively managed. Your company's management of IT assets is one such area. Horror stories involving data security breaches leaving companies embarrassed and wrongfooted are commonplace. Best practices in IT asset recovery will help mitigate some of that risk.

Long gone are the days when the smartest way to destroy data on a storage drive was to destroy the disk as well. Modern data sanitization methods applied to your company's particular needs will keep your data safe while allowing you to recover monetary value from the drive. However, the most effective data sanitization technology is only as good as the workflows that underpin it.

Discuss with your IT asset recovery specialist their process for asset tracking and ensuring every unit is properly treated in accordance with the agreed disposition plan.

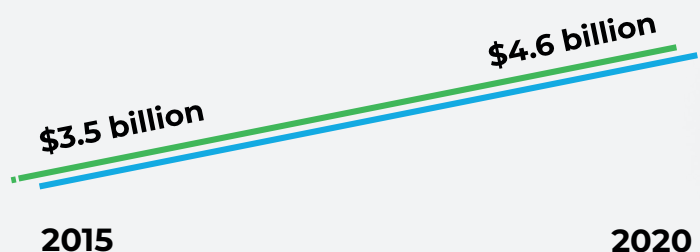
"A company can throw all the billions it wants at CIOs, cybersecurity divisions and the like, but if it does not have ITAM procedures in place, it is not secure."

- Barbara Rembiesa, president of industry group IAITAM

This requirement for procedural rigor applies not only to managing your deployed hardware but your IT equipment that is end-of-life or no longer needed. "Absent or incomplete ITAD (IT asset disposition) procedures are problems that grow each year as the business world's reliance on technology grows," Barbara Rembiesa of IAITAM says. Stringent workflows that are meticulously supervised and documented are the best possible response to a world of highly portable data.

Data Center Asset Recovery Services: A Growing Market Need

Source TMR



ITAR - ITAD - ITAM: Deciphering The Alphabet Soup

IT asset recovery (ITAR) is the practice of recovering value from retiring IT equipment through trusted remarketing and resale. ITAR is an aspect of ITAD.

IT asset disposition (ITAD) is the practice by which organizations dispose of end-of-life or excess IT hardware, whether through recycling or remarketing. ITAD is an aspect of ITAM.

IT asset management (ITAM) is the practice by which an organization manages its IT assets, both hardware and software, through the entire lifecycle from procurement and deployment to

THE BUSINESS CASE FOR GREEN IT

When commentators talk about the need to green the data center, the discussion usually begins with acknowledgement of how power hungry data centers are.

There's little doubt that the energy demands of data centers are significant. By most estimates, data centers account for more than 2% of the world's electricity consumption, a figure set to rise sharply in the coming years as the number of people online grows and companies support increasingly intensive workloads. For North American businesses, recent EU directives around data centers on power consumption and the circular economy may be an indication of things to come.

Amid all this talk about power consumption, it's easy to forget the role IT hardware has in supporting sustainability in the data center. It's equally easy to overlook the fact that the data center hardware your company no longer needs contains recoverable value. Working with an IT asset recovery specialist, different types of IT equipment can be securely remarketed and reused, while advancing your company's sustainability goals.



Developing Your ITAM Expertise

As a CFO, aim to develop a high level of visibility into your company's ITAM programs, from hardware deployment through disposal.

Questions to ask include:

- ▶ Who has senior responsibility in your organization for IT asset management?
- ▶ Where is the ITAM framework documented and what is the process for updating the protocol?
- ▶ What is your overall workflow for tracking assets from procurement to retirement?
- ▶ What is your company's policy on refresh cycles and how is this reflected in your IT asset management?
- ▶ Are your processes sufficiently clear to ensure the most appropriate hardware is being earmarked for retirement?
- ▶ What are your company's methods for aligning purchase volumes with operational needs?
- ▶ What level of value recovery are you securing from your retiring or excess hardware? What are the credentials of your IT asset recovery partner in ensuring maximum return and compliant disposal of hardware that cannot be remarketed?
- ▶ How is recovered value from your hardware represented in your company's financial modeling?

ASSET RECOVERY IN ACTION: THE CASE OF FACTORY RECERTIFIED DRIVES

Factory recertified drives are a great example of how value recovery meets reuse for both financial and environmental benefit.

In spite of concerns around the performance and reliability of factory recertified drives, these are tested by the manufacturer at their factory using the same rigorous testing process, approved suppliers, and latest firmware that new drives must adhere to.

Factory recertified drives are also much more common than your IT managers might realize. When organizations send drives back to the manufacturer for warranty, manufacturers often return factory recertified.

In addition, factory recertified drives

- ▶ Come factory packaged with a standard 6-month warranty
- ▶ Are among the lowest failing drives on the market
- ▶ Offer an average of 20%+ cost savings over new enterprise drives

What role are factory recertified drives playing in your enterprise storage mix?

Businesses that embrace IT asset recovery as part of their overall strategy around IT asset disposition (ITAD) will thrive while doing good. But even the largest companies have much work to do in greening their technology. Research from HPE Financial Services indicates almost a third of leading companies do not yet have an environmental sustainability strategy specific to their IT organization.

In spite of this, industry talk about sustainability is at an all-time high. Much emphasis is correctly placed on the concept of the circular economy, the rejection of a consumption model based on using and discarding in favor of one based on reuse. Why rip out equipment when you can repair and return to use. Ask your team about its approach to repair and warranty management.

If it feels like there's a lot to consider when it comes to IT hardware management, you are not wrong. But don't be deterred. As a CFO, even modest progress toward greater control over your asset management processes will prove beneficial. As you draw the moving parts more closely into focus, you will quickly recognize how much low hanging fruit there is to go after.

You will also identify significant opportunity to advance your company's commitment to sustainability. IT asset recovery practices are, by definition, green.

"Objectives aligned to Circular Economy principles like reusing end-of-life products, remarketing idle resources, and extending the life of IT equipment should be integrated into IT sustainability plans as well."

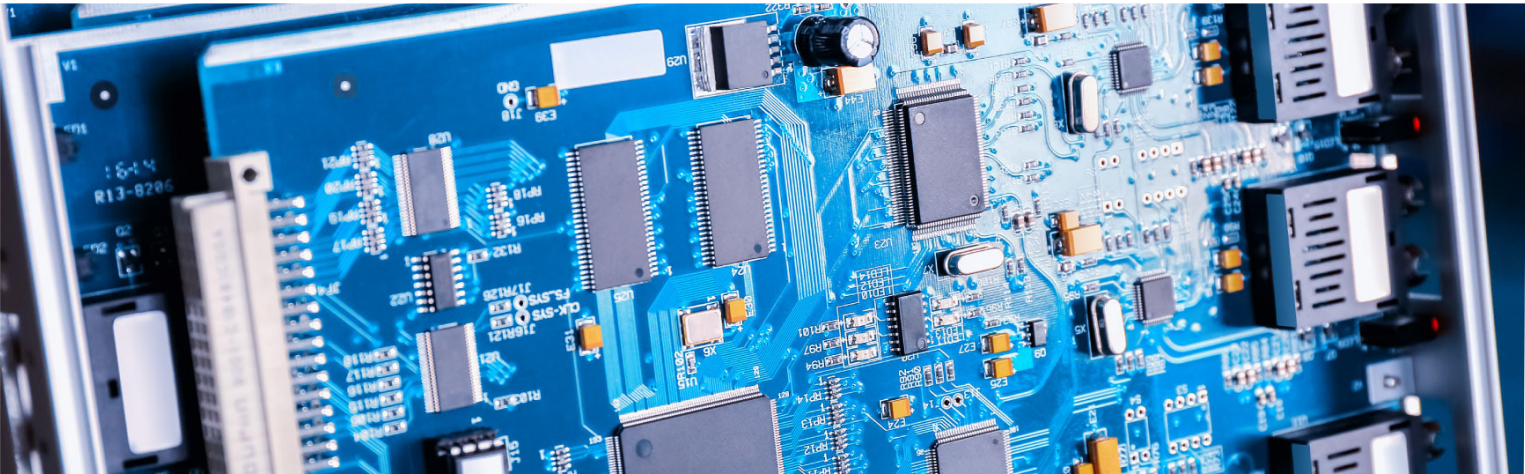
- HPE

THE FINANCIAL UPSIDE

For the CFO of any organization reviewing the IT function, a few things should be apparent: technology is at the heart of a modern business; spending on data center hardware will continue to increase; and how a company manages its IT investment has the potential to help or hinder its future prospects.

An experienced IT asset recovery specialist is able to guide your team through the many decision points that go into IT hardware planning, including structuring hardware transactions around your decommissioned assets designed to free up working capital. By introducing into your business a supplementary revenue stream that you weren't otherwise expecting, the funds associated with IT asset recovery develop into a core element of your financial planning over time.

Be ready to ask searching questions of your potential vendor before committing, though. Ensure your IT asset recovery specialist is able to demonstrate industry-leading accreditations such as ADISA and can confidently explain how its wiping process will work for your storage media. Not all asset recovery programs offered by IT asset disposition (ITAD) companies are the same.



Your company is plowing more time, money, and resources into the hardware that powers data centers, but are you devoting similar amounts of time into figuring out how most intelligently to repurpose this equipment when it is no longer needed for its current use?

Whatever you do, ensure your IT hardware management aligns with the strategic objectives of your organization and that you treat data center hardware in the same way that you approach any other investment into your business: with measurable expectations around sustainable ROI.



Headquartered in Lake Forest, California and with locations worldwide, Horizon Technology is an industry-leading supplier of IT asset recovery and hardware solutions to the data center.

We have a proven track record in developing asset recovery partnerships with our clients that not only stand the test of time but grow in response to changing circumstances and technological advances.

The robustness of our workflows is core to the way we do business. From returns part management to kitting, shipping and everything in-between, we are an IT asset recovery specialist bringing you the benefit of our deep relationships in the industry.

Contact Horizon Technology

For more information about how Horizon can help your organization, contact us using the details below

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