

Outsourcing Your Infrastructure:

Ten Points to Consider When Making the Move

Tighter budgets, understaffing, and increased demands to help grow the business and to meet higher service level guarantees are forcing many IT departments to rethink their infrastructure strategy.

One solution that helps in all of these areas is outsourcing. The advantage to offloading the servers and network to a service provider is that it frees up time so an organization's IT staff can work on tasks that deliver more value to the business.

However, the choice to outsource might be difficult to justify to corporate management. A 2007 *Wall Street Journal* article summed up the situation many IT managers face today. "The rapid growth of outsourcing over the past five years has discouraged many CEOs from developing competitive strategies that rely upon IT services provided by potentially unreliable external sources."

With corporate management having this mindset, IT managers today often need to make a strong case as to why they need to outsource and why a particular provider is the right choice. This paper examines the factors driving IT to outsource and discusses 10 points that will help make the case to upper management.

Increased Pressure on IT Forces Changes

The opportunity for outsourcing seems to be riper by the day. IT departments in most organizations find themselves dealing with a number of factors that are stressing their budgets and staffs, leading them to look for help in core operational areas.

For example, IT departments are under increasingly tight budget constraints. A 2007 Ziff Davis Enterprise survey of 500 senior IT managers from 14 countries found that

Ten Things to Look for in a Provider Partner

1. Uptime
2. Redundancy and Business Continuity Capabilities
3. Data Restoration Capabilities
4. Response Time and Site Performance
5. Scalability to Meet Business Growth
6. Customer Support
7. Security
8. Cost Reduction and Benefit of One-Stop Billing
9. Optimized IT Resources
10. Financial Improvements

budget increases have only been modest over the last two years — barely outpacing inflation. Many respondents said they are spending larger portions of their limited budgets keeping things up and running, as opposed to adding more value to the business, and 52 percent said they are understaffed.

The troubled economy is making these issues more critical. In a 2007 CIO Insight survey of 265 senior IT decision-makers, 47 percent noted they were under more pressure to reduce costs compared to the year before. This was especially the case for larger organizations, where 64 percent of the respondents from companies with over \$1 billion in revenues reported greater pressure in 2007 than the year before.

Security management is also more complicated today. Hackers are constantly employing new tactics to compromise systems. Additionally, more data now falls under the protection of data retention and privacy laws and regulations.

With data theft on the rise and the initiation of additional data protection and retention

laws, organizations face an increased burden to comply with regulations and to ensure thorough data security. Because of this, spending on governance, risk management, and compliance rose last year for the first time in several years, according to a 2008 Baseline article.

There is also added pressure coming in the form of more and more stringent service level agreements (SLAs). In a 2007 Ziff Davis Enterprise survey of 500 senior IT executives, respondents noted a growing frustration with regard to meeting the demands from the business side of their organizations. In particular, about one-third of the managers said their organizations have placed rapidly rising demands on the level of IT service they provide; more than half said the demands were rising gradually over the same time period.

The combination of these factors is giving many organizations new reasons to outsource their servers and network to a third party.

They will also likely call for a significant increase in their spending on managed services this year.

Given the concerns of CEOs about outsourcing (cited above) in *The Wall Street Journal*, how does an IT manager justify the use of an outsourcing partner to upper management? The critical step is to review the features and benefits a service provider can deliver and evaluate them to see if they meet a company's criteria. With that in mind, here are 10 areas to focus on:

1. Uptime: Greater Reliance on the Internet Makes "On" the Only Option.

Many organizations are looking to outsource the infrastructure for critical business functions like email, security, and database applications. In some cases, dedicated or shared servers managed by a provider are used; in other cases, organizations are looking for a provider who can offer these applications as a hosted service.

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Source: Ziff Davis Enterprise survey of 500 senior IT executives (2007)

Ten Points to Consider

In today's competitive environment, it is of paramount importance that IT organizations find an outsourcing infrastructure provider that can deliver the solutions to support their efforts as business models shift and to meet the demands of the IT department's clients.

Typically, IT organizations want their staff to focus on unique, custom IT functions that provide the highest value to their companies while relying on service providers for what they perceive to be routine support functions. In fact, 63 percent of the senior IT executives surveyed by Channel Insider said they will be looking for new solution providers within the next two years. And 39 percent of those surveyed said they expect to specifi-

At the same time, there is great interest in Software-as-a-Service (SaaS). A 2007 CIO Insight article noted 61 percent of CIOs surveyed by the management consulting firm McKinsey were considering SaaS adoption in 2007. That was up from 38 percent in 2006.

Critical to these forms of software delivery (straight hosted, managed service, and SaaS), is 24x7 availability of these core business applications. It's not just that employees want to check their email at night from home. The globalization of businesses means that there really is no downtime. In a 2007 Ziff Davis Enterprise survey of 500 senior IT executives, many managers noted that 24-hour uptime is becoming the norm, due to the need to keep applications available across time zones.

To support this new climate, IT managers need a service provider that can ensure high availability and high uptime of its servers, links, infrastructure, and other resources. But be careful. Some hosting providers make grandiose marketing claims about their uptime. Organizations need to look at the provider's infrastructure to determine whether these claims can hold up.

2. Redundancy and Business Continuity Capabilities: Because Critical Applications “Live” Online, Organizations Need Enterprise-Class Continuity.

With today's global workforce and Web-based world, users need access to all applications 24x7. An outage of a CRM application that supports a call center where customers place orders would result in an immediate loss of business. And in many cases, customers would simply go to a competitor, perhaps resulting in the loss of that business permanently.

business. Additionally, some types of data have always been subject to data retention regulations. For instance, firms must keep copies of business receipts for several years in the event of an audit.

But now, the amount of data that is subject to retention laws is exploding. Changes to the Federal Rules of Civil Procedure about two years ago have produced what are commonly referred to as new eDiscovery laws, which mandate that companies involved in litigation produce email, documents, instant messages, and other electronic information. A company in litigation that cannot produce subpoenaed information would risk losing the case or could face fines imposed by the court. Loss of information such as email messages can produce embarrassing front-page news stories.

What's needed is a service provider with an IT infrastructure in place to restore data in the case of a system failure.

Twenty-four hour uptime is becoming the norm, due to the need to keep applications available across time zones.

Because companies depend on applications including email, CRM, and others to stay in business, they need a provider with enterprise-class business continuity capabilities. This would include hot spare servers to roll applications over in case of system crash and redundant data lines to recover from a line break and to be able to route around other problems. Additionally, data centers must be designed to ride out local natural disasters including floods, earthquakes, and tornados.

If a disaster does occur, the service provider needs contingency plans to get back up and running quickly.

3. Data Restoration in Case of a System Failure: eDiscovery Laws Require a Serious Backup Plan.

For most businesses, data is their prime jewel. Loss of customer data could mean loss of

There is one additional factor to consider with regard to being compliant with data protection. Many organizations simply do not establish appropriate governance groups. A 2008 *Wall Street Journal* article points out: “Outsourcing often appears to improve IT management, in part because a governance committee is needed to manage the relationship with the outside provider.”

4. Response Time and Site Performance: You Can't Ignore the Facts of Geography and Physics.

Naturally, as organizations rely on a service provider's infrastructure to run core business functions, the provider's site performance and response time (of applications) are critical.

Most providers can design their hosting centers to include high-performance servers and high-speed access so that site performance meets

customer needs. However, many providers are limited in what they can offer in terms of application response time due to simple geography and physics. A provider with operations in only one country can certainly serve the world, but it takes time for all those protocol handshakes and acknowledgments (typical in any Web and IP application) to make the round trips between a user's site and the provider's center.

5. Scalability to Meet Business Growth: "Cheap" Providers Can't Afford to Quickly Add Capacity.

To stay competitive in today's fast-paced business environment, organizations are constantly creating new services and products to keep up with new market demands.

This requires an infrastructure that can deliver the IT support to match the changes. For instance, if a bank offers its customers a new Web-based service to access their accounts, there must be suitable server resources and bandwidth to meet the demands as customers access the bank's Website.

In some cases, a product or service (e.g., MySpace, Facebook, or Twitter) comes along for which demand for capacity goes through

high level of availability required for businesses today.

That means companies need to add more server and storage capacity for the business applications. And it also means increasing the bandwidth to the corporate Website and supersizing the servers that are hosting its Web applications.

To have the flexibility to meet such needs, organizations need a financially strong service provider that has the resources to quickly add capacity and allocate additional bandwidth. Related to scalability is startup speed. In many industries, the competitive advantage comes from being the first to launch a new product or service. For instance, many financial institutions now launch products each month such as new online banking services, insurance packages, and new types of loans.

Applications and services required to support these new offerings must be turned on quickly to keep pace with product development cycles. That means the provider must have a way to quickly provision servers, storage capacity, bandwidth, and other infrastructure elements.

The infrastructure to support the new offerings needs to be put in place quickly, while maintaining the same high level of availability required for businesses today.

the roof instantly. In other cases, there might be a smaller, yet still significant need to boost capacity. For example, many organizations are now offering more content to customers in video format. This includes manufacturers using product demo videos, media companies expanding into video news clips, and other companies delivering their corporate message via video presentations.

In all of these situations, the infrastructure to support the new offerings needs to be put in place quickly, while maintaining the same

6. Customer Support: Voice Mail Just Doesn't Cut It.

Whether it has to do with a service disruption, a performance drop, or simply a question about a service, enterprise customers are adamant: They want answers immediately.

That's an area where a provider's customer service comes into play. Two-thirds of the respondents to a 2008 ZDE Channel Summit survey rated "response time to requests" as the most important measure they used to determine the value-add delivered by a provider.

Different enterprise clients have varying preferences in how they want to interact. Many are willing to pay for premium levels of support, so providers need to offer choices. For instance, one client might want a dedicated person to reach by phone when problems occur, while another might simply want someone to reply to an email or instant message in real time.

7. Security: Does Your Current Provider Offer Only Cosmetic Security?

Enterprise customers want security of all types to ensure their data is safe and to protect themselves from the penalties of violating data handling and privacy regulations such as Sarbanes-Oxley or the Gramm-Leach-Bliley Act.

In a January 2008 CIO Insight interview with author Nicholas Carr, he noted that the biggest constraints to the move to managed services and IT as a utility “are probably related to data security, including regulatory constraints on what companies can do with their data.” (In 2004, Carr’s book, *Does IT Matter? Information Technology and the Corrosion of Competitive Advantage*, had the IT industry sizzling with hot discussions.)

A service provider will need to offer a number of features to ensure its systems and the applications and data that reside on them are safe.

First, the data centers and network operation center must be physically secure. Access should be permitted only by passkey or other technology to those authorized to be in the facility.

Second, if needed, the servers should be secured in their racks, protected by locks, to prevent tampering or the theft of a physical drive containing data. This is an area where dedicated servers from a provider can help alleviate problems.

Third, robust systems security must be instituted. The solutions provider must employ firewalls and intrusion detection and prevention systems.

8. Cost Reduction and Benefit of One-Stop Billing: One Bill and One Neck to Choke.

Most organizations have typically taken an a la carte approach to developing their IT

infrastructure. They may get Web hosting services from one provider, access services from another, and application hosting services (with high availability) from yet another provider.

This can complicate matters and add to the total cost of doing business. Managing billing is simpler when fewer providers (ideally, one provider) are involved. And buying bundles of services from a single provider is often less expensive than paying for each service separately.

These matters have always been important, but they are more so today due to the economic climate. In a 2008 CIO Insight survey of 251 senior IT executives, 29 percent said that cutting costs was a top priority this year. That was roughly midpack behind other goals like delivering better service to customers and improving business processes. However, among companies that expected revenues to decline, cutting costs ranked higher in the list of priorities (44 percent of these organizations said it was their top priority).

9. Optimized IT Resources: The Importance of Dedicated Servers.

To make more efficient use of IT resources and reduce the workload of the IT staff, organizations should find a service provider that handles the management of dedicated servers. In this way, the organization’s IT staff can focus on delivering and supporting its own high-end services.

This will become more critical over the next few years as organizations change the way they meet the demands of their users. A 2007 Baseline article about delivery models that are expected to transform IT, noted that within the next three years, many organizations will move to an infrastructure utilities model. This would require a shared IT infrastructure architecture where IT departments could offer IT services on-demand and priced-on-service usage.

Such a model for IT service delivery would easily be complemented by using a service provider’s physical infrastructure to deliver those services.

10. Financial Improvements: Moving from Capex to Opex.

When organizations outsource operations to a service provider, they can reap the cost-saving benefits of using the provider for its infrastructure. In particular, rather than spending money on hardware (a capital expenditure), organizations can pay for a service (an operational expense).

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