

The background of the slide features a semi-transparent wireframe globe on the left side, and a network patch panel with several ports on the right side. The overall aesthetic is technical and professional.

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Insight to Move Forward

The “Three Ps” of Evaluating Managed Network Services: Portfolio, Partnerships and Processes

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Lisa Pierce

lpierce@strategicnw.com

Choosing a Managed Network Services Provider

In 2009, 37% of U.S. businesses report they use outsourced or managed telecommunications services, with 20% planning to increase their use, chiefly to allow internal staff to focus their energy on core business and IT competencies.ⁱ Companies which are considering using third parties to design, provision support and repair network-related IT assets and services face a wide range of potential sourcing strategies. They include:

1. Employing a best-of-breed approach, in which the business customer directly utilizes the services and expertise of multiple suppliers. These can include multiple specialists in network hardware and software, applications, security and WAN services. In such instances, the customer may act as the Systems Integrator, or employ a third party to perform this function.
2. Employing an outsourcer, who in turn selects, negotiates with and manages multiple downstream suppliers. In these circumstances, customers can enjoy many of the benefits of scale in price, process and performance in return for large, long-term contracts (five-plus years). The largest of outsourcing customers can influence the choice of downstream suppliers, but smaller outsourcing customers typically cannot.ⁱⁱ
3. Employing a primary provider, which provides part of the solution directly, and works with other suppliers to provide the elements it does not directly offer. Typical contract length for these services is three years. If this type of solution is chosen, there are two ends of a spectrum of possible arrangements between the primary provider and its supplier partner(s):
 - a. Entirely ad-hoc. The primary provider negotiates with and works partners on as as-needed basis. There are few if any standard offers, prices, interfaces, processes or performance metrics.
 - b. Pre-configured partnership. The primary provider and its partners have identified areas of mutual interest, and have developed standardized offers, prices, processes and performance. Like the outsourcing arrangement described above, customers can benefit from the scale such partnerships provide.

“When evaluating these types of services, business customers should consider the breadth and depth of the solutions (portfolio), the expertise and commitment of key partners, and the extent that the partners utilize standard processes and systems to support the customer-- from the day a design is drafted through all stages of the lifecycle, including ongoing performance monitoring, change management and billing.”

Historically, only the largest organizations have been able to afford to use the services of outsourcers such as CSC, HP-EDS, or IBM Global Services. Organizations that have successfully employed a best-of-breed approach have also had fairly deep financial pockets; in addition, they have also had significant IT/network expertise on staff and/or on retainer.

Even before the current economic recession hit, most U.S.-based organizations did not have the size, financial resources, or expertise to use either of these approaches, and they likely won't for the foreseeable future. This is certainly the case for companies that aren't on the Fortune 1000.ⁱⁱⁱ Mid-sized businesses are fully aware that their network-related infrastructure is aging and needs to be updated. And many have attempted to do this on their own, but find that new network-related technology is considerably more complex than legacy technology, and requires more planning, money, expertise and/or ongoing attention than they are able to devote.^{iv}

Since it's not possible to forestall updating network infrastructure indefinitely, the third approach — employing a primary managed services provider and its partners, often is their most realistic alternative.^v For these customers, a strong managed services partnership is one that offers pre-configured products and standardized design, installation and ongoing performance management processes. It also provides customers with the benefits of access to deep subject matter expertise, and the ability to rapidly implement new technology, typically on a much more cost-effective basis than most can otherwise achieve.

Essential Evaluation Criteria for Managed Network Services

Whether it's BT-HP, AT&T-IBM or others, regardless of company size, partnerships are the only way for even these very large suppliers to provide the breadth and depth of expertise to sell and support a constantly evolving, comprehensive portfolio of network and network-related IT services.^{vi} Business customers who are considering using this approach should initially evaluate these offers based on the criteria of Portfolio, Partners and Processes.

Portfolio

Identify your company's near-term and long-term network-related hardware, software and services requirements. These typically begin with the design, installation and ongoing management of:

1. Network-related hardware and software like hubs, routers, switches, IP PBXs, IP-TDM gateways, soft clients and IP phones, IP-based collaboration tools such as Instant Messaging, audio, Web and videoconferencing, and emerging capabilities that depend on Unified Communications, such as presence.
2. They frequently extend to carrier-based services, including:
 - a. IP-based services from carriers. These include Internet, MPLS, and Ethernet, and network-based SIP Trunking, managed VOIP and Hosted VOIP services.
 - b. Legacy data services. Examples include ATM and FR, and legacy centrex, local, outbound and inbound long distance and toll free voice services.
3. Ancillary capabilities, which organizations also look to these parties to provide, such as:
 - a. Network security services, such as antivirus, anti-spam, anti-spyware filters, hosted or managed firewalls, intrusion detection and prevention, DoS defense, and related services, such as identify and authentication management, and security compliance and governance programs.
 - b. Hosting services, such as Web, e-mail, and e-commerce hosting; and hosting or collocation facilities to house and manage customer ERP, CRM and business continuity initiatives.
 - c. Emerging IT capabilities that require extensive network resources. Among others, these can include SaaS-based offers, virtualization, utility computing, and fixed-mobile services.

Managed Services 'Musts'

Do your homework. *Since the shortage of expert staff is one reason many companies turn to managed services, ask prospective providers about retention, training and tenure of employees in key line (vs. staff or management) functions.*

Know who you are dealing with. *If these are strong, long-term relationships, there is every reason for the primary provider to disclose the identity and nature of all the partners it works with in delivering the services and support you are paying for.*

Check references thoroughly. *Make sure the provider(s) supply very relevant and recent customer references. For instance, to gauge day-1 and day-2 provider performance history, the managed networks of reference customers should be in operation for no more than 18 months. Ask references about their experience with escalations on both installations and day-2 troubles.*

Partners

Evaluate the expertise and strength of the major suppliers working together to provide managed services to your company. For network-related services, this can include:

1. WAN services. In the case of domestic legacy and IP carrier services, it's hard to argue with the expertise and network services scope that facilities-based providers and managed services specialists have to offer.
2. Voice and data CPE and software. In addition to bundling network-related hardware and software with WAN services, several of these providers, such as AT&T, Qwest and Verizon Business, also have large, stand-alone equipment businesses that have been in operation for decades.^{vii} Depending on the particular partnership, these businesses may play a major or minor role in the new network-related infrastructure. In instances in which partners will play a major or dominant role, business customers should spend considerable time and energy validating the extent of partners' relevant competencies.
3. Ancillary services. Several network and managed-network providers also sell their own hosting services for popular applications like Web and e-mail hosting, and offer their hardened, secure sites for other customer hosting applications. Many of these same providers also directly offer their own managed security services (such as AT&T and Savvis), have acquired security specialists (such as Verizon Business' 2007 acquisition of Cybertrust), or partner with companies with deep security expertise, (such as Qwest's mid-2009 announcement to sell and support select IBM managed security services). It's also fairly common for large carriers or managed service providers to have close working relationships with industry leaders (such as Avaya, Cisco, IBM and Microsoft) to sell their routers, IP telephony and unified communications products to enterprises.
4. Regulatory compliance. Depending on the industry or application, partner certification with important regulatory and industry standards may be an important consideration (Sarbanes-Oxley, SAS 70-Type II, PCI-DSS, HIPAA, etc.).
5. Future direction. Two recent examples of multi-provider relationships to sell and support CPE performance monitoring and trouble resolution services to mid-markets business customers are:
 - a. The IBM-Qwest partnership, in which Qwest sells IBM's ERMIS infrastructure and applications management platform to its business services customers.^{viii}
 - b. Verizon Business' cloud-based Asset Assurance service (which uses CA's Infrastructure Manager), in which Verizon provides managed network infrastructure services as a SaaS-based offer.^{ix} UC and multimedia services aimed at mid-sized business customers are just emerging.
 - c. Since this segment of the market represents potentially billions of dollars in revenues to IT and network vendors, it's reasonable to expect that a number of provider partnerships will emerge with new offers in 2010 and beyond.

Processes

Carefully assess the standard workflows, systems and tools the partnership utilizes. At a high level, for “day 1” processes this includes the presales and sales, design, ordering, and installation processes; on “day 2,” it includes ongoing performance, monitoring, proactive management, repair, upgrade and change management, and billing. These standard processes should extend:

1. First and foremost, to the partners themselves. Ideally, these are jointly developed, shared processes (vs. one-offs customized for each business customer) that feature repeatable offers that use a common service catalog and e-bonding process that encompass both the day-1 and day-2 elements listed above. Each partner’s actions and responsibilities in day-1 and day-2 activities are clearly delineated and rehearsed. Ongoing joint strategy and governance should also be well-defined; for instance, the HP-BT Alliance is overseen by a Joint Operations Board and a Strategic Governance Board.
2. To the customer, via a single portal for at minimum, all day-2 life-cycle activities (help desk, service requests, ongoing service management and change management, billing, payment and billing dispute resolution). The partners supply the customer with a single contract and common set of end-end SLAs that are meaningful to the customer. Superior providers will make their joint processes and responsibilities available to customers for review. Providers of similar caliber will also supply portal functionality that begins at the design phase, and extends to downstream activities such as ordering and installation, and provides fairly detailed levels of information (such as denoting the dates and status of each milestone in each installation).

Preparing to Issue RFIs and RFPs

Whenever businesses contemplate making significant changes to their operations, such as moving to a managed services environment, although it might seem counterintuitive, it is often most efficient to break the supplier evaluation process into two distinct phases:

1. Develop and issue a Request for Information (RFI), which culls suppliers that meet important first-order criteria (Portfolio-Partner-Process) from those which don’t. Also make sure there is a good cultural fit between the prospective partnership and your company. Many mid-sized companies complain that very large IT and network suppliers ignore their needs once a contract has been signed, or try to force-fit them into offers that are meant for larger business users. There’s no point in getting serious about a supplier that doesn’t treat your company with the time and respect it deserves.

2. Use an RFP to evaluate and ultimately select the best of the suppliers who successfully made it through the RFI process on second-order criteria. Such criteria may include: Implementation and migration plans to the new provider, migration plans and support off the new provider in the event of an unsuitable match, engagement staffing policies, customer support, reporting requirements, disposal of existing network-related assets, price, and particular IT-specific concerns, such as the functionality the interfaces between network resources and contact center/CRM functionality.

Companies which are considering using RFIs and RFPs to select the best managed services solution clearly must do a great deal of homework. At bare minimum, this should include:

1. Identification of the scope of near term infrastructure and processes to be supplied by a prospective third party, and consider ancillary functionality and the longer term, strategic ramifications of moving in this direction.
2. A complete inventory of applicable hardware, software and carrier services.
3. An embrace of centralization. If your company lacks centralized network planning, sourcing and ongoing process management, it will most certainly have all of these if it moves to using managed network services. Companies that already have centralized all of these processes will face considerably less culture shock than those which haven't. In fact, both centralized planning and sourcing are essential to the evaluation, negotiations, implementation and ongoing managed services life cycle management processes. Companies that lack these two prerequisites now know exactly where they should begin.

Summary

Companies which are interested in using network-related managed services theoretically face a wide variety of alternative suppliers and solutions. But in practice, the economics and complexity of managed services works to encourage mid-sized companies to narrow their search to suppliers that marry their deep network expertise with those of one or more key partners to provide a strong, integrated product portfolio supported by standard operational processes and systems throughout the entire lifecycle.

About Strategic Networks Group

7322 Manatee Avenue Web, Suite 191

Bradenton, Florida 34209-3441

Office: (941) 539-6670

www.strategicnw.com

As businesses become increasingly reliant on telecommunications and IT services, Strategic Networks Group works closely with business customers to optimize landline and wireless telecom lifecycle activities, including architecture, sourcing, negotiations, and performance management. The company also serves as an advisor to telecom and IT service providers, providing them with unique insights gained from working with business customers on a daily basis for more than 15 years.

About Lisa Pierce

lpierce@strategicnw.com

Lisa Pierce is the founder of Strategic Networks Group. She is an expert on emerging business network class services, including UC/VOIP, MPLS, Ethernet, and 4G. A frequent speaker and media commentator, she has authored and published more than 800 reports. Her professional background includes 10 years as Vice President of Telecommunications Research at Forrester Research, four years in telecommunications protocol consulting and training at Telecommunications Research Associates, and nine years at AT&T in new business services product development, management, research and forecasting.

Notes, Links and Bibliography

End Notes

ⁱ Source: Davis, Jessica. "Recession Boosts Managed Services Sales", *The Channel Insider*, August 12, 2009.

ⁱⁱ Currently, outsourcers like those named typically consider "small" multi-year outsourcing contracts in which they directly contract with and interface to the business customer to be worth a minimum contract value of *at least* \$30 million.

ⁱⁱⁱ To provide the reader with some perspective, according to the 2009 edition of the Fortune 1000 List, in FY 2008 number 500, Legg Mason, reported gross revenues of \$4.6 billion and number 1000, Career Education, reported gross revenues of \$1.7 billion.

^{iv} Even in the currently dismal economic climate, some network-related jobs are in such demand that salaries are increasing. According to Bluewolf's IT Salary Guide 2009, the starting salary for network managers rose by 14% from 2008 to 2009 in the New York-New Jersey-Connecticut region. This makes it even more difficult for mid-sized companies to find *and retain* the expertise required to update and maintain their networks. See www.bluewolf.com for more information.

^v In this context, the term "managed service" is broadly applied to a spectrum of service arrangements in which the provider assumes important design, implementation and ongoing monitoring, performance and change management functions.

^{vi} In 2008, AT&T and IBM announced a partnership to support large multinational customers in which AT&T is primarily responsible for designing, implementing and managing network-related services and assets, and IBM Global Services primarily engages the customer around business process transformation opportunities. First announced in 2004, the BT-HP alliance focuses on serving large global customers' integrated network-IT application, asset and asset management requirements.

^{vii} In addition to VARs and major ILECs, smaller LECs, such as Embarq, historically also had substantial stand-alone CPE businesses. In the case of Embarq Logistics, this part of its operations was acquired by KPG Logistics on March 12, 2009. On July 1, 2009 CenturyTel completed its acquisition of the LEC-related divisions of Embarq.

^{viii} Sold through key partners, IBM's Express™ Remote Managed Infrastructure Services (ERMIS) provides performance monitoring and management processes and services for key IT assets, such as network infrastructure, Unified Communications, servers, applications and applications infrastructure. The IBM-Qwest agreement was announced on June 18, 2009.

^{ix} Verizon Business unveiled its SaaS-based Asset Assurance Service that uses CA's Spectrum® Infrastructure Manager on May 20, 2009.