

Measuring Downtime's Financial Impact - IO



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Here's a word that's guaranteed to send a cold shiver down your spine: "downtime."

Every data center and business manager knows that system downtime means losses: primarily the time and money that disappears forever whenever vital operations slam to a halt. When it comes to running a data center, a prime goal should be to minimize service interruptions and, ideally, prevent downtime from ever happening.

The best way of fighting downtime is to create an ultra-reliable operating environment, typically one featuring high quality servers and support systems that are located inside a facility with redundant power, telecommunications, cooling and security resources. Such a commitment requires an investment that goes above and beyond a no-frills in-house server deployment. Yet it's very easy to forget just how much money a business stands to lose from accumulated downtime in terms of lost productivity, customer dissatisfaction and other kinds of business damage.

The Big Picture

What's the financial impact of downtime? Most organizations never bother to estimate the potential damage amount. Unfortunately, it may be more than you think.

An outage's effects are typically felt organization-wide. Downtime also tends to create a domino effect, with failed services and resources in one department sequentially impacting operations in other business areas. Here's a quick overview of just how downtime kills productivity and quickly suffocates business operations:

- **Technology services falter.** When server access vanishes or becomes severely downgraded, an array of technology services suffer. The list of potential woes is nearly endless. An organization may suddenly find itself unable to accept Web-generated orders, run its RFID-based order tracking

system or even open its server application-managed front door.

- **Business applications fail.** With the loss of one or more servers, an organization may suddenly find itself unable to conduct even routine business tasks. Everyday business activities such as word processing, accounting operations, inventory management and customer services will suddenly become difficult or impossible to conduct.

- **Communication services collapse.** Today's organizations are highly dependent on their data centers for virtually all forms of electronic communication, including email and phone service. Therefore, during an outage, a business may lose the ability to contact remote workers, track fleet vehicles, reach out to business partners or hold an important web conference. Furthermore, if the organization relies on one or more hosted business applications, key business activities may also grind to a halt.

Measuring the Impact

Downtime can be calculated in several different ways, and the editors of *Network World* several years ago came up with a series of formulas. Productivity loss, for instance, can be measured by determining:

- The number of users affected by an outage multiplied by the percent effect on productivity multiplied by the average salary (including taxes and benefits) per hour multiplied by the duration of the downtime.

To quantify the business impact on groups and applications, you can use two different formulas:

- The number of users affected multiplied by the percent effect on productivity multiplied by the average profit per employee hour multiplied by the duration of downtime equals the downtime impact.

- The number of transactions per hour multiplied by the percent of affected transactions multiplied by the average profit per transaction multiplied by the duration of downtime equals the downtime impact.

The Bottom Line

Even short duration outages can significantly impact a company's bottom line, particularly if the events occur frequently over weeks, months or even years. Therefore, funds spent on creating a safe and reliable data center environment is almost always money spent wisely.

If you're unconvinced, just do the math. Compare the results you obtain using the formulas above with the amount of money it will take to create a downtime-resistant data center. You'll almost certainly decide that downtime simply isn't worth the cost, particularly if you decide to locate your data center operations at a facility where the expense of reliable and redundant support resources are shared among many customers.

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