



'Production Services' in Global Enterprise **An emerging delivery model**

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SUMMARY

Production services are subject to contrary pressures of continuously increasing scope and complexity AND continuously shrinking budgets. Developments within the enterprise and in governance models now make this dual challenge manageable.

WHITHER PRODUCTION SERVICES....

The IT services management landscape is being changed by four major trends

MATURING OF ENTERPRISE IT CONSOLIDATION.

Global enterprise has gone through an aggressive consolidation of equipment centers and IT management. The current model of managing production services is "Follow the Sun". The implementation is typically over three Global Data Centers (GDC), one each in South East Asia (Singapore, Kuala Lumpur etc), Europe and the Americas.

IT assets as well as management staff are concentrated at these GDCs. The GDCs provide almost ALL computing infrastructure, connectivity, messaging, business applications and security services. They also serve as concentration points for delivery of support services.

The consolidation processes has resulted in application and hardware standardization at the global level. In country IT is predominantly used for localized applications, for specific local requirements (like taxation, legal etc).

IT MOVES INTO SUPPLIER – CONSUMER RELATIONSHIP WITHIN ENTERPRISE

With IT being the transaction and process backbone of enterprise, there is a sharp focus on measurement of service quality. Both service providers and service consumers push service quality measurement. The SDC's publish service catalogues. Regional / country users subscribe to a menu of services. Service quality management is done to well documented, quantifiable and formally contracted Service Level Agreements, quite similar to formal purchase agreements.

FRAMEWORKS FOR GOVERNANCE OF IT SERVICE DELIVERY BECOME AVAILABLE

Enabling this trend is the wide acceptance of process standards such as ITIL/ ITSM, security standards such as BS7799. Combining "independent audit-ability" and global best practice, these standards provide both service delivery and consumers with a robust platform for transacting their business. Service providers are increasingly adopting these frameworks both from efficiency benefits as well as superior market positioning.

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OUTSOURCING OF DATA CENTER OPERATIONS GAINS ACCEPTABILITY

While enterprise has consolidated IT into GDC's the GDC's themselves are treated as cost centers. They are under conflicting pressures – to improve service levels while continuously lowering operating costs. They also have to compete for technical resources in the global market place. With core IT firms also vying for the same talent the GDC does face a challenge in hiring and retaining high quality manpower.

These trends have created an opportunity for a hybrid model of service delivery

THE HYBRID SERVICE DELIVERY MODEL

The hybrid model uses selective outsourcing as a strategy to achieve the twin benefits of continuous quality improvement and cost management. In a selective outsourcing arrangement, a process, like File & print server management or SAP BASIS support is completely or partially outsourced to a remote service provider. The vendor then delivers this service to pre agreed SLA's and time windows (7*24, 7*16, 5*16, 5*8 etc). The table below indicates some of the service lines and activities that lend themselves to selective outsourcing.

Service Line	Indicative Activities
Enterprise Applications <ul style="list-style-type: none"> • SAP • Siebel • Oracle 	User management <ul style="list-style-type: none"> • Add/Modify/Delete • Permissions • Query responses
Productivity Applications <ul style="list-style-type: none"> • Mail & Messaging • File and Print • Directory Services 	Configuration Management <ul style="list-style-type: none"> • Master file maintenance • Directory services • Patch deployment
Security Management <ul style="list-style-type: none"> • Firewalls • Remote Access • Intrusion detection • Anti virus • Patch deployment 	Performance management <ul style="list-style-type: none"> • Uptime, throughput, response • Database tuning • Resource forecast
Core production services <ul style="list-style-type: none"> • Server farms • Network links • Storage infrastructure • Production Databases IT asset lifecycle management 	Incident and Problem management <ul style="list-style-type: none"> • L2 / L3 support • Fix development and deployment • Root cause analysis • Vendor performance analysis • Log analysis • Security incident analysis
Legacy application management <ul style="list-style-type: none"> • Custom applications • Unsupported versions 	Asset management <ul style="list-style-type: none"> • Indent processing • Warranty management • Hardware refresh planning • Software Version management • License metering
	Legacy support <ul style="list-style-type: none"> • Tactical development • Bug fixes

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KEY BENEFITS OF THE HYBRID SERVICE DELIVERY MODEL

- **Aggressive SLA performance** : Since the service provider has to be competitive, there is a very sharp focus on SLA performance. This is also coupled with cost performance to the same SLA (i.e. for the same service, get year on year savings for the same SLA).

SLA improvements achieved range from 10% to 15% depending on customer context. Larger improvements have also been achieved when selective outsourcing has been used to redesign service delivery processes.

- **Benefit of continuous performance improvement** : The service provider passes on the benefit of understanding of the customer environment through savings on service costs

Typical year on year savings range from 6% to 8%. Benefit delivery is through a variety of options ranging from constant pricing over increase in user base to cash savings on payouts to vendors

- **Flex capability** : Since manpower management now shifts to the service provider, the short term spikes of resource requirements are handled by the vendor. This also insulates the customer from attrition of key personnel

Short term spikes resulting from activities like migration are usually absorbed by the vendor. These can be about 5% of the total migration cost.

- **Leveraging service provider's knowledge base**: Since the service provider invests in deep technology skills and process skills in the line of business technologies.

Benefits passed on by the service provider could be in the form of process improvements like Six Sigma or in optimization of design of infrastructure or database.