



**Outsourcing server management in  
small- to medium-sized businesses.**



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***To survive and thrive in today's markets, businesses need to focus on core competencies.***

**The evolution of server management outsourcing**

Just a decade ago, servers and information technology (IT) departments were specialized entities within organizations that were dedicated to individual tasks such as billing or customer-information storage. Enter the e-business revolution. Almost overnight, processes and departments required integration, and IT departments were thrust into the company limelight. Servers—no longer dedicated to disparate departments and processes—are at the core of new business models. These valuable systems now power Web sites; house mission-critical databases; run essential accounting, customer relationship and business intelligence software; and are tied to everything else in between.

Today's business environment runs at a faster pace than ever before. To stay competitive, companies need to maintain constant dialogues with customers, business partners, employees and other companies. Consequently, businesses must maintain reliable IT environments to meet the needs of the changing marketplace. With no physical buffer between servers and customers, and little control over Web site visitor and transaction volumes, companies need servers that are capable of handling virtually anything and everything that comes their way. Managing increasingly complex infrastructures, offering more hours of support and keeping up with demand for technical expertise have become resource drains. Poor server performance translates into reduced productivity and loss of business.

Regardless of server and operating system environments, system availability and excellent performance are essential to business success. Maintaining a competitive edge means achieving a high level of server performance that will enable a business to grow and respond to new technology challenges. Systems that fall short cannot provide the necessary flexibility to respond to the rapidly changing demands of business.

To survive and thrive in today's markets, businesses need to focus on core competencies. One way many companies have addressed these new system management challenges is through outsourcing. Defined as an arrangement where one company provides services for another company, outsourcing has



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Highlights

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*With server outsourcing services, the day-to-day operations of computer systems are handled by experts, so companies can focus energy on essential business operations.*

*A clear set of user priorities is critical to a successful engagement.*

traditionally been cost-prohibitive for small and midsize businesses. In the past, outsourcing was considered a substantial logistical undertaking, because it included the transfer of assets and resources, and transitioning management responsibility from the customer to the outsourcer took a considerable amount of time. However, with a growing market need from midsize companies for outsourcing—fueled by the increased importance of IT and the faster pace of today's business environment—service providers are creating innovative ways to provide outsourcing services at competitive prices. These new services are targeted at specific functions within a business, and instead of taking over total management responsibility, they supplement customers' IT operations. Server management outsourcing is one such area.

There are numerous benefits to using a server outsourcing provider, including 24x7 coverage; expertise in specific areas, such as IBM @server iSeries™ (formerly IBM AS/400®), IBM @server pSeries™ (formerly IBM RS/6000®), IBM @server xSeries™ (formerly IBM Netfinity®), UNIX®, HP, Sun and Microsoft® Windows NT® and Windows® 2000; improved system performance; cost savings; and faster deployment of new applications. With server outsourcing services, experts handle the day-to-day operations of computer systems, so companies can focus energy on essential business operations. This paper examines the evolving practice of server outsourcing and its advantages to the customer, explores critical factors for choosing a server hosting provider and offers a comprehensive solution.

#### **What businesses want**

While outsourcing helps companies focus on business operations rather than technology management—and incorporates the service provider's procedures, ideas and innovations into the organization—a clear set of user priorities is critical to a successful engagement.<sup>1</sup> A rewarding sourcing agreement should enable change, provide for continuous improvement, allocate risk between both parties and help maintain control over costs.



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**Highlights**

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***Poor server performance can devastate a business. Server outages are costly, and high availability is imperative.***

An evaluation of resources, future plans and business goals in relation to server management is the first step in defining priorities. According to a survey by The Outsourcing Institute, the top 10 reasons companies outsource are to:

1. Reduce and control operating costs
2. Improve company focus
3. Gain access to world-class capabilities
4. Free internal resources for other purposes
5. Compensate for resources not available internally
6. Accelerate reengineering benefits
7. Overcome a difficult-to-manage/out-of-control function
8. Make capital funds available
9. Share risks
10. Generate a cash infusion.<sup>2</sup>

Recognizing that poor server performance can devastate business, organizations today understand that downtime is unacceptable. Whether a server is running an e-commerce Web site or internal accounting operations, server outages are costly, and high availability is imperative. From driving customers to competitors—severely damaging sales and profits—to bringing internal productivity to a halt, the repercussions of a server malfunction can resonate through the company to customers and even to investors or shareholders.



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Highlights

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***Most top Web sites now use Web hosting, which involves many complex, costly and changing variables.***

***Businesses can devote more time to key initiatives when IT professionals manage specified functions and processes.***

In light of this, many companies are also turning to service providers for Web hosting, which involves many complex, costly and changing variables. A survey conducted by Jupiter Communications found that most of the top Web sites outsource their hosting services.<sup>3</sup> As with companies that outsource server management, companies considering outsourcing this facet of their operations are looking for vendors equipped with specialized expertise, business understanding, substantial resources, and commitment to customer service to deliver a comprehensive, reliable solution.

**The advantages of outsourced server management**

In the complex world of e-business, companies increasingly need to tap into new, specific skills, tools and resources. Numerous factors contribute to an organization's ability to attract and maintain skilled workers while managing growth and the pressures of new business models. Allowing external IT professionals to manage specified functions and processes helps enable businesses to devote more time to key initiatives. Companies considering outsourcing their server management operations are looking to address any or all of the four following operational challenges:

- *Need new business applications to compete, but do not have the in-house skills to implement them*
- *Want to reduce operational risk by using resources that can't quit or call in sick*
- *Understand technology but don't want to operate it (the focus is on strategy, not operations)*
- *Want to consolidate servers to reduce management headaches.*

There are numerous benefits to using outsourcing to manage server operations. Providing solutions to cope with continuous change, helping to reduce operating costs and freeing up capital for investment are all outsourcing-related perks that can help companies gain a competitive advantage.

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Highlights

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***Outsourcing can provide solutions that enable companies to respond to the recurrent changes necessitated by e-business.***

***It is important to understand how outsourcing saves businesses money.***

***Weighing skills requirements and training costs against server management contract costs is a litmus test for outsourcing needs.***

Companies that choose to outsource server operations usually exhibit the following traits:

- *A preference for focusing on core competencies and mission-critical processes rather than dedicating substantial personnel, resources and activities to server management*
- *An ability to judiciously purchase specialized capabilities that complement in-house skills and strengths*
- *A willingness to work collaboratively with outside vendors*
- *A greater focus on results rather than process*
- *Dynamic, even unpredictable business growth.*

Since cost savings is important to many companies that are deciding whether or not to outsource, it is important to understand how outsourcing saves businesses money. The answer lies in the service provider's ability to use extensive internal resources that are not available to smaller, internal IT departments. For example, with respect to server outsourcing services, process expertise is an area where a provider has access to more resources than a typical organization. In recent times in the U.S., 350,000 IT jobs were vacant. Outsource providers are sweeping up much of the best talent, who want positions where their expertise matches the firm's core competency. IT workers choose this route because it offers a better career path. The advantage of using outsourcing, then, is the know-how of the service provider.<sup>4</sup>

When a firm has in-house IT expertise, it must identify what server operations skills are required, determine if they have them in-house, and decide if there is sufficient ongoing demand to justify investing in the education of one or more employees. Forrester Research estimates that training averages US\$6,000 to US\$8,000 per person annually and that a well-trained IT staff spends about four weeks a year in training.<sup>5</sup> By weighing these considerations against server management contracts, an organization can decide what best addresses its needs—outsourced or in-house operations.



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### Highlights

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### Reasons to outsource server operations management

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Superior performance or availability

Technological expertise

Dedicated resources

Support and availability

Cost

Convenience

Security

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### Key considerations in choosing a server management provider

Oftentimes, outsourcing services can be confusing because of contract costs and stipulations, and service values vary according to vendor. To assess how a business will match up with a vendor's services, The Outsourcing Institute recommends completing an Outsourcing Mission, Strategy and Goals (OMSAG) statement. According to the Institute, the OMSAG statement is a document that sums up the organization's outsourcing intentions and the strategic rationale for outsourcing. "The OMSAG statement should describe the:

***An Outsourcing Mission, Strategy and Goals statement is helpful in matching business needs with a vendor's services.***

- *Broad objective for outsourcing the server management process*
- *Relationship of outsourcing to overall corporate strategy*
- *Links between the outsourced process and an organization's core competencies*
- *Strategic forces driving the company into a relationship*
- *Scope of coverage (for example, international, across business lines, etc.)*
- *Expected duration of relationship.*"<sup>6</sup>



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Highlights

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***Documenting both customer and supplier expectations is essential to a good outsourcing relationship.***

***IBM Midrange Express® Services provides an intelligent server management outsourcing solution.***

A value proposition that highlights the expected benefits that the outsourcing arrangement will bring to its customers should be included in the OMSAG. “The proposition is at the heart of the OMSAG, because it helps ensure that the outsourcer will remain focused on giving the organization what it needs.”<sup>7</sup> Ideally, a server management outsourcing vendor will help companies by:

- *Narrowing the focus to business strategies and priorities, not tactical infrastructure*
- *Keeping operations’ costs predictable*
- *Reducing risks in IT investment*
- *Supplementing in-house IT staff*
- *Providing a stable operational environment*
- *Providing a secured site and floor space for a server, if needed*
- *Providing access to the latest technology*
- *Assisting with dynamic growth/expansion.*

According to Mary C. Lacity, Ph.D., author of *Global Information Technology: In Search of Business Advantage*, a key factor in establishing a good relationship with an outsourcing vendor is to document both customer and supplier expectations with thorough contracts. “Good contracts are the foundation of good relationships,” she says. “And one way to keep those contracts good is to sign them only for requirements that are known and stable.”<sup>8</sup>

#### **A comprehensive solution from IBM**

Recognizing the need of small to midsize customers for the management and support of iSeries, pSeries, xSeries, UNIX, HP, Sun, Windows NT and Windows 2000 environments, IBM created Midrange Express Services for U.S. customers. This service offering is designed to help organizations manage the day-to-day operations of their computer systems.<sup>9</sup> To offset customer concerns about pricing and scope in relation to outsourcing services, we’ve taken our cumulative skills and knowledge and packaged them into “off-the-shelf” services that provide both a defined scope and price. Midrange Express is designed to provide a fixed-price, cost-effective solution with a comprehensive,



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Highlights

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***Your server management-related needs can be provided through a single contact point.***

***IBM is a global leader in the server space. We've translated our worldwide client experiences into targeted outsourcing services.***

scalable set of services ranging from base-level to full systems management. The service design is based on IBM Global Services' experience in managing servers for our large customers. We currently operate more than 25,000 midrange servers under outsourcing agreements worldwide.

From adding an iSeries, pSeries, xSeries, UNIX, HP, Sun, Windows NT or Windows 2000 server to managing or upgrading the server operating system, we offer multiple service and support options. We can manage servers at one of our data centers, or connect them through a remote link, depending on needs.

The standard Midrange Express offering features:

- *Service-level agreement*
- *Around-the-clock system monitoring*
- *Reliable operations*
- *On-demand technical support*
- *Proven system management process*
- *Technically competent help desk support.*

In addition to the base offering, IBM provides optional Midrange Express Services to address your organization's unique needs. These services include:

- *Remote connectivity delivered through a virtual private network*
- *Clustering support for high availability*
- *Security risk monitoring*
- *Microsoft Windows 2000 support*
- *Batch job management*
- *Additional operations and technical support*
- *Operating system software patches and upgrades*
- *User profile administration*
- *Server housing at an IBM data center*
- *Extended support hours*
- *Database administration.*



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Highlights

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*We help companies of all sizes optimize their server investments with strategically designed, cost-effective services.*

The pressures of the new economy have created a strong demand for IT systems that are available almost continuously. High availability is neither a specific technology nor a quantifiable attribute. Rather, it is a goal to be reached—one that has different definitions based on the needs of the specific organization or business. A variety of strategies, technologies and services are combined to accomplish the high-availability goal. The advantage of Midrange Express, with respect to high availability, is that your server-related management needs are provided through a single point-of-contact. With IBM monitoring your system around the clock, and ready to respond with our extensive resources, availability is one less issue for your company to worry about.

IBM can also help with strategic planning to ease your transition to managed support. We can work with you to implement new technologies, handle operations procedures, plan for disaster recovery, make performance improvements and prepare for system backup and recovery procedures. We can also help you determine whether your server should be housed at an IBM security-enhanced data center or maintained at your facility via a remote link. Our service-level agreements help ensure that all server platforms reach an expected level of availability—excluding agreed-upon server maintenance. Quarterly reports from IBM keep you informed on the status of your server.

As a pioneer in the server space, IBM has built, implemented and managed servers for companies from virtually every industry around the world. We use our singular experience—of providing some of the most comprehensive server support under some of the most demanding and high-profile circumstances—to help your organization gain business results. We have translated our global experience of providing server solutions and services into a set of cost-effective, packaged services.



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**Highlights**

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With the importance of IT continuing to grow, IBM is committed to using our vast technical resources and service experience to provide customers of all sizes with outsourcing services that make sense—from both strategic and cost-based perspectives. As technology continues to evolve and your servers—the critical link to your customers, business partners and employees—play an increasingly important role in day-to-day operations, you can be confident that the people of IBM Global Services will help you optimize the value of your iSeries, pSeries, xSeries, UNIX, HP, Sun, Windows NT or Windows 2000 investment.

**For more information**

To learn more about IBM Global Services, visit:

**[ibm.com/services](http://ibm.com/services)**

To learn more about IBM Software Services for Midrange Express, visit:

**[ibm.com/services/its/us/midrange.html](http://ibm.com/services/its/us/midrange.html)**



## Footnotes

- 1 *Innovation and Outsourcing—A Partnership Driving Success*, The Outsourcing Institute, [www.outsourcing.com/BuyerSite/specialforums/innovation/report/index.htm](http://www.outsourcing.com/BuyerSite/specialforums/innovation/report/index.htm)
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  - 3 "Most Top Sites Outsource Hosting Services," Jupiter Communications, March 1998.
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  - 5 "New Skills Prevent Brain Drain," *Network Computing*, October 30, 1999.
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  - 7 Blumberg.
  - 8 "The Elements of Success," OutsourcingAcademics.com, [www.outsourcing-academics.com/html/acad2.html](http://www.outsourcing-academics.com/html/acad2.html)
- \* Systems covered by IBM Midrange Express Services include IBM iSeries (formerly IBM AS/400), IBM pSeries (formerly IBM RS/6000), IBM xSeries (formerly IBM Netfinity), UNIX, HP, Sun and other vendors' Windows NT and Windows 2000 systems.

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