

INSIGHT

Important Factors to Consider When Deciding How to Support Your IT Environment

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IDC OPINION

Most enterprises are under constant pressure to reduce the cost of their IT operations. One of the most common areas that is scrutinized for potential cost saving is the amount of money these enterprises are spending on external support services. IDC believes that enterprises should scrutinize these expenses; however, focusing only on the external spending can lead to an overall increase in the costs associated with IT operations. Rather, IDC recommends that enterprises view some of their IT support services spending as an investment in preserving the business value they expect to gain from critical systems. For critical systems, the support services should be viewed more as an insurance policy against failures. With that in mind, we recommend that during the process of scrutinizing the IT operations, enterprises need to consider all of the support services options available to them and then decide on the one that is best for the particular system or application that they are running. To help customers with this evaluation, IDC recommends enterprises consider the following recommendations:

- ☒ **Determine the importance of the workload and the total cost of unplanned downtime.** This may seem obvious to IT professionals; however, it is still one of the most important steps in determining how the IT environment should be supported. It is also one of the steps that can be more difficult than it first appears. To do this evaluation correctly, the enterprise must consider all of the factors that contribute to the total cost of unplanned downtime, not just the potential loss of revenue.
- ☒ **Compare the costs associated with supporting the environment internally versus using an external provider.** This is the classic make versus buy decision that enterprises face on a regular basis. Providing support services should be no different.
- ☒ **Evaluate all the offerings available from the various services providers.** IT vendors have been providing support services for as long as they have been providing hardware and software. However, over the past several years, vendors have added a variety of managed support services to their portfolios of traditional support services. Managed support services are targeted at enterprises that are interested in having the vendor take more responsibility for the IT environment but still want to own their own environment.

IN THIS INSIGHT

This IDC Insight reviews the factors that IDC believes enterprises should consider when deciding how to support their IT environment.

SITUATION OVERVIEW

IT is a critical part of the enterprise operations. However, not all systems are equally critical to the enterprise. Although the enterprise cannot operate for an extended period without its key systems, unplanned downtime for certain systems has a negligible impact on the business.

Against this backdrop of variable levels of importance of IT systems, IT departments spend a considerable amount of their budget to support those systems. According to an IDC survey (see *Single Point of Contact for IT Support Services: The "One Throat to Choke" Model*, IDC #34789, February 2006), U.S. enterprises spend almost 50% of their IT budget on external support services. As a result, enterprises are under constant pressure to reduce the amount they pay for support services.

Combining those two factors, IDC believes that it is important for enterprises to balance the need for external support services contracts with the cost of those contracts. Going to the extreme of supporting every system as if it were critical to the business will result in exorbitant costs that will adversely cut into overall profitability. However, for truly critical systems, when evaluating the support offerings, enterprises need to consider not only the cost of support for the systems, but the value of those systems to the business. In these cases, the support services need to be viewed more as an insurance policy for the business. In these cases, enterprises need to carefully evaluate the vendor they select to provide the support services.

For less critical systems, on the other hand, an insurance premium approach is probably less useful. For these noncritical systems, enterprises need to be more focused on the cost of supporting the system. In these situations, selecting the support services provider can be less critical than in mission-critical situations.

FUTURE OUTLOOK

IDC does not believe that the above-mentioned situation shows any signs of stopping. IT will continue to be an integral part of the enterprise landscape. The importance of the systems will continue to vary across the enterprise, and IT departments will continue to look toward support services as a way to reduce costs. On the bright side, IT vendors have recognized this need and have responded with a variety of support services options for enterprises. These options range from traditional basic support services to emerging managed support services.

Under the traditional services, the vendor commits to provide a series of services such as responding to an unplanned downtime incident within a specified time, providing updates for software, replacing parts for hardware, and monitoring the infrastructure. Most vendors provide a variety of service levels for their products. Under these agreements, although the vendor is responsible for providing support

services, ultimately, the responsibility for supporting the environment rests with the customer.

For enterprises that are interested in having their IT vendor take more responsibility for their IT environment, the vendors have developed managed support services offerings. Under these offerings, the vendor assumes greater responsibility for the environment. Generally, the vendor provides a level of support services, installation services, and remote monitoring. The monitoring provides customers with a variety of services ranging from automatic patch updates, application provisioning, and, most importantly, ensuring the systems are operating within a defined set of parameters to ensure that the environment is meeting the enterprise's needs. These managed services arrangements are more costly than traditional support services arrangements and provide customers with a higher level of services.

ESSENTIAL GUIDANCE

Actions to Consider

IDC believes that enterprises need to consider which support options are best for the systems they are supporting. This evaluation should include investigating the aspects of the system outlined in the following sections. IDC believes that by conducting this evaluation, enterprises will be more successful in balancing the need for external services and the cost of those services.

Importance of the System

The first thing that the enterprise needs to consider is how critical to the business the system is. To do this, the enterprise needs to consider the business processes that depend on the smooth operation of those systems. Generally, the most important systems are ones that support the revenue-generating activities of the enterprise. So, for example, financial services companies would consider their trading platforms to be mission critical because any unplanned downtime has a direct impact on revenue. Further, management consultancies often consider their email servers to be mission critical because communication between multiple embedded consultants and customers has a direct impact on the completion of projects on time and thus the level of customer satisfaction. When conducting this analysis, the enterprise must realize that it will have systems that it considers to be critical that other companies do not consider to be critical.

Additionally, for highly critical systems, the expenditures need to be viewed as more of an insurance policy, rather than merely an external cost. If the system is critical to the smooth functioning of the business, then the cost of supporting those systems can not be the only factor the enterprise considers. In addition to the cost, enterprises should carefully consider who they choose to support the systems. Enterprises should look for an organization that has the following attributes:

- ☒ **Geographic scope:** Enterprises need to investigate the geographic reach of the organization they use to support critical systems.

- ☒ **Vendor reputation:** For critical systems, enterprises should look for a support organization that has a strong reputation for providing exceptional customer service.
- ☒ **Industry knowledge:** The support services provider should understand the challenges that are unique to the customer's industry. This knowledge can prove valuable in case of a downtime incident.
- ☒ **Technical knowledge:** Finally, enterprises need to select a services provider that has a deep technical knowledge of the systems. In this case, if the enterprise selects a third-party maintainer, IDC recommends the enterprise ensure the third party has the deep technical knowledge required to maintain those systems.

Cost of Providing Support Service Internally

Once the company has determined the importance of the system and the level of reliability it needs for that system, it needs to determine the cost of providing support services to achieve that level of reliability. This cost will generally vary depending on the mix of external and internal support services the enterprises chooses. To be cost effective, the enterprises need to evaluate the total cost of achieving the desired level of reliability, not just the external costs of specific external services. In many cases, having a vendor provide the support services will be more cost effective for the enterprise than trying to provide that same level of services internally.

Skills Required to Support the Systems

Supporting an IT system usually requires specialized skills. Generally, most IT organizations have most of the required skills to support most applications and infrastructure. However, in some cases, the enterprise does not have all of the skills required to support the environment. In these cases, the enterprise would need to augment its current skill sets with outside resources by hiring additional employees or contractors or finding an organization that can provide the required resources.

Degree of Customization of the Environment

Enterprises need to consider the degree of customization of their environment. For environments that are more standardized, having an external vendor provide support services can be a more cost-effective solution than trying to support the environment internally. In this case, the vendor generally can leverage its experience in supporting a large number of systems. For applications that have been either custom developed by the customer or highly customized for their particular business, a vendor may not be able to provide support services for the application under a traditional support services agreement. In these cases, the enterprise will need to consider either a managed services agreement or supporting the environment internally.

IT Resources

Generally, IT departments have a limited amount of human resources at their disposal. Given this, the IT department needs to determine how to best deploy those resources. In most organizations, IT needs to support a variety of activities, ranging from keeping the environment functioning to developing systems that support

revenue-generating activities. One way an enterprise can free up internal resources so they can be redeployed to focus on these projects is to use external vendors to provide the support services.

LEARN MORE

Related Research

- ☒ *Single Point of Contact for IT Support Services: The "One Throat to Choke" Model* (IDC #34789, February 2006)

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