



Choosing the right IT Outsourcing Managed Service Provider

White Paper 2009



certainty / confidence / agility



Overview

Pressures to reduce IT budgets, resource limitations, increased demand for business agility and the need to improve service levels, are forcing CIOs to rethink their IT infrastructure strategy.

Outsourcing the IT infrastructure to a Managed Services Provider can improve cost management, reduce business risk and add business value, but choosing the right outsourcing service provider is not an easy task.

This White Paper looks at the key factors that should be taken into consideration to ensure that you select the right outsourcing partnership for your business.



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1. The Enterprise Challenge

Enterprises, the public sector, professional and business services organisations and Independent Software Vendors are all facing the day to day challenge of managing complex distributed infrastructures, supporting legacy systems, plus integrating and reporting on data stored in a variety of data silos. The IT operational overhead is soaking up a high proportion of the IT budget, with some 80% concentrated on IT operations. Put simply, the focus is therefore on keeping the business running, not taking it forward with strategic IT initiatives.

This is perhaps understandable as for most organisations, the availability of IT infrastructure is business critical, requiring specialists to ensure its availability, performance and security.

Daily operational challenges include:

1. The increasing cost of IT operations and service delivery management
2. Managing the risk of both security and resilience in a complex and growing IT environment
3. The growing demand for more power and cooling, balanced with the corporate responsibility to be more energy efficient
4. Finding time and resources to exploit new technologies to streamline IT operations and increase agility

Businesses need to improve their ability to respond to market and business environment changes. The speed and cost with which a business can respond to change determines how successful the business will be in terms of growth and profitability. In an economic downturn, outsourcing can be a viable option for your IT services, to overcome capital expenditure and resource restrictions.

For many enterprises, the transformation to efficient IT services delivery and enabling IT to deliver business agility requires a partnership with a specialist IT outsourcing service provider, who can deliver business driven service management that aligns IT with business needs, on demand.

Organisations looking to outsource IT services should estimate the costs for evaluation, transition and contract management and build them into the business case. Gartner ^{Ref 1} reports that enterprise costs to select an external service provider can range from 2% to 5% of the annual cost of the contract, whilst the costs to transition to a new service provider can be from 2% to 15 % of the annual cost of the contract.

Ref 1: Gartner – May 2009 – Understanding Outsourcing Evaluation, Selection and Transition Costs to lower risk



Choosing the right outsourcing partnership can bring the enterprise improved cost management, business risk reduction and added business value. If you invest in getting the right partnership, these costs are minimal compared with the risks and costs associated with getting it wrong.



2. Creating the Outsourcing Vision

Outsourcing your IT infrastructure means that you can pass responsibility for the operational management of the infrastructure to the outsourcing service provider. You can gain access to skills that you do not have in-house and you can free up your own IT resources to concentrate on adding strategic value to the business.

However, it is important to have a clear vision of what the business wants to achieve from an outsourcing relationship and that you understand the costs and benefits associated with moving internally managed functions to an external service provider.

Factors to consider include:

- How does IT infrastructure outsourcing relate to your business objectives?
- What is your outsourcing strategy?
- What is the core competence of your IT dept?
- What activities are not core to the business?
- What is the Total Cost of Ownership of your IT infrastructure?
- What are the Cost benefits in transitioning from a CAPEX to OPEX financial model with an external service provider

There are many different categories of outsourcing services and many types of outsourcing provider. The critical step is to review the features and benefits that a service provider can deliver, evaluating them against your defined criteria, to ensure that you choose the right provider to match your business needs.

Once you have created the vision, before you start to embark upon a selection process, it is important that you have a tactical plan for moving forward. You should assess your business's readiness for change and risk, to help categorise the profile of your ideal outsourcing partner:

People - Identify the internal skills that exist today, what skills are lacking and assess the next generation of skills that will be required. Understand the company's culture with regard to using third party service providers.

Process - Evaluate how good your current processes are and decide whether they are mature and can operate in association with an external service provider.

Technology - Recognise whether the business is a technology follower or leader and identify the existing and new technology skills that are required.



3. Define the Outsourcing Requirement

It is important to define the scope of your IT Infrastructure outsourcing requirement, to identify whether it includes:

1. The entire data centre
2. Specific existing critical Applications and Infrastructures
3. New Applications and Infrastructures

This will enable you to define exactly what you require from your outsourcing partnership.

Many companies will only choose to selectively outsource their critical applications and IT infrastructures. Mission-critical business processes are those whose function cannot be interrupted, requiring a highly specialised and experienced IT managed services provider. It is recognised by the business that financial loss and damage to brand reputation are amongst the consequences, when these vital business processes are interrupted or unavailable.

You should identify your mission-critical applications, systems and processes that are core to the business. These will have the attributes of high volume of transactions, transactions of a high value or nature, time sensitive processes and those with virtually zero tolerance for data loss. These systems will require mission-critical managed IT services that focus foremost on preserving business capability that could be dependent on a number of business processes.

Gartner ^{Ref 2} recommends that businesses start with a long list of vendors, to be assured that you have comprehensively scanned the market and are evaluating a wide array of options. Aim to include 10 to 20 providers during the evaluation and selection process, to ensure that you have a full and thorough understanding of the market. This is especially true if you are engaging service providers for new or emerging services.

It is important that you employ an industry standard approach for your requirements definition, using Request for Information (RFI) and, at a later date, Request for Proposal (RFP) templates that have been specifically developed to include all of the essential aspects of mission-critical managed IT services. The purpose of the RFI is to reduce the number of vendors on the long list, to produce a more manageable list of service providers that have demonstrated an interest in your business requirement and have the core skills required.

Ref 2: Gartner 2008 – Q & A Regarding Best Practices for Selecting Service Providers



You should be clear and precise about the information you need, the level of detail required, the format it is required in and the timeline. You should highlight the importance of customised responses to specific sections of the RFI, in particular – the scope, the approach, the pricing and the contractual terms, to avoid standardised responses.



4. Essential Selection Criteria

The acquisition of services is similar to the procurement of products, however, there are some key points to consider. Gartner's outsourcing lifecycle approach ^{Ref 3} is a proven approach for the acquisition of IT Services.

A critical step in the selection process is to review the features and benefits that a service provider can deliver, evaluating them against your business selection criteria. Creating a shortlist of providers and using a competitive differentiation approach will speed up the evaluation and selection process.

There are 12 main areas to focus on in the evaluation and selection process:

4.1 System Availability

If you are looking to outsource the infrastructure for critical business applications such as messaging and collaboration, ERP, database or web applications, you need a service provider that has the necessary skills and expertise, and can ensure high availability servers, network links, infrastructure and other resources, to deliver 'Always Available' Applications. Service providers should be able to demonstrate good evidence in support of the required service levels for availability and security.

4.2 Redundancy and Business Continuity

Today, most businesses require 24 x 7 access to all of their core business applications, thus requiring a provider with enterprise class business continuity capabilities.

If a disaster does occur, you need to be assured that you have the necessary contingency plan to get back up and running quickly and that the service provider has the required IT infrastructure in place to restore business data in the event of a system failure.

You need to understand what provisions have been made and what the service levels are for returning to operation. The speed of recovery may be critical and you should understand the real consequences to your business for a service outage. You should ensure that the Disaster Recovery (DR) solution provided can be set to meet your business objectives. Different applications will have different priorities and different risks demand different solutions.

Ref 3: Gartner – June 2009 – Evaluating, Selecting and Managing Cloud Service Providers



You need to specify the Recovery Time Objective (RTO) – the time taken to recover services – and Recovery Point Objective (RPO) – how much data you are prepared to lose - to ensure that you have the right DR solution in place with your service provider.

4.3 Response Time and Performance

If you are going to be relying on a service provider’s infrastructure to run core business functions, the provider’s site performance and response time of applications are critical to your business. Understanding your users geographical spread will assist in choosing the right location for your data centre(s).

4.4 Scalability to Meet Business Growth

Your business needs to constantly create new services and products to keep up with new market demands. This requires an infrastructure that can deliver computing resources to match these changes.

Forward thinking service providers can provide ‘on demand’ infrastructures that can add capacity and allocate additional bandwidth rapidly, by dynamically provisioning servers, storage capacity, bandwidth and other infrastructure elements.

4.5 Client Support

It is important whether you have a service interruption, a performance drop or simply a question about your service that you have a timely response. The service provider’s response time to requests can be used as a measure to determine the value-add delivered by the provider.

Check whether the service provider offers its clients a standard self-service portal that is user friendly and can deliver the service outcome and level of reporting that you require.

Incidents should be responded to within defined timelines, with regular updates for Priority 1 and 2 incidents provided at intervals agreed between the service provider and the client.

Priority	Description	Response
Priority 1	Total loss of service or suspected / actual security breach	Initial response within 15 minutes with updates as agreed with the client
Priority 2	Degraded service performance or	Initial response within 4 hours, with updates as



	impaired functionality	agreed with the client
Priority 3	Service/ change requests e.g. firewall changes, scheduled reboots	Initial response within 24 hours, with updates as agreed with the client
Priority 4	Non service- affecting issues e.g. information request, report request, housekeeping & support service tasks	Initial response within 48 hours, with updates as agreed with the client

Figure 1: Typical Incident Response Times.

In the event that an incident cannot be resolved immediately, the service provider should have an escalation procedure should be in place.

4.6 Security

One of the biggest constraints to moving to managed services and infrastructure as a service is probably related to data security and regulatory constraints.

The service provider should offer a number of features and certifications such as ISO27001 (Information and Security Management), to ensure that its systems, the applications and the data that reside on them within its data centres are safe and secure. This requires not only physically secure data centres but also network security with the implementation of firewalls and intrusion detection and prevention systems.

4.7 Cost Reductions

Typically, businesses have taken an ad-hoc approach to developing their IT infrastructure. Ideally, if you can purchase all of the required services from a single managed services provider not only is billing simplified, but also typically, it will be less expensive than paying for each service separately.

4.8 Optimising IT Resources

By finding a service provider that handles the management of servers, you will make more efficient use of IT resources and reduce the workload of your IT staff. This will allow your own IT resources to focus on delivering and supporting high end services.



In the future, this approach will facilitate a smooth transition to an infrastructure utilities model, using the service provider's physical infrastructure to deliver IT services on demand with pricing based on service usage.

4.9 Transition Plan

You should ensure that your service provider can provide a detailed, customised transition plan and cost basis. Transition elements that contribute to additional cost and extend project timings include: equipment moves, acquisitions and disposals, knowledge transfer complexity and geography. Additionally, transition costs will be higher for technology-intensive contracts.

4.10 Industry Accreditations

Managed Services Providers should be able to demonstrate industry accreditations such as ISO9001, ISO27001 to validate the quality and security of their services. ISO20000 accreditations will reinforce a service providers adherence to the ITIL framework for IT Service Management, providing best in class integration of people, process and technology.

You should also check whether the service provider has any Green IT credentials, for example a Carbon Offset programme that enables the carbon footprint of a client's IT infrastructure, within the service providers data centre, to be offset to zero.

4.11 Client References

The service provider should be able to put you in touch with several existing clients to enable you to independently take up references.

You should ask the Service Provider if they can provide evidence of a recent Client Satisfaction Survey to validate the quality of their service delivery and support.

4.12 Green IT

Green is hot issue for businesses and there are pressures from Governments to reduce carbon footprints. Forward thinking managed service providers will offer client programs for data centre infrastructure carbon offsetting.



5. Characterising Managed Service Providers

Managed Service Providers can be divided into six broad categories:

Type 1- Dedicated Managed Hosting Providers

Managed Hosting Providers combine dedicated servers with value added services with like systems administration, security and data management. Some Managed Hosting providers specialise in providing enhanced applications platforms such as Hosted Dynamics CRM or a combination of Microsoft Exchange and Windows SharePoint Services, typically hosting many clients on a common platform infrastructure.

Other specialist Managed Hosting Providers support complex IT environments managing combinations of dedicated applications in a separate environment for each client.

These types of provider are dedicated to the provision of managed hosting services. They offer sophisticated hosting and a wide variety of IT support services and typically demonstrate a high level of standards compliance and optimum service levels.

Type 2- Systems Integrators

Many systems integrators will provide managed hosting as part of the broader set of IT services that they deliver. Typically they will deliver managed service as an integral part of a large implementation project, but are unlikely to sell managed hosting as a standalone service. Such providers are unlikely to have the capability to rapidly scale infrastructure and will provide highly customised deployments, rather than have a dedicated operations platform. Typically they will provide inferior out of hours support.

Type 3 – Internet Service Providers (ISP's)

Most internet service provider's focus on the provision of hosting services specifically for websites, or with limited managed services capability targeted at SME's.

Type 4 – Cloud Platform Providers

Some Managed Service Providers and Cloud Platform providers deliver shared infrastructure or utility computing platforms, providing computing resource on demand. Platform only Cloud Providers provision a platform for clients to deploy applications without any mapping of clients to



hardware. Service based Cloud Providers offer a utility based service that clients can subscribe to for applications or functions such as web services.

Type 5 – ISV Hosting Providers

ISV hosting providers are typically a class of Managed Service Provider with a number of special technical skills including:

- Administration, tuning and troubleshooting of large custom applications
- SaaS enablement of traditional ISV applications, using server virtualisation
- Multi-level client support
- Usage data analytics

Type 6 – Co-Location Providers

Typically, Co-Location Providers offer little or no ‘managed service’ capability, but simply provide rack space to accommodate client-owned IT infrastructure. Co-Location Providers offer secure space for clients’ equipment, power with backup and a monitoring network. Clients would buy their own servers, connect them to the internet and remotely administer them. Some co-los will perform physical maintenance such as equipment installation, wiring and secure reboots. SLAs from a co-lo will often be limited to the physical facility and the network layer.



6. Service Levels and Availability

Managed IT services can reduce the risk of IT failure, service providers can typically commit to service levels that internal IT departments would not be able to achieve. However, it is essential that you are clear about the Service Level Agreement (SLA) both contractually and in reality.

Managed Service Providers are in business to offer very high service levels and their organisations and business processes are based around 24 x 7 IT operations. To achieve this, they have built in redundancy at all levels, including hardware, network, access, power supply and the data centre itself.

Service Providers that have adopted the IT infrastructure Library (ITIL) model can provide an integrated IT service management regime that drives client value. Operating from a business perspective is fundamental to ITIL V3. The ITIL approach drives up efficiency and reduces cost. It provides process integration to facilitate seamless work flow within and across functional groups, in an end-to-end closed loop model, extending automation to eliminate manual processes wherever possible, and providing the capability to deliver innovative services with continual service improvement.

Every business has a different set of drivers and requirements that depend upon its size, strategy, culture, the sectors in which it operates and the state of its existing systems and processes. By setting service level goals on the basis of metrics that are linked with business objectives, these metrics and key performance indicators can be used to measure the value of IT services management and continually improve processes.

The Managed Service Provider should offer Service Level Agreements with optional varying levels of availability, to suit your business need. A high quality Managed Hosting Provider will provide money back guarantees if you are affected by a service outage. Your service provider should pay service credits if they fail to meet the SLA response time from when you first report an issue. You will also require accurate reporting from the service provider to monitor the performance of the service.

You should check your service providers Business Continuity Plans to ensure that there are documented plans and procedures in place to get the back up and running in the case of disaster.

Additionally, as with any business agreement, you should check the service provider's financial position to ensure their business is financially stable.



Mission critical applications and business processes require a special type of 'high availability' managed service, rather than a general purpose offering.

A key metric in an SLA is system availability or 'uptime' which is expressed as a % of total time. Critical managed services would strive to achieve 99.999% of availability – 5 minutes of downtime annually (continuous availability), whereas conventional managed services, would aim for perhaps 99% availability - 87 hours and 36 minutes of downtime annually.

So, it is important that you define not just the type of managed service provider that you require, but also the service level that is essential to the business. The table below shows that difference in the availability that each incremental nine signifies to the business capability. It can be seen that each additional nine of availability has a measurable difference on impact to business capability.

Availability Level	Average Yearly Downtime
99%	87 Hours, 36 minutes
99.9%	8 Hours, 46 minutes
99.95%	4 Hours, 23 minutes
99.99%	Approximately 52 minutes
99.999%	Approximately 5 minutes

Figure 2: Availability matrix



7. Monitoring and Management

Many Managed Service Providers offer some form of monitoring service. However, what is monitored and how that information is used makes all the difference between a token monitoring service and the delivery of real availability benefits.

Typical monitoring regimes come from the network management world and have been developed to check the health of network devices such as routers and switches. When such monitoring techniques are applied to infrastructure, including servers and applications these approaches are extremely limited. Servers exist as network devices and so they can be 'PINGED' to see if they are responding – providing a very basic measure in terms of user experience and IT service delivery.

More sophisticated monitoring techniques use agents that are installed on client equipment to monitor the health of the infrastructure. These agents monitor hardware health (eg temperatures, power supply status and impending dislike feature) and operating system health. The agents are specific to each operating system or other technology component and are able to monitor in depth, based on an intrinsic understanding of the component.

Typical monitoring environments that use standard off the shelf toolsets are binary, detecting whether a servers dead or alive. Using only standard toolsets leads to alert overload, with a consequent inability to react to important alerts, and the risk of eventually ignoring monitoring tools.

Service Providers that can offer an integrated monitoring environment, based on a combination of industry leading best of breed monitoring toolsets, can deliver sophisticated monitoring capabilities, with the ability to support new technologies more rapidly.

Rich monitoring that combines off the shelf tools with bespoke developments that can manage automatic alert correlation will enable support analysts to more quickly understand what is happening and respond rapidly, making a significant difference to incident resolution times. Lack of such effective tuned correlation is one of the principle reasons why many in-house monitoring systems are ineffective.

A highly sophisticated configuration management database (CMDB) can act as a hub for service delivery, making a significant contribution to service reliability and high availability, eliminating uncontrolled change which is important cause of service failure.



8. A Managed Approach

About Attenda

Attenda, the Always On Managed Services Company, manages those vital applications that every business relies upon today to function effectively allowing our clients to selectively outsource their IT operations and re-focus on using IT to add strategic value to their business.

Through a commitment to operational excellence, we manage, secure and optimise the performance of business critical applications, irrespective of the physical location of the infrastructure.

With over 8 years' investment into Attenda M.O., Attenda's operations platform, we provide the people, process and technology to deliver exceptionally high service levels, but at a cost that is amortised across Attenda's entire client base - currently 134 of the UK's leading companies.

Attenda pro-actively monitors and manages IT infrastructures 24 x 7, identifying problems before they occur. ISO 20000 certification reinforces Attenda's commitment to delivering the very highest service levels in IT Service Management and ISO27001 certification ensures that these systems are highly secure.

Attenda strives for Operational Excellence and high levels of client satisfaction, through Continual Service Improvement. Standardisation and automation approaches are continually developed and added to the platform as it evolves, to enable even higher service levels, broader technology support and increased efficiency and agility.

Attenda is VMware EMEA Hosting Partner of the Year 2008 and 2009, providing VMware virtualised solutions for dedicated Windows or Linux, or heterogeneous operating systems environments, and the Attenda Real Time Infrastructure.

Attenda is also an HP SP Signature Partner, a Microsoft Gold Certified Partner, a SAP Adaptive IT Hosting Provider, and a SunTone accredited managed service provider.

Attenda is committed to the proactive management and effective control of the environmental impact its business activities and is making a positive contribution to the environment through a number of strategic activities. The company's approach demonstrates concern for the environment with a credible program organised by one of the world's leading carbon offset and carbon management companies.