

In Tough Economic Times, Leasing Offers Added Benefits

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Some years ago, the TV police drama *Hill Street Blues* opened each week with a graying patrol sergeant sending cops out to face the day with the sage advice, "Let's be careful out there."

Given the roiling financial markets and uncertain economy, growing demands across industry to "go green" and nonstop budgetary belt-tightening, these days I'm inclined to offer customers that same counsel.

Developing and implementing a long-term strategic plan to upgrade or transform their IT infrastructure is a challenge under the best of circumstances. Add in the subprime mess, record write-downs by financial institutions, escalating energy costs and carbon footprint concerns – and the degree of difficulty grows geometrically.

Managing Across the Lifecycle

For CIOs, aligning IT and business goals remains a top priority. As a byproduct of today's business environment, they need to efficiently manage IT equipment across its lifecycle, understand how processing power is created and consumed, and generally find creative ways to do more with less. At issue are significant rewards for the organization – and control over risk.

As I talk with CIOs, I tell them we can help – in ways they may not expect. Central to the conversation is the fact that HP Financial Services is no longer just a leasing and financial services company. We've become an asset management company – helping customers manage risk and developing financial solutions that enhance their ability to deploy an IT infrastructure that meets their needs today and into the future.

As an asset management company, we help customers change the paradigm by looking at the

big picture and managing across the full IT portfolio – as opposed to managing individual pieces or, even worse, allowing responsibility to be diffused among multiple groups.

The key is recognizing that IT assets typically become technologically obsolete – and increasingly expensive to maintain – long before they fail mechanically. By planning and implementing a refresh cycle that spans a wide range of IT assets and anticipates succeeding generations of technology, companies can deploy an IT infrastructure that drives their business. As an added bonus, newer generations of IT equipment typically outperform their predecessors in processing speed, performance per dollar and labor savings – and they consume less energy.

Taking a Comprehensive Approach

Typically, CIOs focus on providing the hardware and software infrastructure needed to run the business, leaving it to facilities managers to power and cool those banks of servers – and to pay the bill. According to industry analysts, most companies still do not consider energy costs in the context of their overall IT spend – despite the fact that the U.S. Environmental Protection Agency estimates power to run the nation's server farms costs \$4.5 billion a year. In a report to Congress, the EPA noted that data center energy consumption doubled between 2001 and 2006 and – unless energy efficiency trends are accelerated – it will double again by 2011. That's a significant expense.

Taking a comprehensive approach to managing the IT portfolio lifecycle is a smart way to start tackling the problem. CFOs are responsible for managing risk and ensuring a corporation's financial health, and bringing them into a conversation about IT investment changes the dynamic.

Left on their own, CFOs' typical response to an economic downturn is to tighten budgets across the board, including IT. On the surface that's a sound decision – but it overlooks the inherent risk in

maintaining an aging IT infrastructure. By engaging a customer's CIO and CFO in developing a technology financing solution, we can help them achieve their shared goal of deploying a technology infrastructure that both propels the business and delivers tangible savings.

Leasing makes it easy. It allows companies to conserve capital – and expands their buying power – by eliminating the need to deplete budgets or borrow for a cash purchase. In uncertain economic times – as companies strive to preserve liquidity – this becomes critical. Leasing also facilitates implementing an ongoing lifecycle management program with regular technology refreshes.

Risk mitigation represents yet another significant benefit of leasing.

Safe Disposition is a Growing Challenge
Safe and responsible disposition of older IT equipment poses a growing challenge on multiple fronts. Equipment removed from service may contain customer account information or other proprietary data that must be secured, then thoroughly erased or destroyed.

Additionally, electronic equipment contains heavy metals and other hazardous substances that must be disposed of in accordance with a growing body of environmental laws and regulations. Careless recycling can endanger people and the environment, and expose the enterprise to legal liability and damaging publicity.

Clearly, there's good reason to be careful out there.

When working with customers to plan a financial strategy for transforming or updating their IT infrastructure, we offer these suggestions:

- Keep the big picture in mind – IT infrastructure is central to the success of any business, and technological innovation continues at a dizzying pace. Leadership can gain efficiencies and reduce costs by planning to retire and replace assets systematically, over multiple technology lifecycles.
- Update technology before it fails – Maintaining older, fully depreciated IT assets may seem like a thrifty business strategy, but it's a false economy. Older equipment inevitably brings higher maintenance costs – which may be hidden in departmental operating budgets.
- Plan disposition of older assets – PCs, servers and other "intelligent" devices are libraries filled with information about your enterprise, customers and employees. Once removed from service, it's critical to wipe the data and arrange environmentally responsible disposition.
- In difficult economic times, flexibility is critical – Leasing is inherently flexible. It lets companies expand or renew their IT infrastructure independent of budget cycles and conserve precious capital resources. It can reduce total cost of ownership and also form the basis of the technology refresh cycle.

Most of this advice is as apt in good economic times as in bad. The difference is that in times like these, there is little to no margin for error. With IT serving as the fuel that powers business, customers need innovative financial solutions to get the most from their technology investment. They need a partner that can help them build a long-term asset management lifecycle strategy. That's a great conversation to have.

About the author

Irv Rothman is President and CEO of HP Financial Services, the world's second largest captive IT leasing and financial services company. HP Financial Services does business in more than 40 countries around the world and has \$8.6 billion in portfolio assets.