

Making the most of IT Managed Services - whitepaper

Does IT Matter? Not really...

IT's core functions—such as data processing, information storage and retrieval, and repeatable back office functions—have become cheaper, more standardized, and easier to replicate across multiple platforms, the competitive value of owning and managing the infrastructure itself has decreased.

Many companies now see that outsourcing core IT systems to a trusted partner is a smart choice. It's a way of getting better security and reliability in their system while minimizing total IT spend. And those facts are more important today than ever.

In every sector of the economy—from manufacturing to healthcare, government to finance, education to retail—managers face a single imperative: deliver better results with fewer resources. Do more with less. IT managers in particular have been charged with supporting the business without draining resources away from its core purposes.

The reality is that in the vast majority of private sector companies and public sector agencies, the operation is not primarily focused on computer hardware, software, or networks. Consider a company manufacturing truck trailers, a large school district or university system serving 35,000 students, a healthcare organization with multiple hospitals and clinics spread across a region, or private bank responsible for investing clients money safely. For all of them, and thousands of organizations like them, IT is simply part of the infrastructure, something that enables them to get on with the business of getting results: producing truck trailers, educating young people, healing the sick, or providing regulatory oversight and investing wisely. For organizations like these, IT itself doesn't matter, but Managed Services and the smart use of cloud computing definitely do.

What is a Managed Services model?

When a company decides to adopt a Managed Services model, it can include any or all of the following: Application Management, Infrastructure Management and/or Service Management. To understand each, consider these common definitions:

- Application management - involves system administration, around-the-clock system monitoring, installing patches, administering remote servers, and provisioning on-site or remote support.



- Infrastructure management - typically involves more technical services, including server sizing, configuration and installation, dedicated hosting services, and implementation of cloud computing options. Infrastructure management often involves disaster recovery and business continuity and system monitoring functions.

- Service management - encompasses those aspects of the Managed Services relationship that includes providing a dedicated service desk, monitoring performance and delivering guaranteed service levels, and providing weekly reports, monthly and quarterly reviews, and so on.

Also remember that with each service, the delivery method that's chosen can be customized to suit your needs—from private or public cloud, to onsite hosting, remote hosting for an on-site environment, and so on. Deciding what service or services fit your business strategy, and how it is delivered, is paramount to developing the right Managed Services model for you. For purposes of this discussion, the benefits of Infrastructure Management and cloud computing are explained in greater detail.

The Benefits of Managed Services - Infrastructure Management

Clearly, outsourcing of infrastructure management must make business sense as well as be technologically sound. As a result, cloud computing was initially an attractive option primarily for point solutions, such as CRM, and for large enterprises that could carve out a portion of their IT operations and move them to a private cloud. Now, however, the benefits are available to companies of all sizes and for enterprise-wide applications.

In general, the benefits of moving to a Managed Services - Infrastructure Management model fall into five areas:

1. Financial savings
2. Reduced need for in-house expertise
3. Faster deployments
4. Improved system performance
5. Scalability and flexibility

1. Financial Savings. Moving to a Managed Services model offers a quick and dramatic financial payback in most cases. In addition, there are minimal entry costs, particularly in a public cloud application, which further accelerates the payback. Some experts estimate 30 to 50 percent savings from Managed Services compared to traditional in-house IT support.¹



The savings derive from a number of areas:

- **Reduced capital expenditure.** On the hardware side, virtualization and cloud reduces the need for servers. The typical server running in an in-house data center runs a single application and is utilized on average from 5% to 25% of capacity. Aggregating their use through virtualization or sifting non critical services to the cloud requires fewer servers, meaning less capital outlay and less depreciation. On the software side, companies often need fewer system licenses and are able to control upgrades and patches more efficiently. Overall, these savings add up quickly. Typically, over half of all IT spending is generated by infrastructure costs, while another third comes from maintenance costs for existing applications, including updates, patches, end-user support and license fees.
- **Economies of scale.** The buying power of a Managed Services provider can generate discounts on hardware purchases of 50 percent in many cases, compared to the prices paid by most corporate IT departments.
- **Reduced power consumption.** Electricity costs can represent 15% to 20% of the total cost of running a data center. For an in-house operation, the company typically must pay local prevailing rates. A large provider of Managed Services and Cloud Provider can take advantages of economies of scale and efficiencies of shared platforms to reduce costs and build them into the service cost
- **Eliminating hidden costs.** Running an internal IT operation often involves so-called hidden costs—training the members of the team, for example, as well as recruiting and hiring new members, providing management oversight, and other associated HR costs.
- **More cost-effective approach to disaster recovery.** For organizations where disaster recovery is a pre-requisite to doing business, the typical approach involves setting up and managing fully redundant systems, with fail-over capabilities built in should the primary system go down. With a Managed Services approach, the need for such extensive redundancy goes away, because the Managed Services vendor assumes that responsibility for the organization.
- **Significant gains in productivity.** Shifting to a Managed Services model often provides opportunities to eliminate manual processes internally that are associated with rolling out systems. This means a dramatic reduction in the time involved in deploying new systems and an associate reduction in the need for in-house IT personnel to be involved. Another productivity gain comes from the organization's enhanced ability to get the right tools to the people who need them when they need them. In a Managed Services environment, provisioning of systems typically encounters fewer delays. Finally, the internal IT staff is no longer involved in mundane maintenance and regular administrative tasks.

Instead, the Managed Services provider handles patches, updates, and routine break/fix tasks, dramatically reducing the resource costs that typically would be incurred by managing systems in-house.

2. Reduced requirements for in-house expertise.

Even in the midst of low oil prices, declining property sale and a general slow down in the UAE's economy, it is hard to find people with the right skills and training to manage complex IT environments. It is extremely difficult for a mid-size business or for a local government entity to recruit and hire such specialists. The Managed Services approach allows these organizations to leverage the strength for Infrastructure Management of an experienced technical and consulting staff who works for the outside vendor. Businesses and government no longer need to recruit, train and retain a team of experts on their own. Instead, they can depend on an organization to handle those tasks whose core business is IT.

3. Faster deployment. In a Managed Services -

Infrastructure Management environment, deployments are easier to manage and occur faster. Because professional engineers are on hand and resources are easily scalable, new deployments can be tied easily into the existing centrally hosted systems without the need to have existing infrastructures dismantled. Making the Most of Managed Services locally before being reconfigured to accommodate an upgrade.

4. Access to enterprise-strength applications. Some organizations hold back from investing in a robust ERP system or similar enterprise-strength applications because they fear they do not have sufficient expertise within the IT staff. By outsourcing to a Managed Services provider, particularly with monthly subscription-based pricing, the organization gains access to a comprehensive and technically advanced solution without needing to add specialists to the IT staff.

5. Ability to scale up or down to handle peaks—both predicted and unexpected. Variability in usage can result in peaks and valleys, based on time of day, day of the week, and season of the year. This is particularly true for firms that see massive spikes in volume of activity due to seasonal business fluctuations, open-enrollment periods, month-end closes, payroll cycles, and periods of heavy batch processing. In all of these situations, servers may be used heavily for a short period and then sit nearly dormant the rest of the year. With a well-managed Managed Services provider, work loads are balanced across clients, industries and geographies to handle peak requirements.

Reservations about Shifting to a Managed Services Environment

Given all of these benefits, why have some companies held back from moving to a Managed Services model for IT support? The answer is that there are a number of reasonable concerns regarding Managed Services, particularly models involving the use of a shared or public cloud:



Concerns about security: Except for dedicated or private cloud configurations, data in a cloud is typically shared alongside data from other customers. Is the data secure? Is it protected from inappropriate or illegal activity? Although these concerns are often given as reasons not to move applications and data to a public cloud, the reality is that a large commercial provider of Managed Services often has greater expertise and greater resources to focus on this problem than the typical corporate IT department.

Concerns about reliability, performance: The CIO must trust others to provide reliable and highly available services. Cloud outages have been highly publicized, raising concerns about the maturity of the technology. For example, the failure of Amazon cloud led many to question whether the cloud as a whole has achieved the necessary stability and reliability to serve as an enterprise-wide infrastructure. When comparing the amount of downtime and performance degradation experienced internally by a corporate IT team managing its own data center, however, the reliability and performance of the Managed Services industry as a whole has been exceptional.

Losing control of valuable assets, particularly in environments where compliance is critical: In a Managed Services environment, you are no longer in direct control of your data. That can be a serious source of concern for companies where data must comply with specific regulatory standards. These compliance standards can come from within the organization itself, the industry within which it works, or from government department. In some cases, full compliance may be challenging to achieve in a cloud-based environment unless the Managed Services provider also provides a cadre of specialists with the expertise to oversee compliance issues. As cloud technologies improve, and as compliance requirements adapt to accommodate cloud architectures, cloud-based infrastructures will continue to become more compliant, and therefore feasible for more organizations and workloads.

Balancing the Rewards with the Risks

As a buyer, you can balance the exceptional rewards available from a Managed Services environment with the potential risks. Doing so requires paying careful attention as you make three critical choices:

1. Selecting the right configuration options for your business objectives and technical environment.
2. Picking a vendor who can deliver on the “Services” part of the “Managed Services” model.
3. Establishing monitoring benchmarks and controls to get the most out of the “Managed” part of the model.

Configuration Options. An organization has options to deploy a Managed Services infrastructure, and incorporate cloud computing into that infrastructure. For example, you can place just parts of your



infrastructure or even just subcomponents of enterprise applications in the cloud; a choice that allows you to run your own proof-of-concept trial while you become familiar with the technology.

Managed Services providers often employ a wide range of configurations, depending on a client's needs, including:

1. **Mix of On-Premise System and Public Cloud.** Some organizations choose to house parts of their IT infrastructure in their own data center (either using a cloud configuration or not) and then housing other components in an external cloud environment. For example, some organizations find it economical to put their test/development and/or disaster recovery systems in a hosted cloud solution. Others put specific modules in an external hosted environment.
2. **Full Cloud Solution—Multi-Tenant.** In this configuration, multiple businesses use a single hosted cloud environment, sharing physical hosts among them. Advanced firewalls and security rules allow this structure to function with maximum efficiency while keeping each tenant's systems and data secure.
3. **Full Cloud Solution—Single Tenant.** This configuration also uses a hosted cloud solution but instead of companies sharing the same physical hosts, they are separated out into distinct physical hosts. This type of hosted cloud implementation is very similar to a dedicated hosted environment, providing the customer with the maximum in security and control; however, it is also the most expensive because the customer is requiring the cloud provider to dedicate equipment to their business instead of sharing it.

Ultimately, the right configuration will be driven by your business objectives. Are you looking primarily for system back up? Is your goal to implement a simpler and less expensive plan for disaster recovery and business continuity? Are you looking to enhance your security, perhaps through implementation of more secure firewalls or through email protection? Your business objectives will play a large role in determining the right technical configuration.

Choosing the Right Vendor.

The Managed Services provider will become an extension of your in-house IT team. The provider's team will get to know your business intimately, learning to work in harmony with your total organization and adapt to its culture.

As a result, you want to look for a vendor who has the methodology and tools in place to deliver the "services" part of the term "Managed Services" agreement. The ideal Managed Services provider will follow robust processes to gain insight into both your technical infrastructure and your business. For example, if your business experiences significant swings in volumes of activity, perhaps due to seasonal



variations, you want the Managed Services provider to design the hosted environment to assure optimal and consistent provider.

Other traits to look for to find the right services provider: Look for a Managed Services provider who is flexible in how the services are organized, how they are priced, and what they provide. Also look for a provider who has a full consulting team on call. Many Managed Services providers have stripped down IT teams who struggle to get the work done if the job calls for anything more complex than routine break/fix and maintenance issues.

As a checklist, consider the following six characteristics of excellence which the most successful Managed Services providers will possess:

1. Following Information Technology Infrastructure Library (ITIL) standards: ITIL is an industry accepted standard defining how to provide best-in-class IT services to end users. As the most widely adopted approach for IT services management in the world, ITIL provides a no-nonsense, practical framework for identifying, planning, delivering and supporting IT services to a business or other organization.
2. Well-defined knowledge acquisition and retention process: The services provider must get to know you as a customer, how you run your business, and the critical processes that make your business successful. In addition, the services provider has a systematic way of retaining this knowledge, once it has been acquired.
3. Foundational documents: The best Managed Services providers develop a comprehensive governance plan, support manual, and onboarding guidebook for each customer. This is part of an ITIL-compliant framework but it also provides you with the foundation to bring your environment back in-house later, if you decide to do so.
4. Demand management: As noted earlier, one of the big benefits of the move to a Managed Services model is the ability to scale the provisioning of resources to match variable demand. This includes not only fluctuations in volume and processing intensity, but the ability to handle a project that requires additional skilled, trained resources.
5. Certifications: Your provider should be certified to support critical applications used in your business and should be able to implement and support all of the technology products.
6. Regular communications: Most important of all, your Managed Services provider should have a structured reporting and metrics tracking system, which is part of an ITIL-compliant model. Unless the provider is using a standards-based, consistent tracking methodology, you will not know whether the Managed Services agreement is providing the results you expect.

Establishing and monitoring benchmarks and controls.

Setting up a service-level management program is important for establishing shared expectations. Thereafter, tracking performance and making sure that the expectations are met or exceeded is key to making sure the Managed Services agreement is delivering the results you expected.

The process is straightforward:

- Establish your current level of performance on the key parameters: response times, problem resolution, cost objectives, system availability, recovery point objective, or recovery time objective, for example.
- Set the goals for improvement in these key performance measures that you want to achieve through a Managed Services agreement.
- Negotiate agreement to the performance measures with your services provider.
- Make sure the provider tracks performance to ensure compliance to the standards of the service; back up the provider's metrics with your own independent measures, if necessary.
- Review reports on the key performance indicators jointly with the provider on a regular basis.
- Modify the service model if needed to achieve the level of performance you expect.

Conclusion

Making the most of Managed Services includes balancing the potential rewards against the possible risks. Risks can be minimized by right-sizing the configuration to your business and technical objectives, choosing the right provider, and tracking performance. With those simple steps, your in house team can focus once again on delivering IT innovations that really matter.