

Successful Managed IT Services

Keys to Outsourcing the Right Service
to the Right Provider

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Executive Summary

Businesses, whether regional shops or global multi-nationals, are increasingly turning to external managed IT services providers for everything from email to archiving to ERP. For all the momentum and growth in the managed services segment, however, deciding when and where to outsource is not straightforward. This paper offers some practical guidance into determining whether outsourcing makes sense, key criteria for finding the right provider, and some fundamental steps to getting outsourcing relationships started on the right track.

Introduction

Organizations have been making the decision to rely on external managed IT services providers for a number of reasons, and a number of years. Today, though, the hype around the cloud, the dizzying array of services and service providers, and the long-standing mandate to drive down costs are all pointing to an unprecedented move to IT outsourcing.

However, that doesn't mean this decision is a no brainer, far from it. Having been in the managed IT services space for many years, I can tell you that I've heard a lot of stories, and, while many were of success, too many were of the horror variety.

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Looking to get a piece of an expanding IT outsourcing market, mom and pop resellers will reposition themselves as managed IT services providers, without any of the operational expertise required to live up to that billing. Eager to attract new business, a service provider will take on the administration of a technology they've never seen before.

Today, businesses can take virtually any on-premise, internally sourced IT service they rely on, and turn the development, management, and hosting over to an external provider. While the benefits of moving an IT service to an external services provider can be great, so can the cost if the relationship fails. Lost time, money, and customers can all be in the cards.

At most organizations, the mix of IT services that are externally or internally managed is under continuous evaluation and reassessment. Ultimately, before the decision to outsource is made, organizations need to move past the hype and take an objective, considered look at their resources, needs, and goals. For executives contemplating outsourcing IT services, following are some key considerations to make as they formulate an outsource strategy.

8 Key Considerations to Make—Before You Move to Managed IT Services

1. Start with IT Services

To gain a high level, cohesive view of the business and IT landscape, and the opportunities available for outsourcing, it's important to start by looking at the services the internal IT group provides to the company. While it may be challenging to look past existing departments, reporting structures, roles, etc., starting with a business view of IT services provides an invaluable perspective on the ways IT is supporting the company. For example, rather than looking at tasks such as database administration, start with the business services that rely on that database and the other parts of the infrastructure. This is vital because, in the end, 99.999% uptime of a database doesn't really help the business if the business service that sits on top of it isn't performing acceptably.

2. Engage Business and IT in Formulating an Outsource Strategy

Whether the decision is ultimately to outsource IT, invest more heavily in internal resources, or stand pat, it is critical to engage both business and IT leadership in the outsource strategy up front. Fundamentally, executives need to discuss key business objectives and how can IT contribute to them.

Further, organizations should try to assess existing IT services within a business context. Having a dollar-based vantage point can be a critical first step in understanding where investments should be made, and in assessing whether and where outsourcing makes sense. How much revenue is associated with the company's ERP system? How much revenue is lost when email goes down? The answers will vary widely across organizations. For a B-to-B Web site, downtime over a weekend may have a negligible business impact. For a large online retailer, even sluggish performance may lead to shopping cart abandonment and significantly impact the day's revenues. By looking at the performance of an IT service from a business standpoint, an organization is much better equipped to make the right IT outsourcing decisions for the right reasons.

3. Assess Strategic Value of IT Services

Next, organizations need to assess the strategic value of IT services. Some may effectively be a utility for the company, others may play a significant role in the extent to which the business can gain competitive differentiation. Looking at services in this way can help decision makers segment those services that could potentially be outsourced and those that need to remain internally sourced.

4. Do an Honest Assessment

For each of the services provided, both IT and the business need to take an honest look at performance. Where is IT succeeding? Where is it failing? Here, it is important to factor in both hard metrics and the more subjective opinions of users and stakeholders. Whatever performance metrics may say, if users are loyal and satisfied, outsourcing may prove risky, running counter to "if it ain't broke, don't fix it" adage, which can be problematic if user buy in and participation are important. On the other hand, if satisfaction is low in spite of relatively strong performance metrics, getting support for outsourcing that service may be a lot easier to do.

5. Assess New and Emerging IT Service Requirements

In plotting a long-term IT outsourcing strategy, it is important to take a look at new and upcoming services that the business will need. Depending on the nature of the new service, it may be an ideal candidate to lean on a managed IT services provider to support. A few questions are important to consider in making this decision. For example, can the requested service be leveraged by other departments and groups? If so, investing in the people and infrastructure to manage the service internally may make most sense.

On the other hand, the management team needs to look at the new service within the perspective of the existing team. Do we have applicable expertise or do we have to hire new staff to get the expertise required? By starting a new service with an external MSP out of the gate, businesses can avoid having to incur the cost of developing the required expertise and infrastructure—and avoid the potential cost and effort of migrating the service to a managed IT service provider down the road.

6. Look at IT Service Requirements

Each IT service can have widely divergent requirements—and these differences can play a big role in whether outsourcing makes sense. Fundamentally, executives need to look at how service requirements map to in house capabilities. Following are some of the core requirements to consider:

- **Operating windows and availability.** Some services may require 99.999% up time. Others may be fine with long backup windows during non-business hours. If supporting a service 24/7 means one support engineer is always on call, not to mention disgruntled and sleep deprived, turning to a service provider with a dedicated NOC may be the right way to go.
- **Accessibility requirements.** Does an IT service need to be accessible only to employees working at corporate headquarters, or to remote employees, partners, and suppliers? In the former scenario, managing access control may be straightforward. In the latter, SaaS and other cloud offerings may be ideal candidates.
- **Security, compliance requirements.** What are the security requirements of a given service? Is it in the scope of regulatory mandates? These are fundamental issues when contemplating outsourcing, but they aren't necessarily clear cut. In some cases, if organizations have the in-house expertise and infrastructure to adhere to security and regulatory policies, the prospect of outsourcing may be a non starter, given the potential risk. On the other hand, if a business is looking to address a new mandate, relying on a service provider that has proven capabilities may be much more cost effective than investing in the internal staffing and infrastructure required to achieve and sustain compliance, support regulatory audits, and more.
- **Scalability requirements.** Are performance requirements stable, or do they fluctuate dramatically? Does the business continuously struggle to accommodate expanding storage or processing demands, or is there always excess capacity? When meeting performance requirements is challenging, turning to external service providers, particularly those with virtualized and cloud-based, pay-as-you-go offerings, often promise significant value and flexibility.

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7. Assess Relative Costs of IT Services

Often, it can be difficult to gauge the true cost of a specific service, given it may rely on a number of IT teams and a range of technologies to operate. Further, the fact that one service continues to encounter outages—and time-consuming fire drills for associated support staff—may not show up on any monthly expense report, but it will have major cost implications. However, the better an organization can realistically assess the relative cost of each service, the better they'll be able to knowledgeably assess the potential cost savings of external services.

8. Assess "Portability" of IT Services

It is important to look realistically at the portability of a given service. Are home grown applications in use? What are interdependencies of a given application and service? Are standard, broadly deployed technologies in place? How routine is support of these services? Some of these factors can make external managed IT services a non starter. On the other hand, for services based on commoditized platforms for which expertise is abundant, moving to an external service may be a perfect match.

Once you've decided which services to outsource, the next step is finding the right service provider. In our next section, we'll look at some keys to making sure you pick the right managed IT services provider for your business.

Choosing a Managed IT Services Provider: 10 Key Questions

When businesses look to outsource some of their technology hosting and/or administration to an external managed IT services provider, they do so expecting significant operational and financial benefits. The extent to which those benefits are realized however, is largely dictated by the people and capabilities of the managed IT services provider they choose.

After years in the managed IT services space, I've often been amazed at how cavalierly some businesses approach the process of selecting their IT service provider. Some managers seem to view the process as buying a pair of shoes, effectively saying, "We'll give it a try and if it doesn't work, we'll try another outfit." However, there are significant risks to this approach. Migrating a service, defining roles and procedures, and kicking off an outsourced IT service takes a significant up-front investment. Further, a service provider's failures can present significant risks for an enterprise, including lost data, lost revenues, and lost customers.

That's why taking the time before hand to thoroughly research prospective vendors is such a worthwhile investment. By eliminating the cost and headaches of a failed outsourcing relationship, and the time and effort required to start the process again, businesses will be in a much better position to maximize the benefits they're looking for, and see the gains faster.

The fact is there are a lot of IT outsource companies, some excellent, some not. Further, the right service provider for one business won't be the best for another. To guide those in the process of searching for a new managed IT services provider, I've laid out a series of questions that businesses' executives should ask prospective IT outsource companies.

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1. Can I See Your Service Catalog?

A managed IT services provider's service catalog can say a lot about the vendor, and it's a great first step in assessing whether a vendor's a good fit. First, and most obviously, make sure the services outlined are a good fit for the IT service you're looking to outsource. Next, the service catalog can provide a lot of insights into how formalized their service offerings are. For example, they should provide clear delineations as to what services and capabilities are provided. If different tiers are provided, it should be clear what you pay and what you get as you move up each tier.

Looking at the service catalog can be an easy way to spot those service providers that are trying to be all things to all people—adding new capabilities in a reactive fashion to meet near-term sales objectives—rather than having an organization that's been proven to deliver a given service effectively. Look for a service focus as a means to assess whether they're really equipped to deliver on their commitments. That said, you may also want an IT service provider that can accommodate additional types of offerings in the future, so assessing the breadth of offerings, and how it maps to potential future needs, will also be important.

2. Do You Have Proven Experience?

The last thing your business needs is to have a service provider that's learning on the fly. You need an IT services provider that has direct, long-standing experience in the services you've decided to outsource. Have the folks in your business that have been relevant experience ask detailed questions, and ensure the answers they're given speak to deep technical and operational expertise.

Also, try to assess how and whether a service provider can meet longer term needs. While the crystal ball can be blurry for all of us, try to look at the emerging requirements, both from a technology and scalability standpoint. While it's most important to find a fit that works now, the better an IT services provider can grow and adapt along with your business, the more value you'll realize from the relationship in the long term.

3. Who Will Our Day-to-day Contacts Be?

We've all had this experience: Vendor representatives come in during the sales process and amaze everyone with their savvy and expertise. After the contract's signed, those folks are never seen again, and you're left with a junior team members still finding their way. This is particularly devastating in an IT service provider context, where success truly is about the people.

It's therefore essential to identify and interview the people who'll be day-to-day contacts for account management and technical support. Treat it as a job interview, and get a detailed understanding of their approach to communication, their experience, and their makeup. Look for tenure, both with the service provider and within the market segment.

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4. What Kinds of Migration Services are Provided?

Depending on the type of service being outsourced, migrating from an internal to externally sourced service can require significant effort. How much assistance does the IT services provider offer? What are the responsibilities of the business' team, and what will the vendor handle? What are typical lead times required until the service is fully deployed? What services are included in the overall service cost, and what are one-time expenses? Getting clarity and honesty at this point can be vital in terms of expectation setting, and can provide a lot of insight into the vendor. Look for vendors that approach this upfront process as the building of a long term relationship, rather than a one-time transaction.

5. How Strong is Your Business?

To work with an IT services provider and enjoy value in the long term, long-term viability is key. To start, look at the numbers. Assess profits, operating cash flow, resource utilization, cash flow, and long term debt. However, don't rely solely on numbers. If the market meltdown of the past couple of years showed us anything, it's that numbers, wherever you read them, can't be trusted. Part of this requires a healthy skepticism. Do a vendor's claims sound too good to be true? If so, they very well may be.

Another key to viability is a track record. While, as any mutual fund prospectus will tell you, "past results are no guarantee of future performance," a long track record is hard to beat. If they've made it through the past 5-10 years, they must be doing some things right.

Finally, take a look at the customer base—does one customer represent lion's share of revenues? In addition, look at how the customer base maps to your business. While you don't necessarily want them to have your top competitors as clients, if they have experience with customers that are similar, whether in terms of size, industry, or business model, that background can be a strong selling point.

6. What's in Your Data Center?

Depending on the nature of the IT service being outsourced, the issues and concerns to focus on in this area can vary significantly. At a high level, it's important to gauge the IT services provider's sophistication. For example, if a high degree of performance and scalability is required, does the vendor's infrastructure leverage virtualization to more efficiently handle traffic spikes? If you decide to have the vendor take on another service, how quickly can the additional capacity required be online? If reporting is important, how are reports generated? Manual reports compiled in Excel? Automated reports that provide easy customization? Automation, sophistication, agility are all keys to making service providers good at what they do, and a lot of that stems from the sophistication of the infrastructure they have in place.

7. Can I Tour Your Facilities?

If the answer to this question is no, start looking elsewhere. If a managed IT services provider doesn't let you to see their facilities for yourself, they most likely have something to hide. While you can only tell so much from a tour of an IT service provider's facility, you can get a good reading for the people and the way they've set their infrastructure up. While walking past a server rack won't tell you whether their servers are patched correctly, or whether they're running optimally, you can see what they're running, whether they're in a good, climate controlled environment, and more. This can be a good time to verify security and availability measures as well.

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8. Can I Speak with Five Customer References?

Talking to a managed IT services provider's customers is probably the most vital step of all. It's a critical way to verify that the service provider's answers to all your other questions are accurate and forthcoming. Does the customer attest to the company's claims of being responsive to inquiries? Does the up time the customer has been seeing jibe with the commitments the vendor is making? Also, look at the tenure of the customer's engagements. Here again, long track records are great to see.

While ultimately you're going to need to have trust in what these customer references are telling you, try to verify whether customers have an investment in the service provider's business or otherwise have a stake in the vendor relationship that may influence their responses.

9. Do You Outsource Any Parts of Your Infrastructure to Other IT Service Providers?

As prevalent as IT outsourcing is today, it can make perfect sense for an IT service provider to outsource part of their operations to an external provider. However, it is important to understand this up front. What you don't want is to encounter an issue and start seeing finger pointing among various IT outsource companies. If a vendor does use external IT services providers, make sure your clear on accountability, escalation processes, and commitments. Also, take a look at the vendor's vendors, where are they located, what was the vetting process, and how many years have they been working together.

10. Can I See Your Contracts and Service Level Agreements?

Early on, try to assess the agreements you'd be getting into if you move forward with a new managed IT services provider. Get clarification on what obligations are. If, after a few weeks of signing up with the IT service provider, what happens if you want to terminate? What are acceptable grounds for termination? Will a refund be provided?

Also, look at what kind of service level agreements are in place. What kind of commitments do they make, and what happens if service levels are missed? Here, beyond the specifics of the agreements, you can also infer a lot in terms of how the IT service provider stands behind their people and obligations.

Once you've decided on an IT service provider, read the following section to get some pointers on structuring the relationship to optimize your IT outsourcing success.

5 Keys to Building a Successful Relationship with Your Services Provider

When businesses turn to managed IT services providers, they are handing over the reigns of a host of ongoing efforts—efforts that often had been managed through an internal IT group in the past. However, once an agreement is signed with a new managed IT services provider, the work is still only just beginning. Following are five keys to setting the stage for a successful relationship with your new managed IT services provider.

1. Start with a Short Term “Trial”

When we interview a job candidate, we can ask a million questions, but it's very difficult to really know how that person will perform until it's time to roll up the sleeves and start working. So it is with service providers, and that's why due diligence in selecting a IT outsource company is so critical.

Even if the IT services provider has been fully vetted, however, I still suggest a means to start with a smaller engagement, and a relatively brief up-front commitment, anywhere from 30-90 days, so you can get started and see first hand whether the managed IT services provider is a good fit for your business. This is not to diminish the investment it takes to get started—rolling out a new service to a managed IT services provider takes planning, effort, and time. In spite of this, it's important to have an out if for any reason IT services aren't meeting expectations. Being stuck in a long term contract will only exacerbate the costs of a mistaken selection.

2. Formalize Communications, Roles, Service Definitions, and Processes

The saying “good fences make good neighbors” has relevance in establishing effective managed IT services relationships. Clear demarcation of services, roles, and responsibilities is a vital foundation. The more that's left to subjective opinion, conjecture, and guesswork, the more likely that misunderstandings, mistakes, and missed opportunities will result. What services are being provided and what aren't? If an issue is reported, who's on point, and who's the next point of contact if that person isn't available? Detailed process documentation, well established roles, and clear accountability are all vital to a successful partnership with a managed IT services provider.

3. Start with Concrete IT Service Requirements and Definitions

Similarly, there shouldn't be gray areas when it comes to IT service levels. Performance that's acceptable for one business or service, may not fly for another. Uptime requirements for one IT service will vary from those of another. That's why it's important to have a solid foundation for both organizations to be working from, a common understanding of expectations and requirements. What constitutes acceptable uptime? If an outage is reported, how long will it take to get a response and status update? In addition, particularly for performance-critical applications, businesses should establish performance benchmarks from their prior, internally hosted service, so they can knowledgeably assess the performance of the externally hosted service.

4. Get Strong Service Level Agreements

Service level agreements are where the promises, expectations, and requirements are formalized, and formalized in such a way that the managed IT services provider puts skin in the game. In my experience, however, SLAs often don't meet their potential to establish success in an outsource IT relationship. While the formulation of effective SLAs can fill books, here are a few high level concepts to keep in mind:

- **Carry weight.** Fundamentally, SLAs should include provisions for service credits if SLAs are missed.
- **Be realistic.** While people like to talk about 99.999% reliability, is it required? More importantly, is it a realistic requirement? For a variety of reasons, some beyond the service providers control, it may not be. For example, with so many services going online, Internet connectivity and bandwidth are always required, but the managed IT service provider may have no control over the performance of an Internet service provider's performance.
- **Tie them to real accountability.** SLAs should help tie real accountability to the IT service provider. While this can be challenging, given the interconnectedness of so many infrastructure components, look to put people on the hook for metrics that they have real control over.
- **Align measures with business.** Ultimately, if 100% uptime of a given infrastructure element is being reported, but performance issues are still hurting business performance, the wrong measures are being taken. Try to map SLAs to metrics that really affect the business.

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5. Get On Demand Service Status Updates

Regardless of the SLAs or any other agreements in place, businesses should be able to get performance status of their managed IT services, whenever they need them. Even if an IT outsourcing company is responsible for remediation, the sooner the business is aware of an issue, the better they'll be able to mitigate the impact of the issue on their end.

Many well-established managed IT services providers offer clients online access to portals that display real-time status of the monitored infrastructure. In addition, they offer automated reporting and alerts. These types of capabilities add a vital layer of transparency in the relationship, giving executives confidence that infrastructure is performing optimally, or that they'll find out quickly if not.

Conclusion: Setting a Foundation for Success

Like just about anything else of significance in life, building an effective relationship with a managed IT services provider isn't easy. Particularly in today's IT environments, where fundamental technological shifts are happening with increasing speed, relying on an outsource IT company can provide a business with a wealth of advantages—but these advantages are not assured. By applying some of the principles above, your business can give this outsource IT relationship the best chance of paying immediate and long-term business benefits.

About the Author

Ken Vanderweel is Marketing Director—Service Providers, Nimsoft. Ken Vanderweel’s 20-year background in networks, systems, services, and applications management industries gives him a solid understanding and hands-on perspective of the challenges facing today’s service provider and enterprise markets. At Nimsoft, Ken is focused on meeting the needs of service provider customers, and helping them maximize availability, performance, ROI, and customer service. Prior to his more than seven-year tenure with Nimsoft, Ken served as Senior Product Marketing Manager for Micromuse. Ken has also held senior field and product marketing positions with Riversoft, BMC Software, and Boole & Babbage.



About Nimsoft

Nimsoft provides integrated, modern IT management solutions for more than 1,000 enterprise and service provider customers globally, including 1&1, CDW, SoftLayer, SunGard Availability Services, Sur La Table, TriNet, and Virgin America. The company’s Nimsoft Unified Manager is an industry-leading solution that helps organizations easily monitor and manage IT services in increasingly complex business environments. Nimsoft products integrate with existing solutions at any point from the data center to the cloud, and are available on a pay-as-you-go basis. For more information, visit www.nimsoft.com.

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