

# EFFICIENCY ON DEMAND

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## 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 BlackBerrys turned on just in case. When the CEOs mandated 24x7 support for IT, IT directors went home less.



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, Logicalis Vice President of Managed Services Wayne Kiphart says 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, 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,"

### **THE BUSINESS CASE FOR MANAGED SERVICES**

- Access to technologists with high-level certifications and diverse experience
- Implementation of the Information Technology
- Infrastructure Library's (ITIL v3) best practices
- Predictable monthly costs and stringent service-level agreements
- Reduced risk of downtime
- Detailed quarterly performance reviews
- Flexibility to change coverage as your needs change
- Opportunities to focus on supporting business initiatives and building competitive advantage

says Logicalis Business Development Manager for Managed Services 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 customize all aspects of managed

services provides customers with the flexibility to develop coverage that fits their unique situations, and allows customers to change their coverage as their situation changes.

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," Kiphart 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."

## HOW TO TALK TO YOUR CFO ABOUT MANAGED SERVICES

Logicalis CFO Greg Baker says, 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, nonetheless, 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:

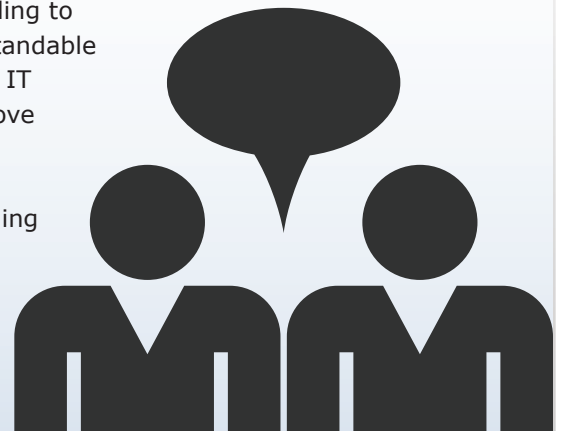
**PAYBACK PERIOD** refers to the time period (typically in months) required for a business to recover upfront investments. This is the simplest financial metric to estimate and compute. Baker says CFOs want to see payback periods of less than 12-18 months. Because initial investments for managed services 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. Baker says 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, Baker says 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, according to Baker, 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 redeploys 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.



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.

### **24X7 ON DEMAND**

Wisconsin-based Johnsonville Sausage is the No. 1 national brand of brats, Italian sausages, smoked-cooked links, and fresh breakfast sausage links. Its products are available today in 27 countries, including France, Canada, Mexico, Japan, China, and the United States.

"In the last couple of years, we went from a centralized, everything-is-done-here-during-the-day shop to an around-the-clock organization," says Coach of Operations and Networks with

Johnsonville Sausage Dan Allensworth. "The expansion of our applications definitely provided business value; however, it also increased system management responsibilities," Allensworth added.

When Johnsonville extended its back-office management systems throughout its entire operation, the company looked for a way it could provide IT management without taxing its current resources. Managed services provide support across the board now, including the tape library, the storage area network, the computer network, all critical servers, and email.

### **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.

“Our value is that we already have processes and monitoring templates built around SAP environments, as well as Information Technology Infrastructure Library (ITIL) best practices built into our operations center,” Logicalis’s Clark says.

The customer chooses how much of managed services the company want to use, he adds. “And that goes from basic monitoring—where we work 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 those problems,” Clark says. “We 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. Logicalis’s Kiphart notes 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, Kiphart is in the enviable position of expanding capabilities and staff—almost 30 percent in the past two years—and investing in hardware and software to



## THE MANAGED SERVICES MENU

### IT MANAGEMENT SERVICES

- Application Maintenance
- Back-up
- Citrix
- Help Desk
- Hosting
- Database
- Messaging
- Monitoring & Simulation
- Network
- PowerHA
- SAP
- Security
- Server/Operating System
- Storage
- Outsourcing/Cloud Services

### IT SUPPORT SERVICES

- Virtual Project-based Support
- Onsite Project Support

### VALUE-ADDED SERVICES

- Service Level Manager
- Reporting Services
- Alarm Notification Services
- Quarterly Reviews
- ITSM
- Dashboard Services
- Flexible Service Levels
- Vendor Management
- IT Contract Management

build an IT department-for-hire that rivals most Fortune 500 companies in sophistication.

It is important to look for a provider that has a feature-rich, Web 2.0-enabled interface that integrates everything. Logicalis is taking advantage of software-as-a-service (SaaS) by partnering with a leading provider of on-demand service management solutions.

According to Justin Cawood, Director of Process Management for the Logicalis Managed Services Group, this IT Service Management (ITSM) tool

will not only provide enhanced portal functionality for ticket handling, ticket timers, and workflow, but will also allow customers to experience the ITSM solution in their own environments for complete help desk functionality. All best practice customizations, configurations, and workflows will be immediately available to any customer signing up for ITSM as a service. Customers will also have the flexibility to customize forms, fields, and workflows without the stress of related infrastructure, upgrades, or typical implementation initiatives and costs. True to the standard SaaS model, all core upgrades and improvements will be automatically extended throughout the customer base.

More than a window into what your provider is doing, ITSM tools make it possible to apply all of the ITIL v3 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. “We’re making it possible for management to generate reports on the performance of servers, compliance with SLAs, the status of all trouble tickets, and other information,” Cawood says. “The customer will be able to create its own reports on the fly without having to wait for us to create them.”

The portal will also provide a window for customers that extends all the way to their PDAs. No more faxing back approvals for change orders.

Among other benefits, the ITSM tool will have SLAs. “The tool allows us end-to-end integration from presales through management so that we ensure full consistency between what we sell and what we deliver,” Cawood notes.

### 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.



**ABOUT LOGICALIS**

Logicalis is an international provider of integrated information and communications technology (ICT) solutions and services founded on a superior breadth of knowledge and expertise in communications and collaboration, data center optimization, application development and integration, and outsourcing and managed services.

With international headquarters in the UK, Logicalis Group employs more than 1,900 people worldwide, including highly trained service specialists who design, specify, deploy and manage complex ICT infrastructures to meet the needs of more than 6,500 corporate and public sector customers. To achieve this, Logicalis maintains strong partnerships with technology leaders such as Cisco, HP, IBM, and Microsoft.

The Logicalis Group has annualized revenues in excess of \$1 billion from operations in the UK, the US, Germany, Latin America, and Asia Pacific, and is fast establishing itself as one of the leading IT and communications service providers, specializing in the areas of advanced technologies and services.

For more information, visit [www.us.logicalis.com](http://www.us.logicalis.com)  
or call 866.456.4422.