



A White Paper for Business and IT Decision-Makers

Leveraging Managed Services to Optimize the Business Benefits of Your IT Investments

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Executive Overview

In an era when competitive pressures are intensifying and customer demands are escalating, **organizations are seeking to more fully leverage their information technology (IT) systems** to produce better products and services, and gain a stronger competitive advantage.

As organizations become more dependent on their IT systems and software to achieve their business objectives, **they can no longer tolerate the unpredictable performance and added costs** that often come with keeping their IT systems up and running. Instead, organizations must seek new ways to generate greater business benefits from their technology investments.

As IT becomes more pivotal to the day-to-day operations of organizations of all sizes, it has also become more complex, difficult and costly to manage. Yet, **it is imperative that organizations optimize the availability and performance of their IT** in order to gain the greatest economic value from these investments. They must also minimize the risk of any IT failures which could severely disrupt their business operations.

The **IT management challenge is not only daunting for small- and mid-size businesses (SMBs)**—commercial and non-profit organizations of 1000 employees or less—with limited in-house staff, **it is also a growing concern of large-scale enterprises that are facing escalating competition globally.**

Rather than continue to focus their limited in-house resources on combating with these problems, **many organizations have decided to outsource their IT operations.** While IT outsourcing appears to be an effective way to offload the hassles and costs of day-to-day IT management, nearly half of traditional IT outsourcing agreements fail to achieve their original objectives and are either terminated or substantially restructured.

Given the failures of traditional outsourcing arrangements and the inadequacy of traditional maintenance agreements which simply react to IT problems, a growing number of organizations are considering alternative strategies to support their IT management needs.

Two new “out-tasking” approaches that are gaining considerable attention are ‘Managed Services’ and Software-as-a-Service (SaaS). Managed service providers (MSPs) assume responsibility for specific IT functions. The MSP continuously monitors and proactively manages the IT function to identify and rectify problems before they can disrupt their operations. Instead of reacting to problems, they proactively fine-tune the IT systems to reduce the risk of system failures. They also **augment rather than replace IT staff.**

Some organizations do not want to relinquish the responsibility for managing their IT operations and prefer to take advantage of a growing array of SaaS solutions. **The benefit of the SaaS approach** is that **an organization can utilize a IT management functionality without having to implement and administer management software.** Instead, the SaaS provider makes the management application available on a ‘subscription service’ basis, eliminating the deployment and maintenance costs and hassles.

In either case, these new service solutions can bridge the gap between IT/business gap.

This white paper will examine the IT issues that are driving organizations of all sizes to adopt managed services and SaaS to address their IT challenges and meet their business objectives. It will also **show how Insight Enterprises’ managed services and SaaS solutions in conjunction with IBM respond** to these issues and satisfy its customers’ business and IT needs.

The Escalating Challenges of Managing IT

Organizations of all sizes are increasingly relying on IT to perform their business operations. Whether it is 'back-office' operations such as accounting or payroll, or 'front-office' activities such as sales and marketing, ***IT is becoming a critical corporate asset to support these essential business processes.***

The rapid evolution of technology now makes it possible to more cost-effectively deliver goods and services to customers and business partners, and communicate with a dispersed workforce of mobile or remote workers. While these capabilities can dramatically expand the reach of an organization, ***less than 20% of an organization's IT budget is dedicated to business innovation.*** IT failures or performance problems can also have a detrimental affect on an organization's operations and reputation.

At a time when competitive pressures have never been greater and customer loyalty has never been lower, ***no organization can tolerate ongoing problems with their IT investments.*** Yet, the range of potential problems facing most organizations continues to expand, consuming 80% or more of an organization's IT budget on basic maintenance. However, most organizations lack the resources and skills to keep their systems up and running. And as the number of mobile or remote workers escalates, the reports of lost laptops containing sensitive customer records are becoming more common.

Organizations must contend with varying software operating systems, multiple networking protocols, and escalating security threats. As a result, system failures are more commonplace than organizations would like. Many of the failures are caused by computer viruses, spyware, malware and other security attacks. But, others result from inadvertent problems associated with incompatible software, inappropriate configurations of hardware, or failure to properly apply patches or handle memory load imbalances.

Because they either have limited management systems or skills, ***in-house IT support people generally react to IT problems rather than proactively manage their IT environments.*** As a result of not regularly installing patches or monitoring utilization levels, many organizations fail to properly protect or unintentionally overload their systems, causing crashes that disrupt their businesses, jeopardize valuable data, and frustrate their employees, customers and partners.

Despite the fact that many organizations must serve customers from around the world, they are ***unable to monitor and measure the performance of their systems around the clock*** because of a lack of appropriate management software or staff skills. As a result, they miss key indicators that would enable them to proactively manage their systems and prevent potential problems and costly downtime. Even when their IT systems and business applications are up and running, ***many organizations are not sure if they are getting the best return on their investment (ROI).*** In order to overcome these challenges, they must make additional investments in IT management systems, software and staff. Ironically, the IT management software and systems can be as complicated and costly to implement and maintain as the IT systems and software they're supposed to manage.

Because IT personnel are often 'fighting fires', they have less time to focus on strategic work or supporting innovative projects. Staff turnover can compound the problem when there is a lack of documentation. This discontinuity can make organizations even more vulnerable to system failures or security threats.

Adding individual IT contractors to augment an inhouse staff isn't cost-effective and doesn't fully address an organization's IT requirements. Traditional IT service companies are also inadequate because they only support the specific products or applications they sell and don't proactively manage their customers' IT environments.

Defining Managed Services and Software-as-a-Service (SaaS)

THINKstrategies defines managed services as the ongoing, automated and remote management of computing resources and business applications by a service provider to ensure their continuous availability, optimal performance and maximum security so that the customer organizations can gain the greatest business benefits and return on their IT investments.

Managed services providers (MSPs), go beyond traditional maintenance agreements that are product-specific and reactive in nature to assume responsibility for proactively managing a customer's hardware systems, software applications, and network infrastructures to prevent downtime and increase IT performance.

Managed services customers rely on the centralized management systems and MSP's staff skills to meet their evolving IT management requirements so they can focus on their core businesses.

Managed services differ from traditional outsourcing arrangements by focusing on more specific elements of an organization's IT environment such as its desktops and mobile devices, storage and back-up systems, messaging or security needs.

Traditional outsourcing agreements typically encompass an entire IT operation, extend over five years and include strict terms and conditions. **Managed service agreements tend to be shorter and more flexible to respond to customers' changing needs.**

In essence, **managed services is a selective outsourcing, or 'out-tasking', approach** that allows an organization to adopt the MSP's services incrementally to augment their internal capabilities, and adjust their service levels to meet their business requirements.

THINKstrategies recently conducted a survey of 550 IT professionals in conjunction with Business Communications Review (BCR) which found **nearly 40% are already using leveraging managed services and another 12.7% are considering managed services to address their IT management issues.**

While managed services are often seen as a perfect solution for SMBs, the THINKstrategies survey found an even greater proportion of large-scale enterprises (55%) are currently contracting for managed services.

The most popular IT managed services among the respondents to THINKstrategies' survey are managed email/messaging, backup/recovery/business continuity, security, desktop, and local area network (LAN) services.

While managed services increasingly appeal to organizations which want to enlist the help of a third-party to perform specific management tasks on an ongoing basis, **many organizations would like to continue to perform these tasks without the hassles of deploying and maintaining the management software** that is necessary.

THINKstrategies defines Software-as-a-Service (SaaS) as the automated delivery of business and IT management software via a network on a 'pay-as-you-go', subscription pricing basis.

The SaaS approach permits the organization to utilize the IT management software functionality, but **eliminates software deployment and administration hassles, as well as the upfront costs associated with traditional software** licensing agreements and add-on infrastructure requirements. This **enables the organization to gain the benefits of today's best IT management solutions to improve the ROI on their IT investments.**

How Insight is Leveraging IBM's Managed Services and SaaS Solutions to Satisfy Its Customers' IT and Business Needs

Insight has joined together with IBM to offer managed services and SaaS solutions to address customers' desktop, back-up, email and security management requirements. The services and solutions are designed to help customers manage their IT environment. Specifically, the Desktop Management Services can help a business better manage desktop assets, more systematically administer their software patch management processes, and better safeguard against security risks. These benefits become more apparent with laptops and other mobile devices. Organizations typically have a management system in place for their desktops in a central location where they have IT staff in place, but lack the same management capabilities for remote locations and workers.

IBM's Desktop Management Services offering include asset discovery and management, software distribution and patch management. Here is a quick summary of the specific functionality capabilities,

- Automated discovery of Internet Protocol (IP)-based network devices.
- Tracking and management of hardware and software in distributed environments.
- Installation of software according to standard software profiles.
- Distribution of operating system and application software patches.
- Automation of critical security processes such as initial anti-virus software deployment and updating of virus definitions.
- Automation of desktop data backup and recovery to a secure data center.
- Ability for IT staff to control and diagnose desktop devices remotely.

Today's organizations are standardizing on notebooks and mobile personal computers instead of the traditional desktop computers. These mobile devices travel with employees and do not reside within a corporate office 100% of the time. This presents a number of management, administration and security challenges which require specialized skills and resources to address.

Security is typically a major concern for IT administrators, and this is especially true for remote users. Typically, the corporate data and intellectual property that resides on desktops, laptops and servers is much more valuable than the hardware itself. Companies can acquire a new computer relatively easily, but a customer list, client proposals and presentations on a lost, stolen or failed device may be irreplaceable.

The IBM Desktop Management Services allow organizations to track and prevent data loss from stolen laptops via a remote data backup capability, as well as a 'poison pill' feature which encrypts and deletes sensitive corporate data if necessary.

IBM's Desktop Management Services also allows expanding organizations to more cost-effectively and quickly open new branch offices or deploy remote workers.

In addition, the service includes asset management and discovery capabilities which enable organizations to optimize their existing IT resources and better plan for their future needs.

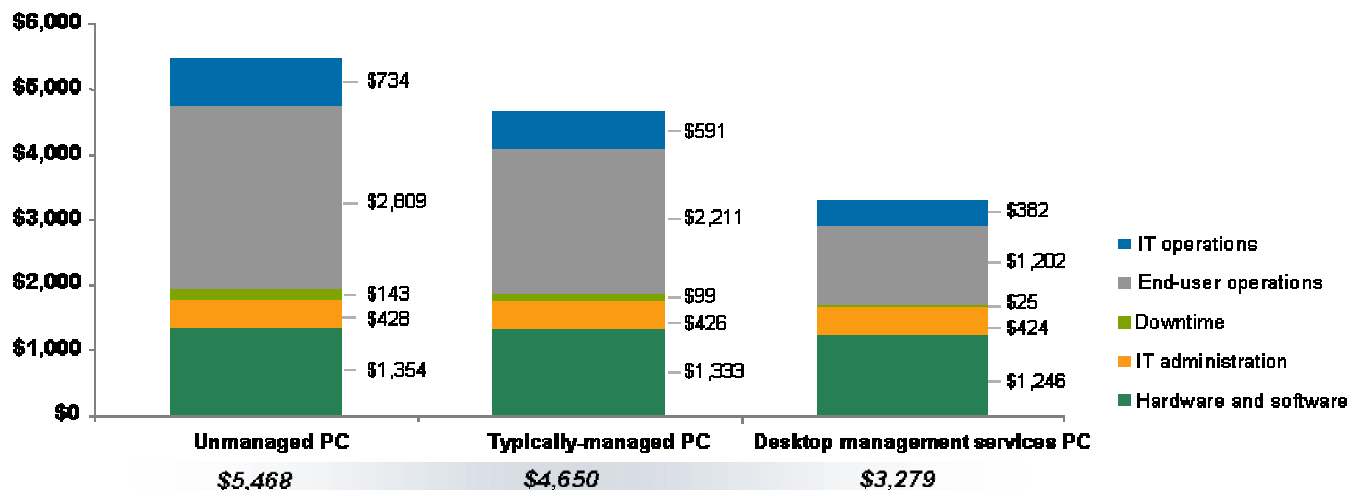
Calculating the Cost Advantages of Managed Services and SaaS

While the cost/benefit equation of managed services or SaaS solutions is obvious to some organizations, many business executives and IT professionals do not readily understand or appreciate the financial as well as operational advantages of these alternatives.

For instance, the case of managed desktop services, **one way of measuring at the economic value of managed services is by looking at the relative costs associated with managing each desktop** based on the level of proactive management performed. Figure 1 shows **Gartner's estimate of the significant cost-savings** that can be achieved by properly managing an organization's desktop environment. In addition, there is a significant difference between the cost of managing mobile personal computers and fixed desktops. The greater total cost of ownership (TCO) and a return on investment (ROI) is shown in Figure 1 and Table 1 below.

Figure 1 – Gartner TCO Analysis of Desktop Management

Comparing total cost of ownership (TCO)



Source: "Use Best Practices to Reduce Desktop PC TCO, 2005-2006 Update", Gartner, December 2005. Figures represent potential benefits of desktop management services without reference to specific IBM offerings.

In order to determine the economic value of a managed service or SaaS solution, it is essential to fully evaluate the current costs of your IT operations. This begins by looking at the direct costs of IT hardware, software and staff expenditures. But, it also **requires examining the indirect costs of IT downtime on the organization's business and the opportunity costs** associated with unnecessary staff time dedicated to reacting to problems rather than focused on strategic initiatives.

The following total cost of ownership (TCO) calculator developed by Insight demonstrates the economic value of the IBM managed desktop services. Insight can perform the analysis for clients to assist in determining if managed services are right for their organization. A similar analysis can be performed on any other service offering.

Table 1
A Cost/Benefit Analysis of the IBM/Insight Managed Desktop Management Service

COST COMPONENT	Assumptions		IBM Hosted Solution		In-House Solution	
	Number	Unit Cost	One-Time Capital Expense	Annual Costs	One-Time Capital Expense	Annual Costs
Services						
IBM Express Managed Services - Desktop Management	1300	\$55		\$71,500		
Hardware & Software						
Hardware - Central Enterprise Server(s)	1	\$5,000			\$5,000	
Redundant Server(s)	1	\$5,000			\$5,000	
UPS	1	\$1,000				
Annual Hardware Maintenance	10%					\$1,000
Software - Desktop Management Software	1	\$50,000			\$50,000	
Annual Software Maintenance	10%					\$5,000
Hardware - Disk Subsystems	1	\$5,000			\$5,000	
Annual Hardware Maintenance	10%					\$500
Hardware - Tape Library	1	\$25,000			\$25,000	
Annual Library Maintenance	10%					\$2,500
Cost per Tape Drive	0	\$0			\$0	
Backup & Restore Software	1	\$25,000			\$25,000	
Annual License / Support	10%					\$2,500
Additional Licenses for Growth	1000	\$0				\$0
Offsite Tape Vaulting Fees (Without Media)	0	\$0				\$0
Operations & Administration						
IT Staff / System Administrator Salary (plus overhead & benefits)		\$65,000				
Initial / New Deployment Services						
Internal Employee setup time - % of Time Allocated in First Month	75%				\$4,063	
External Consulting Services - Installation and Setup	0	\$5,000	\$2,499		\$0	
External Consulting Services - Ongoing Support and Upgrades	1	\$5,000				\$5,000
Desktop Administration and Maintenance						
Time Allocated to Desktop Daily Administration - (Hours per Month)	20			\$3,900		\$7,800
Server Administration and Maintenance						
Updates, Patches, Backups, Hardware Replacement, etc (Hrs / Month)	8					\$3,120
Operators - 24x7 - Three Shifts						
Percentage of Time Allocated	3	\$24,000				\$7,200
Help Desk						
Reduced IT calls due to proactive approach - well managed						
Typical vs. Well managed systems saves 3 hr per system per year						\$19,500
Business Impact						
Downtime - Planned maintenance - Administration Time	1	\$25,000				\$25,000
Downtime - Unplanned outage - Administration Time						
Loss of Employee Productivity / Time During a Restore / Outage						
Customer Impact / Revenue Loss During a Restore / Outage						
Employee Turnover						
Percentage chance of turnover	10%	\$0				
Percentage of time for new hire training / lost productivity						
			\$2,499	\$75,400	\$119,063	\$79,120

Determining if Managed Services or SaaS Solutions are Right for You

The following questions can help an organization determine if leveraging managed services or a SaaS solution can help it improve its IT operations and achieve its business objectives.

1. Asset Discovery/Management:
 - a. Do you have a distributed desktop environment?
 - b. Can you identify hardware and software installed?
 - c. Do you have the resources to track devices and applications on an ongoing basis?
 - d. Do you have an automated way to associate users with assets to monitor who is using them?
2. Software Distribution:
 - a. Do you have an automated method to distribute software or upgrades to your desktop environment?
 - b. How do you distribute software updates to your remote workforce?
3. Security Management
 - a. Are you confident your assets and corporate data are protected from internal/external threats?
 - b. Patch Management:
 - i. Are your desktops vulnerable to security threats because you don't implement patches on a routine basis?
 - ii. Do you have the skills to assess each security vulnerability and patch all your devices and operating systems?
 - iii. Are you able to provide patch management support to remote workers who do not connect to the corporate network on a regular basis?
 - iv. Can you accurately track whether users are receiving patches and whether your environment is patch-compliant?
 - c. Virus Protection:
 - i. Do you have the resources to ensure that all devices are protected from security threats?
 - ii. Do you have the resources to clean up your IT environment in the event of a virus attack?
 - iii. Do you have an automated way to uninstall old versions of anti-virus software and then deploy the most current version?
4. Online Backup:
 - a. Do you currently have a backup program in place for your organization to protect valuable data?
 - b. Are you currently relying on end users to back up their own data?
 - c. Do you have systems and processes in place to perform data restoration, particularly for remote workers and critical corporate data?
5. Remote Access:
 - a. Can you support remote and mobile users?
 - b. Do you have the resources to provide onsite assistance to all your users?

An organization which answers any of these questions "no" should consider a managed service or SaaS solution to strengthen their IT management capabilities.

Summary and Conclusions

Organizations are becoming increasingly dependent on information technology. Yet, **many are unable to ensure the reliability, performance and security of their IT operations.** Instead, they are expending more time and money than they would like attempting to stabilize and fully leverage their IT assets.

In an increasingly competitive environment in which organizations must focus on their core businesses and tighten their operating budgets, they **cannot tolerate IT downtime or the added costs of keeping their IT systems up and running.**

They are also no longer satisfied with IT vendors who simply react to problems. Instead, **they expect their IT suppliers to reduce the risk of system failures and optimize the value of their IT investments.**

These pressures are compelling a growing proportion of organizations of all sizes to adopt **managed services or SaaS solutions which can augment their in-house staff** and improve their IT effectiveness.

Managed services and SaaS solutions can help organizations increase the ROI of their IT assets by **reducing the TCO of their IT operations.** Managed services and SaaS solutions can better align IT to support the organization's business objectives and needs. These IT management solutions also include **reporting systems that provide greater accountability** to business executives and end-users.

A clear indication of the tangible benefits of these new approaches to solving age-old IT management challenges is that **over 90% of the respondents to THINKstrategies' surveys are satisfied with their managed service and SaaS solutions,** plan to renew and expand their use of these solutions, and would recommend them to their peers.

Insight and IBM have combined to offer a set of managed services and SaaS solutions which help organizations overcome the escalating challenges and spiraling costs of IT management. These solutions also enable organizations to better leverage their IT assets to achieve their business objectives.

This White Paper was sponsored by Insight Enterprises, Inc.

About Insight Enterprises, Inc.

Insight Enterprises, Inc. is a leading provider of information technology ("IT") products and services to businesses, government and educational institutions in North America, Europe, the Middle-East, Africa and Asia-Pacific. Insight's offerings include brand name computing products, software and advanced IT services. Insight is ranked number 570 on Fortune Magazine's 2006 'Fortune 1000' list. For more information, please call (480) 902-1001 in the United States or visit www.insight.com.

About THINKstrategies, Inc.

THINKstrategies is a strategic consulting services company formed specifically to address the unprecedented business challenges facing IT managers, solutions providers, and investors today as the technology industry shifts toward a services orientation. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. THINKstrategies is also the founder of the Managed Services Showplace (www.msp-showplace.com) and Software-as-a-Service Showplace (www.saas-showplace.com) online directories and information resource centers. For more information regarding our unique services, visit www.thinkstrategies.com, or contact us at info@thinkstrategies.com.