More than a quick fix for a short-term crisis, managed services represent a paradigm shift for IT departments away from the time-honored presumption that being responsible for IT means doing everything yourself.

Efficiency on Demand
Most IT directors have been fighting an ongoing battle for years to keep their technology infrastructure—the nervous system of their organizations—from suffering a cataclysmic breakdown.

There never seems to be enough staff or enough time to do the proactive projects IT directors want to do, much less the creative projects the business side wants IT directors to do.

Though they typically spend 80 percent of their time and budget supporting the daily demands of the infrastructure, most IT directors still go home at night with their smartphones turned on just in case. When CEOs mandated 24x7 support IT directors didn’t know where to turn and tried to extend current staff to meet their needs.

Now that their CFOs have ordered a 15-percent cut across the board, IT directors find themselves selecting the best option from a list of unpleasant options.

The good news behind the need to cut costs is that many IT directors have found an outlet in the proverbial wall they are up against that offers them access to a whole new way to support their IT infrastructure.

On the other side of that outlet exists a fully staffed, state-of-the-art IT department provided as a managed service and at a price point mid-size companies can afford.

More than a quick fix for a short-term crisis, managed services represent a paradigm shift for IT departments away from the time-honored presumption that being responsible for IT means doing everything yourself on servers that are within kicking distance, and by staff you can see working.

Having revolutionized the workplace for everyone else, IT departments are now taking their turn. The technology has been proved with virtually no latency for remote connections from one place in the world to another. Remote monitoring and management are accepted practices within most IT departments. Any reluctance to extend those capabilities to an established third-party managed services provider is a cultural issue, not a technology issue.

And today’s economy is quickly changing that culture.

The business case for managed services is too compelling to be postponed. Aided by economies of scale, the most sophisticated tool sets, and a team of highly qualified engineers, managed services can support an organization’s infrastructure for generally one-third of the cost to support the infrastructure internally, and can support it at a higher level.

The savings is accomplished in many ways, including reduced downtime, access to experienced experts on an as-needed basis, streamlined procedures, advanced automation and systems and the overall efficiencies that come from a proactive approach to infrastructure support—as opposed to running from crisis to crisis. Some savings reflect harsh realities.
A manufacturer in the Northeast, for example, more than offset the cost of a $38,000 monthly managed services fee by subtracting the salaries, benefits, and training of seven full-time employees.

Beyond the savings, measurable productivity gains within IT departments include redeploying skilled staff from mundane tasks (such as monitoring routers and resolving user problems) to strategic projects that directly support business initiatives. Your CFO has probably told you recently that every asset, including every device and every employee, has to be allocated to a source of revenue. Managed services helps IT departments transform themselves from a source of expense to a source of revenue.

**Business Model**

“It is no coincidence that the managed services model looks as if it was designed to help organizations in times of economic uncertainty,” says Logicalis Solution Architect Kevin Clark. Many managed services offerings are designed for IT budgets that are under pressure. “We built our business model for tough economies,” Clark says, “and we’ve been refining it and building on it ever since.”

Managed services is not a hand-off of responsibilities to a third party. Managed services is a partnership between the customer and the managed services provider. And, like all partnerships, this partnership is dependent on open communications and effective interaction. Managed services needs to function like a seamless extension of an organization’s internal IT team.

The intelligent force behind the evolution of managed services is customer demand. The ability to choose features within managed services that provides flexible coverage and allows customers to adjust their coverage as their situation changes is the key.

Some organizations begin their managed services relationship tentatively with 24x7 monitoring and a block of consulting time. Others see a vision in managed services of what they’ve wanted to do for years, and arrive with their own creative ways to take advantage of managed services’ capabilities.

“Our No. 1 virtue is flexibility,” Clark says. “At the end of the day, the customer knows his or her business better than we do. They count on us to recommend and provide the right service levels for their environments.”

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**The Business Case for Managed Services**

- Access to technologists with high-level certifications and diverse experience
- Implementation of service management best practices
- Predictable monthly costs and stringent service-level agreements
- Reduced risk of downtime
- Detailed performance reviews
- Opportunities to focus on supporting business initiatives and building competitive advantage
Here are several examples of smart ideas managed services customers have realized:

**Plug-and-Play IT**
A national franchise company first became a managed services client when the company needed a host for its ERP and email systems. The arrangement worked so well that the client decided to use managed services to host its entire IT infrastructure.

As the franchise company grew and changed, its IT infrastructure was reassuringly stable. The benefits were obvious when the company relocated to new headquarters. Because the IT infrastructure was hosted by the managed services provider, the move represented a personnel issue, not a technology migration.

“All the employees just packed up their printers and PCs and went to the new location,” Clark says. “Their back-office IT didn’t skip a beat.”

**Wiring the Global Village**
A US-based provider of industry-specific market forecasting services uses managed services to keep data and communications flowing 24x7 through the company’s global village of industry analysts. The servers are monitored and managed, allowing the customer’s own IT team to concentrate on providing its analysts with tools the analysts can use to bring clarity to markets in chaos. Providing infrastructure specialists on an as-needed basis, the managed services team was able to provide troubleshooting expertise as far away as Tokyo.

**SAP Savvy**
For most IT departments, implementing SAP is like having at least two full-time jobs. That doesn’t leave much employee bandwidth for the nitty-gritty monitoring and managing (including upgrades, patches, backups, etc.) required to maintain the underlying IT infrastructure on which everything depends.

“The value of a managed service provider is that they already have processes and monitoring templates built around SAP environments, as well as service management best practices built into our operations center.

The customer chooses how much of managed services the company want to use and that goes from basic monitoring as an extension of a customer’s IT staff and notify them when problems occur in their SAP environment—all the way to the remediation of problems. Managed Services can free them up to stay on the business side of the SAP deployment by ensuring the underlying platform is available. They are making sure that SAP will work with accounting, manufacturing, and with whatever business units they have—and managed services take care of the infrastructure side.”
Taming Dinosaurs
Several organizations have turned to managed services for the care and feeding of legacy applications that need to be supported, but are no longer critical to daily operations. Some legacy systems have operating systems that a decreasing number of people know how to support. Managed services allow companies to move these dinosaurs out of their departments and frees companies from having to maintain the skills to support these dinosaurs internally. The apps are available online when you need them, and they're not in your face when you don’t.

Hands-Free IP Telephony
An international supplier of nondurable goods has been turning to managed services as each of its multiple business units implements the Cisco voice solution. The company utilizes managed services across the network for the entire location, including monitoring, management, and configuration of switches, routers, phones, and voice gateways.

All help desk tickets are referred directly to the managed services provider, and all the business units need to do is pick up the phone.

Expanding Capabilities
While IT departments in a range of industries are having their budgets cut and watching their ability to support their infrastructures deteriorate, many Managed Service companies are in the enviable position of expanding capabilities and staff.

The Managed Services Menu

Backup
- HP Data Protector
- Symantec Backup Exec
- Symantec NetBackup
- Tivoli Storage Manager

Database
- MS SQL
- Oracle

Enterprise Systems
- MS Active Directory
- MS Exchange

High Availability
- MC-ServiceGuard

Network
- Cisco
- Cisco Wireless
- HP
- Juniper
- Riverbed WAN

Security
- Cisco Access Control
- Cisco Firewall
- Juniper Firewall

Server
- HP-UX
- IBM AIX
- IBM i/OS
- Linux
- MS Windows
- Solaris

Storage
- Brocade SAN
- Cisco SAN
- EMC
- HP
- IBM
- NetApp

Unified Communications
- Cisco Telepresence
- IP/T

Virtualization
- Citrix XenApp
- VMWare vSphere
It is important to look for a provider that has a feature-rich, mobile-enabled interface that integrates everything.

More than a window into what your provider is doing, ITSM tools make it possible to apply all of the best practices built into the tool to systems that customers are supporting on their own—essentially delivering state-of-the-art service management efficiencies right out of the box.

Individual users will have a self-service portal with graphical objects to report an issue, make a request, approve changes, and view dashboards and reports. It is possible for management to generate reports on the performance of servers, compliance with SLAs, the status of all trouble tickets, and other information. The customer will can create its own reports on the fly without having to wait for us to create them.

The portal provides a window for customers that extends all the way to their smartphones. No more faxing back approvals for change orders.

Among other benefits, the ITSM tool has SLAs and allows us end-to-end integration from sales through management so that we ensure full consistency between what we sell and what we deliver.

How to Talk to Your CFO about Managed Services

When it comes to managed services, most CFOs get it. It’s easy to see the value in outsourcing non-core business activity, and we like predictable monthly costs. Managed services, none-the-less, represent a change from the status quo, and before any CFO signs off on change, he or she is going to need to see some numbers. The following calculations are the best way to a CFO’s heart:

Payback Period refers to the time period (typically in months) required for a business to recover up-front investments. This is the simplest financial metric to estimate and compute. CFOs want to see payback periods of less than 12-18 months. Because initial investments for managed services are relatively low, the payback period is brief and reassuring.

Net Present Value (NPV) measures an investment’s future net cash flow savings minus any initial investment made. Future savings are discounted into present-day dollars using the company’s cost of capital (also known as the required rate of return, or “hurdle” rate). For example, if the rate is 10%, $10,000 in savings one year from now is worth $9,000 today (90%). Two years from now, it is worth $8,100 today (90% x 90%). An NPV of zero means a project exactly repays its original investment plus the required rate of return. A positive NPV means a better return, and a negative NPV means a worse return. NPV results on managed services are typically large, and the higher they are, the better any CFO feels about choosing to pay for managed services instead of one of the many other requests for funds on his or her desk.

Total Cost of Ownership (TCO) attempts to measure all costs and benefits of a managed services decision (both direct and indirect) over time. While CFOs often prefer such a comprehensive approach, the challenge is presenting “believable assumptions” on all your hard and soft costs before and after making a managed services decision. There are no shortcuts to running a comprehensive TCO baseline that includes factors such as training and maintenance costs. You need to do the research so your CFO not only can do the math, but also can believe the math.

Another desirable aspect of managed services that CFOs like is quarterly performance reviews. CFOs like seeing in understandable fashion the cost drivers and performance trends associated with the IT investments. Scheduled reviews appeal to CFOs in two ways: they love numbers, and they hate surprises.

The bottom line: No managed services strategy will be compelling unless you show it reduces headcount or redeploy people to focus on making the business more productive for customers. When you articulate how the decision optimizes your people resources, and you back it up with the math, you’re definitely speaking the CFO’s language.
Extra Steps to Efficiency
When it comes to processes, taking a few extra steps can extend the level of efficiency you can expect from your managed services provider. The following tools will allow you to extend the benefits of managed services beyond cost savings:

Process Automation
When an incident triggers an alarm and initiates a trouble ticket, protocol indicates that specific tests be performed. Anything that has standard logic and standard procedures can now be automated. Instead of an engineer spending time running troubleshooting procedures, the system automatically performs these tests in a fraction of the time. The test results are then passed to a senior engineer for evaluation and remediation—significantly enhancing the time to resolution.

Self-Auditing Tools
A self-auditing tool will provide an immediate account of every interaction with a customer’s system and play the interaction back like a security camera. This solution provides high levels of accountability and comfort to customers. Senior staff no longer need to guess whether someone made a change to a system or whether performance issues are related to a change someone made. Staff members can see for themselves by watching frame-by-frame videos for any action taken by a specific user during a set time period on any system.

Business Intelligence
A business intelligence tool will scan performance data and allow a customer to identify trends—for example, which incidents are causing the most time constraints—and highlight areas that need improvement. The tool will also allow customers to slice and dice their data and identify opportunities for cost savings.

Competitive Advantage
It may have taken bad economic news to drive some IT departments to managed services as a way to cut costs. But the good news is that managed services not only cut costs, but also enable IT to escape the revolving door of crisis-to-crisis management that has kept IT professionals running in place. This has occurred ever since open standards unleashed the last major evolutionary surge in information technology.

The next evolutionary leap toward the vision of computer processing as a utility is already in motion. Managed services offer a connection to that vision for those who can look beyond the short-term need to cut costs and see the long-term opportunity to gain competitive advantage.