

The Evolution of Managed Services

IT Must Shift from Provider to Integrator in this New Sourcing Model

“If traditional IT is no longer a strategic differentiator, IT Executives are then forced to gain a better understanding of the value and source of the services they provide and rethink their role in the organization.”

Daryl Meske
Principal, WGroup

An Evolving Landscape

Global sourcing, open source, and Moore’s law have made technology widely available, standardized, and cheaper than ever. Further Cloud, Virtualization, As-a-Service, Business Platforms and new forms of delivery are changing the technology landscape. Although cost and service levels are still important, ensuring that IT is optimized to deliver value back to the business is now a top priority for leading companies. Management expects more productivity but lower costs from their IT investment and are investigating initiatives that will reduce their OpEx and enable them to focus on core competencies and strategic priorities.

The willingness to outsource IT functions and entire IT departments has increased dramatically in the last several years. Increasingly, organizations are becoming mature outsourcers with second and third generation contracts. Today it is estimated that 90% of the Fortune 1000 companies outsource infrastructure and/or applications in some way.

Meanwhile, almost ten years later after first hitting the market, Nicholas Carr’s book still rings true. In his

controversial book, “Does IT matter? Information Technology and the Corrosion of Competitive Advantage,” Carr presented a strong case that IT products and services are becoming increasingly commoditized and as such provides little opportunity for a business to gain competitive advantage. For example, he asked, “How much market differentiation does email provide to an organization?” His answer: none. In today’s world, more and more aspects of IT are being outsourced and while important to keeping the company running are not the source of competitive advantage.

If IT is no longer a strategic differentiator, IT Executives are then forced to gain a better understanding of the services they provide, and undertake an accurate cost-benefit analysis of why the services they offer internally are a better value than services being offered by a managed service provider that promises service excellence at a defined cost.

Service Management is the Future of IT

All organizations depend on IT to be successful. If IT resources and processes are implemented, managed

WGroup recommends that before embarking on an initiative to make extensive use of managed services, it is highly desirable for an organization to be well into implementation of an ITIL version 3 strategy. As part of this strategy, efficient processes should be in place for service planning, service design and service evaluation.”version 3 strategy. As part of this strategy, efficient processes should be in place for service planning, service design and service evaluation.

and supported in the appropriate way, the business can become more productive, more efficient, and most importantly better able to compete in the marketplace. To do this, IT must view itself as a provider of services to the business. The challenge for today’s IT manager is to coordinate and work in partnership with the business to define, design and deliver high-quality IT services at a competitive cost.

The primary objective of IT Service Management (ITSM) is to ensure that IT services are aligned to and actively support business needs. It is imperative that IT services underpin the business processes; it is also increasingly important that IT acts as an agent for change to facilitate business transformation. Using principles of the ITIL, these objectives can be achieved. ITIL provides an excellent and widely used framework for IT services. It provides the necessary processes for planning and managing services whether provided internally or by an external service provider. It also provides needed mechanisms to control costs, manage service providers, manage quality, perform capacity planning, and resolve service-related problems.

Under an ITSM model, IT needs to develop a catalog defining the scope, characteristics, and costs of available services and manage those services effectively to provide value to the business.

Managed Services

It is also clear under ITSM that it is not imperative for IT organizations to provide the service with internal resources. In fact, increasingly IT organizations are reaching out to

specialist partners for the delivery of component services. One option is to partner with a Managed Service Provider (MSP). A managed service is an offering by an MSP for a complete service solution including all infrastructure, software and management. Managed services transfer day-to-day management responsibility to the specialist organization and provide for improved and efficient overall operations for the customer organization.

Generally, but not always, managed services are delivered from outside a company’s internal network with a special emphasis placed on integration and certification of Internet security for applications and content. MSP’s often serve as outsourcing agents for companies, especially other service providers like ISPs, that don’t have the resources to constantly upgrade or maintain faster and faster computer networks.

Managed services are not a new idea. In fact, they have been around in some form for more than 40 years. Managed services are now available for the many areas, for example:

- Application Services
- Backup and Recovery Services
- Content and Knowledge Management Services
- Desktop Services
- Email Services
- Help Desk Services
- Hosting Services
- IT Services
- Network Services
- Security Services
- Storage Services

- Telephony, Telecommunications, and Web Conferencing Services
- Transportation Services

Managed Service Providers (MSP)

There are well over 500 MSP’s today. Through specialization, advanced remote networking tools, and pervasive use of the Internet, many small- to middle-sized players have entered this space with excellent results. A few examples include:

- Rackspace – Provider of hosted Windows, Linux, and Exchange Servers
- Salesforce.com – Provider of CRM Software as a Service (SaaS)
- Kaseya – Integrated IT automation framework
- Secure24.Com - Dedicated hosting of disaster recovery and ERP Systems
- Fortiva – email archiving solution
- Brixtel – Managed security service

The managed service space is starting to become very interesting. Many of the offerings are quite specialized. Because of such specialization and focus, small and niche players can often provide superior service offerings compared to internal IT departments or larger, more-traditional IT outsourcing suppliers.

In addition to the smaller players, large players such as Cisco, Microsoft, and Dell have entered the market. Cisco Systems is aggressively pushing its IP communications and WebEx capabilities, while Microsoft promotes the virtues of its various “software plus services” solutions. The two are

on a collision course in the unified messaging and communications market, meaning each will spend plenty on market education and channel sales programs. At the same time, Dell is leveraging its SilverBack Technologies and Everdream acquisitions to deliver a new set of automated, remote desktop and server management capabilities through channel partners and direct support services. Finally large IT services firms like Accenture and IBM offer various Managed Services offerings.

Software as a Service (SaaS)

Software as a Service has also emerged as a managed service. Past concerns regarding SaaS reliability, security and compliance are fading as organizations of all sizes discover that SaaS often outperforms traditional on-premises applications. SaaS vendors are also responding to the need for increased customization and integration.

Now that the functional capabilities of SaaS have been proven, customers are reaping the business benefits. Lower upfront costs and quicker deployment cycles produce faster time-to-value and lower total cost of ownership. Given today's commonplace concerns about the economy, SaaS has quickly becoming a preferred approach. SaaS Web-based design also permits better access and collaboration for increasingly dispersed workers and better communication with customers and external partners. SaaS archiving and tracking capabilities will also help companies meet escalating compliance requirements.

The SaaS market is shifting from point solutions to a platform strategy. Software-as-a-Service (SaaS) is rapidly evolving to emulate the software industry as a whole. Although most people associate SaaS with Google's collaboration and productivity oriented applications and with Salesforce.com's customer relationship management and sales automation solutions, the truth is that SaaS alternatives now exist for nearly every legacy application category.

The Future of Managed Services

Despite numerous analyst predictions and good press around the prospective future benefits of managed services, customers have remained reluctant to relinquish all or part of their IT operations to a MSP. Sometimes it's because the MSP is located remotely and can't establish a face-to-face relationship to create enough trust. In other cases, local VARs seeking to add managed services to their portfolios have failed to understand the significantly different sales and support requirements of the model. In both scenarios, aspiring MSP's have pushed the managed services concept on generally uninterested customers. However, times are changing.

In the past, many customers considered IT operations an essential corporate asset, and even a competitive weapon, which they could not offload to a third party, especially when outsourcing arrangements missed business objectives and were either restructured or terminated early. Today, a growing number of customers have accepted the infamous words of Nicholas Carr, who suggested in back in 2003

that IT doesn't matter. They aren't saying IT isn't important to their business, but they recognize that in the face of escalating competition and budget pressures, they must refocus on core competencies to strengthen their corporate positions.

As a result, a growing proportion of customers now believe it doesn't make sense to dedicate as much staff and systems to IT management when a third party can do it better at a lower cost. Also, users have become accustomed to the ease of use of today's on-demand consumer services and would like a similar set of online storage, security and other on-demand services in the office.

Replacement of Traditional IT Outsourcing Agreements

Many organizations are also considering using managed services as a replacement for traditional information technology management tools and mega-outsourcing arrangements because they provide a more cost-effective method of managing and protecting enterprise networks, systems and applications. Managed service providers generally offer several different price structures for the managed services. However, the most commonly used structure is a per month per unit fee as price per user, desktop, server, gigabyte, or network device.

Remote technology is rapidly moving forward by leaps and bounds. Remote tools allow MSP's to virtually control companies entire network operations from off-site locations in

low cost countries without having to step foot onto company premises. This allow the MSP's monitor the client's IT infrastructure and resolve any issues that arise.

Managed services provide small business and medium sized businesses an option to have their IT needs taken care of instead of paying an on-site staff. It provides larger companies a viable alternative to traditional IT infrastructure (ITO) or Application and Maintenance Outsourcing (ADM). The following types of services have been turned over to MSP's by several large companies.

- Managed Windows and UNIX Servers
- Managed Microsoft Exchange Servers
- Managed Voice Access and Networking
- Managed Integrated Access
- Managed Remote Access
- Network Monitoring
- Network Element Management
- Network Management
- Fault and Performance Management
- Configuration Management
- EDI
- Managed Router Service
- Managed Server Service
- Managed VPN / IP-VPN
- Managed Wireless LAN (WLAN)
- Asset Management
- Managed Videoconferencing
- Managed IP-PBX and Applications
- Web Conferencing Services
- Hosted IP-PBX and Applications
- Managed Voice Security
- Managed Firewall
- Managed Intrusion Detection
- Vulnerability Scanning

- Incident Management
- Anti-Virus and Spam Management
- Secure Messaging/E-mail
- Threat Assessment Monitoring
- Managed Business Continuity Service

Before embarking on an initiative to make extensive use of managed services, it is highly desirable for an organization to be well into implementation of an ITIL version 3 strategy. As part of this strategy, efficient processes should be in place for service planning, service design and service evaluation.

How WGroup Can Help

WGroup can help you identify the ideal managed services strategy and chose and contract with the right service management provider enabling you to achieve such results as reduce operating costs, increase productivity and focus on strategic responsibilities. Examples

of our services are listed below. Please contact WGroup for more information on our services or to learn more about our case studies and experience.

- Managed Services Strategy and Business Case
- Planning and Governance for Managed Services using the ITIL V3 framework
- Requirements Definition for Managed Services
- Managed Services Sourcing Assistance
- Specialized Next Generation Contract renegotiation and Retendering services
- Transition Management
- Vendor Management Office design, and implementation services
- Vendor Management, Transition Management Leadership staffing

About WGroup

Founded in 1995, **WGroup** is a boutique management consulting that provides Strategy, Management, and Execution Services to optimize performance, reduce costs, and create value for Fortune 1000 companies. Our consultants, who have years of experience, both as industry executives and trusted advisors, help clients think through complicated and pressing challenges so they can drive their business forward.

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