RETHINKING THE WAY YOU MANAGE ICT
Executive Summary

Managed services can provide enterprises with an opportunity to outsource a wide range of operational tasks to reduce internal complexity. It allows the enterprise to focus on its core business knowing they have the agility and uptime to respond to market and customer demands. Free from the mundane task of network management, IT leaders can focus on supporting business growth.

But the managed network services market is changing and IT leaders need to respond by re-assessing their sourcing strategies to ensure they are getting optimum value.

Managed network services are no longer just about the network. Increased IT complexity, and a highly connected digital world, is driving the adoption of more bundled offerings with greater functionality. This has led to the evolution of end-to-end services.

The simplistic view of a service provider confined to managing enterprise WAN services, access links, switches and routers, is long gone. Recognising that the enterprise of today is demanding so much more, providers are evolving beyond the network to include aspects such as gateway services, application management, unified communication as a service and hosting. Then there is the question of security and the growth of cloud computing.

By 2016, Gartner predicts 50 per cent of Global 1000 companies will have stored customer-sensitive data in the public cloud. With the current global economy facing financial pressure, organisations are compelled to reduce operational costs and streamline efficiency. Responding to this imperative, it is estimated that more than 20 per cent of organisations have already begun to selectively store their customer sensitive data in a hybrid architecture that is a combined deployment of their on-premises solution with a private and/or public cloud provider.

Enterprises need a managed services provider positioned to meet all of these needs. The challenge, according to IT research firm Gartner, is finding a provider with all of the capabilities to successfully combine the full scope of network services.

“Only a few providers have positioned themselves for end-to-end services,” Gartner analyst Bjarne Munch warns.

“Enterprises that need strong end-to-end performance guarantees must carefully evaluate providers’ end to end capabilities and experience.”

“Expect to find a few with a limited focus as many IT services providers and system integrators will only offer a subset of these services.”

When sourcing a provider for managed network services, Munch said enterprises should reconsider their objectives for outsourcing and re-evaluate which provider to use as the market evolves.

The solution is to use a provider that can cover applications, IP-PBX unified communications, network security, LAN, hybrid WAN, WAN optimisation, Internet Gateway, Voice Gateway, remote access and IP virtual Private Network Gateways, just to name a few.

“This is not just a matter of bundling various services for commercial advantage and sourcing value,” Munch said. “The integration of these services enables solution flexibility and management advantages that can create stronger service levels.”

Enterprises can begin by re-examining network costs. When it comes to IT expenditure the data centre and the network claim the lion’s share of costs. To control costs customers should continue to renegotiate managed services contract to ensure rates are market-based. Steps can also be taken to optimise network costs by refining the design and sourcing of networks.

This paper addresses these new trends and the new managed services models.

It outlines the evolution of the managed services market and how enterprises can successfully meet these challenges head on and deliver improved service levels.

Business Case Highlights

– Examine your costs and understand how a managed service can assist
– Look for a provider who can manage a complete service rather than piecemeal offerings
– Discover how a managed service can help your team become more strategic than tactical
– Ensure your sourcing strategy is business driven
– Place strong consideration on the maturity, accreditations and robust methodology of your provider
– Understand the systems, processes, management, reporting and KPIs to deliver your managed service
WHAT'S CHANGING?

IT IS IMPORTANT TO BE CLEAR ON THE DRIVERS FOR SEEKING A MANAGED SERVICE.

In a traditional managed network services model ownership of the wide area networking (WAN) assets and staff are transferred to the outsourcer.

Enterprises transfer the management and operation of some or all of their WAN equipment (routers, switches, hubs and servers) and network services to a provider. WAN connectivity services are then provided in a utility oriented manner. That was the traditional basic service model until market leaders moved into more comprehensive managed WAN and LAN services and introduced managed IP-PBX, security, traffic management and optimisation.

Providers went beyond just focusing on maintenance contracts or availability. This is because enterprises demanded a higher degree of integrated managed services for increased user-focused application performance. Combining services extends Service Level Agreements (SLA) end to end and enables application performance to be managed on an end to end basis.

Integrating managed WAN services with managed traffic management and WAN optimisation means that the provider can network applications in a more optimum manner and guarantee network performance for specific applications. Put simply, network services are expanding to become more application-focused, and application services are expanding to become more network-focused.

Network system integration is expanding to include all components of the end-to-end solution. But enterprises need to tread carefully. So what’s the secret sauce? According to market research undertaken by Gartner it is the ability to have a single view of the enterprise from the carriage to the desktop. This means having a provider that can map the service needs of an enterprise with offerings that go beyond basic connectivity.

As Australian enterprises have migrated to an Internet Protocol (IP) based WAN service, they have also been adopting a bundled approach to sourcing network services. For example, enterprises will bundle services such as managed routers, managed wireless LAN, managed WAN optimisation and acceleration (focussing on application performance) or IP telephony within a network contract.

For enterprises choosing to take this approach, Gartner says customers need to prioritise providers that can facilitate this level of broad ranging expertise. To assist IT leaders, Gartner has compiled a priority list that enterprises should use when going to market. The list includes Optus and its now fully integrated ICT subsidiary Alphawest who work together to remove the need for customers to choose between the scale and availability of a telecommunications provider like Optus and the independent ICT expertise of a solutions provider.

Although Optus was already well established as a market leader, and they now have another layer of expertise with ICT consulting, development, integration and the management of applications, servers, desktops and configuring business applications to support specific business processes. Customers value the combination of both services, especially given the interworking of ICT, networks and telecommunications services.

As the market evolves Gartner believes these leading providers will be defined not just by their capabilities in managing LAN/WAN services, but also by how they integrate traffic management to optimise application performance and by how they can integrate these services with customer-facing applications, such as IP telephony and business applications to optimise the end user experience.

Munch said the goal for many enterprises is more integrated services to enhance performance levels. “The customer has to clarify the basic drivers for seeking managed services,” he said.

Does the driver represent a need for a higher degree of user-focused application performance that requires more-integrated managed services? Or is the driver a more traditional offload of operational complexity with a traditional availability focus that can be delivered via stand-alone managed services?

The migration of enterprise networks to IP and the adoption of centralised remote management capabilities are seeing providers in this space increasingly expand services toward similar service portfolios. This includes investing in network management systems for centralised remote management so they can proactively monitor client networks and identify problems and provision changes remotely.

This includes network management tools for managing the network devices, as well as automated fault detection, performance management, tools for change management and software management.

Gartner estimates more than 50 per cent of the IT head count is involved in day to day operational processes supporting the business. To contain head count and associated costs processes need to be as efficient as possible. This typically involves the implementation of ITIL and de facto standard frameworks in IT operations.

Make sure your priority list of services and deliverables includes providers that can include these projects in its managed services offering freeing up resources for more tactical IT projects.
Gartner research has identified Optus as one of the few providers in the Australian market to offer a comprehensive set of end-to-end service offerings, setting it apart as a market leader.

Strong end-user focused service levels should incorporate leading providers in their request for proposal (RFP) processes. The value of the combined WAN infrastructure, network integration and management capabilities available from Optus Business can help you transform your existing capabilities. Being strategic when you go to market will help you find the best fit for your business.

While managed WAN services are dominated by telecommunications providers, Gartner said many struggle with strategies beyond the network. “In different ways, all carriers are pursuing converged services, but only a few have introduced a higher degree of application focus in their network services,” Munch said. “Because of the wide span in maturity, enterprises should ensure appropriate operational tools and experience.”

In fact, Munch said the increased need for skilled people and professional services is challenging the entire market. As a result enterprises are relying on managed service providers to fill this gap.

Meeting this challenge requires a significant investment in best practice frameworks such as ITIL, ISO accreditations and other certifications, according to, Optus Business. “This is one area where Optus Business invests heavily because as market leaders, we recognise the importance of delivering best practice frameworks to our customers.”

Optus attained standard ISO20000 in IT service management in 2011 which is in addition to its ISO9001 certification for Quality Management System Requirements.

“Customers want managed service offerings from trusted providers who have invested in industry recognised standards; they look to providers with proven market experience and credibility.”

Gartner rates Optus as one of the best positioned leaders in the Australian market pointing out with its integrated ICT capability it has taken a dominant position early in end-to-end integrated services. The need for customers to deal with a mix of different providers is eliminated. Instead of dealing with a myriad of vendors for different parts of the organisation, Gartner recommends introducing a business driven sourcing strategy, a single source provider such as Optus to manage your needs and those required from other vendors supporting your technology investments.

A key decision criteria is about controlling those aspects that are of strategic and critical importance to your business. Organisations that follow a formal process to develop a business driven sourcing strategy are more likely to achieve expected cost, performance and business outcomes, and take advantage of opportunities for improved speed to market and innovation.

As a combined ICT solutions provider and telco, network fault diagnosis and incident management is faster and it removes the need for customers to deal with a mix of vendors and system integrators.
Enterprises are increasingly dependent on their network infrastructure for their business operations. Budgets remain flat but the IT landscape has seen security threats increase, new technologies emerge and networks growing in complexity.

Gartner said it allows enterprises to structure management costs as a utility service based on monthly use. “It means being able to manage costs without loss of control over network architecture plus it reduces the capital expense of the enterprise,” Munch said.

Containing costs is key to effective managed services. The problem is that computing, networking and storage capacity are all growing at annual double-digit rates. Gartner predicts that by 2016, enterprises will install 850 per cent more terabytes than they have today. Tighter controls are necessary to contain this kind of incredible growth.

As part of the evolution of managed network services, greater integration is occurring on a number of different levels.

This is placing greater demands on IT staff who are already overburdened by the day-to-day tasks of ensuring network uptime and resilience.

It is a tough juggling act trying to reduce costs without decreasing service levels, which is why managed services has become such an attractive proposition.

Managed services for the network, security and unified communications allows enterprises to supplement or replace in-house staff dedicated to repetitive management tasks such as WAN fault monitoring, isolation and remediation. It also mitigates the risks associated with network outages and network performance problems.

Enterprises can meet network demands and still contain costs. The risk of downtime is reduced and infrastructure availability is increased.

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It’s not just the services that are undergoing tighter integration through bundling, a more seamless approach to services has been introduced at the provider level. For example, in the past few years Optus has taken big steps toward improving customer service levels for managing customer environments by removing operational separation. Munch said this development was inevitable.

Instead of operating as separate units, “a tap on the shoulder” to deal with a customer issue has become the norm and this co-location and working relationship is improving internal interactions with network centric ICT skills and enabling more responsive times for our customers.

While this approach has proven successful when tailoring solutions for customers, it is particularly effective when responding to network problems. Customers can ring one number when they have a problem because we have a single view of the entire network. Removing the blame game helps us identify if it is a network problem or an application issue, customers don’t want to be pushed from pillar to post they want resolution and immediate and efficient incident resolution. Being one organisation for telecommunications and ICT Optus has the ability to rectify any issues more quickly. Other providers might have to log the fault with the carrier and await a response whereas Optus could provide much faster resolution times.

Enterprises are having to accommodate exponential growth in network traffic with fewer resources and much tighter budgets. Together with bandwidth growth enterprises need to ensure their networks are equipped to meet future demand and new applications like VoIP all requiring specific Quality of Service (QoS) levels and other special requirements that can be dealt with in a managed network services offering from Optus.

Integration is also occurring at the services level. In the past, network integration has typically focused on selling and integrating devices as well as maintenance. But this is evolving into comprehensive remote management services.

Gartner said the general migration of WAN services toward becoming IP/MPLS-based and applications being deployed on IP are general drivers for the ability to bundle more services and to remotely manage devices and applications.

“As enterprises increasingly migrate to MPLS, WAN services also encompass the management of the WAN router,” Munch said.
Management tools are also critical because knowing the health of your network is impossible without efficient control systems in place. This also means more application-focused network SLAs.

Gartner estimates that the majority of MPLS services are sold with managed router services. “In some cases it also involves carrier and contract management,” Munch said.

Moreover, enterprises are increasingly using the Internet to offload their MPLS services to reduce costs. “This means that a router needs to be configured to discover and route certain application traffic over the Internet and other types of application traffic over the MPLS,” he said.

Only a few providers, including Optus, are able to provide this kind of offering.

This is in addition to managed gateway services including Internet Gateway, Voice Gateway and IP-VPN Gateway services provide enterprises with much greater solution flexibility.

This can be a hosted offering or a dedicated hosted gateway service where the enterprise owns the equipment.

The advent of MPLS has introduced Internet Gateway services from within the MPLS VPN. Optus is able to buy, design and deliver a tailored solution that is production ready for its customers by utilising a range of leading technology solutions working with its vendor partners.

For example, WAN Optimization and Acceleration services can utilise both Riverbed and Cisco technology. Optus Business has a long list of long term relationships with the likes of other market leaders such as Avaya, Cisco, Microsoft, Juniper and VMware.

As well as improved application performance enterprises can enjoy greater traffic visibility.

This includes monitoring of network use, congestion and throughput, as well as how much bandwidth is being used by specific applications, servers and different offices. Businesses need to understand network traffic patterns and how traffic is expected to grow to determine what level of resiliency is required for servers and hosts.

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The offering can include the ongoing monitoring and proactive measuring of application performance using metrics such as application response time or voice quality. This is done via network-based synthetic testing or application embedded tools.

While system integrators offer LAN maintenance or fault management and other services, they are generally only part of a much broader network offering available from market leaders. Gartner warns these providers are simply providing a subset of managed network services with very basic SLA’s which is why the research firm recommends that customers look to market leaders to deliver value. Evaluate the IT services market dynamic, changing landscape and competitive patterns. Consider the availability, maturity, quality versus cost, and stability of service offerings. Refine sourcing scenarios to drive business value and stay ahead of the market.

Customers can ring one number when they have a problem because we have a single view of the entire network.
Before engaging in discussions with a potential provider, enterprises need to conduct a thorough analysis of their business needs and technological requirements.

“Decide which managed functions to keep in-house and which of these functions to hand over to the provider,” Munch said.

“In cases where certain management functions are to remain in-house, the enterprise must decide how systems and processes will be integrated between the provider and enterprise functions.

“Next, a formal procurement process should be instituted.”

As part of this process, Gartner provides a list of recommendations on how to make the best selection. Munch said enterprises need to ensure the provider is financially stable, has a high level of in-house expertise and certifications, as well as flexible SLAs.

“Inquire about product integration skills, if your network requires integration of hardware, software and networking devices from different vendors,” Munch said.

In simple terms, the SLA is a contract between the enterprise and provider that covers the services and equipment being provisioned and under management. SLAs will vary based on which underlying transport technology is utilised.

Munch said in broad terms there are basic components that should be included in every SLA. These include: solid timeframes for initial implementation; repair times for change requests, outages and notifications; availability metrics which are usually based on service technology such as frame relay, ATM, IP and the requirements of the applications; performance metrics based on data delivery; penalties for not meeting targets and; a termination clause.

Munch said confidential reports on availability and performance should be provided at regular intervals whether it is every 15 minutes, hourly, daily, weekly or monthly.

“SLAs are meaningless unless they can be measured and enforced,” he said.

“Enterprises should install a measurement device which can be part of the offering or completely separate to the agreement.”

Gartner warns that managed service offerings are only successful if the enterprise is active in managing the provider.

This means checking SLA parameters on a regular basis to ensure appropriate service levels are being met.

“This new approach of bundling more services within a network contract may require more interaction with the provider than traditional connectivity services,” Munch said.

For services where changes are frequent, Gartner recommends establishing performance demands within the SLA by formalising regular meetings and service reporting within the contract.

As a market leader, Optus nominates good customer relationships as their number one differentiator in a highly competitive managed services market.

Ask yourself if your network went down for two hours what would happen to your business? This question is critical when developing an effective SLA however it isn’t just about uptime and building resilience into the network, the goal is to make customers more agile as a result of having a managed service.

Having the right skills at the right time so customers can keep up with fast moving technology trends like mobility and social media is a must.

Optus has have a portfolio of services for converged applications and unified communications (UC) which is generating a lot of interest from the small to medium business sector. On-premise deployment of UC can cause angst for businesses of all sizes. As the major providers expand their client/server UC into cloud-delivered versions, Gartner believes UCaas (Unified Communications as a Service) has become sufficiently attractive in both price and performance.

As a result Gartner believes UCaas will be adopted as an adjunct service by large enterprises and as a core service by SMBs before 2015.
To keep pace with technological change enterprises are relying on managed services providers to provide the business with greater speed to market. It means being able to introduce new technology without worrying about issues such as staffing, connectivity or day-to-day infrastructure management.

An effective managed services provider should be able to support business growth at the “flick of a switch.” A recent example of this involves one of the big four banks which is undergoing expansion into Asia. The bank’s aim was to support business growth in the region but the solution had to encompass speed and simplicity. Optus has delivered a solution by leveraging the regional reach of its parent company, the SingTel Group. Having the ability to flex managed services across geographic regions is a benefit that enterprises value. It is this level of agility that is required in a highly competitive marketplace and one that being part of the SingTel group offers.

Mobility presents enterprises with a broad set of interrelated challenges. It is often impossible for an enterprise to make thoughtful decisions in one area such as mobile application development without considering security and risk management.

Unfortunately, IT is burdened by an overwhelming array of regulatory, compliance, security, technology, expense, organisational, policy and legacy technology constraints that limit its ability to quickly adapt to this opportunity. Put simply, the innovation rate in media tablets, social software, and smartphones is accelerating faster than the enterprise adaption rate.

This is where managed mobility services will make a real difference. Moreover, enterprise mobility is dependent upon a reliable foundation of wireless technology and infrastructure which users increasingly expect to be persuasive. But dealing with mobility also means addressing security.

This is because today’s enterprise recognises the critical nature of information security. Optus believes the key to effective security services is a holistic approach that aligns technology and strategy. Many IT security offerings available today only focus on a few areas of the business.

To avoid this, Optus applies a security methodology to the network and infrastructure which covers every aspect of the business from e-mail and DDOS (Distributed Denial of Service) attacks to remote access and Web services, as well as authentication, and security information and event management.

It is only from a secure platform that enterprises can take the next step to meeting technological changes like cloud computing. Cloud-ready services are another part of the Optus portfolio that is expected to help enterprises lower capital costs. IT leaders need to not only manage costs but they also need to innovate if they want to remain relevant.

These additional pressures will encompass greater use of managed services because without it, enterprises will struggle to respond to rapid technological change such as including cloud computing, social media and mobility. IT leaders need to understand how each of these forces will shape their IT organisations in coming years.

One of the many challenges facing IT leaders in 2014 is mobility. Is your organisation ready?
The data centre is the ICT heart of an organisation and it is where some of the biggest changes are taking place.

It is also where managed services providers will increasingly play a strategic role. With a continuing trend to outsource more data centre operations in recent years, many tasks have become commoditised allowing enterprises to simplify their operations and better utilise resources.

Managing infrastructure is not exactly a core business priority, it is a responsibility that can be offloaded to Optus Business with a lot of critical tasks now being redirected to the cloud.

According to Gartner research the most agile organisations will eventually embrace Infrastructure as a Service (IaaS).

In a research note identifying data centre priorities through to 2013, Gartner found the key areas of investment include outsourcing, disaster recovery, storage infrastructure modernisation, as well as a wide range of virtualisation-led consolidation projects and private cloud initiatives.

In fact, public cloud services will grow five times faster than overall IT enterprise spending – 19 per cent annually through to 2015.

All of these projects along with cloud-based service offerings are redirecting IT expenditure as CIOs focus on improving the utilisation of IT resources.

For IT leaders it isn’t just about finding the budget to acquire hardware and software, it’s about the expense of managing these environments at a time when digital information continues to be generated at break neck speed placing greater demands for storage on the enterprise.

One theme that continues to emerge in all data centre conversations is the need to reduce carbon emissions and energy costs. The power to run this infrastructure can cost more than the original capital cost.

Recognising that green technology has become more essential Optus has introduced a portfolio of power saving solutions which incorporate the latest trends in renewable energy.

Gartner said planning for the Green imperative should begin today because by 2015, 80 per cent of cloud services will include a global energy surcharge in the fee.

Some cloud data centre operators already include an energy surcharge in their pricing package, and Gartner analysts believe this trend will rapidly escalate to include the majority of operators — driven by competitive pressures and a “me too” approach.

IT leaders and procurement specialists must expect to see energy costs isolated and included as a variable element in future contracts.

But it isn’t just green technology solutions that IT leaders need to consider, it is the underlying urgency surrounding these trends that is driving the new managed services landscape.

This is because IT is now a primary driver of business growth. Gartner said that during 2011, 350 companies invested more than a billion dollars in IT.

They are doing this because IT impacts their overall business performance, according to Gartner research vice president, Peter Sondergaard.

He said two thirds of CEOs believe IT will make a greater contribution to their industry in the next 10 years than any prior decade. “To thrive in this environment an IT leader must lead from the front,” he said. This means prioritising the IT spend to get optimum value from every dollar.

Australian enterprises will spend $61.9 billion on IT in 2012, up 1.9 per cent over 2011. It is no coincidence that more than a third of that spend — an estimated $22.4 billion - will be directed to external IT service providers.
Successful enterprises will not be investing in mediocrity but looking to market leaders to support their business. This means partnering with a provider that differentiates itself from the rest of the pack.

So what differentiates Optus from its competitors? It isn’t just about the provider’s ability to deliver the most comprehensive range of end to end services. The main differentiator is all about the customer.

Optus, mantra remains as “continual improvement” to ensure customers are getting the best service possible. The customer experience is at the forefront of what Optus do and how they do it, in fact it determines everything they do. The customer experience is so important to us that we regularly host feedback sessions with clients over and above satisfaction surveys and other forums held throughout the year. By placing such importance on the customers experience “we can avoid the rear view mirror” approach to managing clients. The aim is to be seen as long term advisors and partners supporting an organisation’s business priorities by helping customers having an optimum managed service offering to better meet their business goals, this is of significant importance to us.

The final decision will take many factors into account including service offerings, return on investment (ROI), in-house skill levels and predicted growth across the enterprise, just to name a few.

Following is a summary of the main recommendations of this paper:

1. Examine networking costs and clarify the main drivers for seeking managed services.

2. Identify managed services providers that can accommodate end to end offerings rather than piecemeal functionality.

3. Be more tactical by redirecting day to day operational expenses to strategic projects.

4. Organisations that follow a formal process to develop a business driven sourcing strategy are more likely to achieve cost, performance and business outcomes.

5. When sourcing providers use Gartner’s priority list of market leaders.

6. Consider the availability, maturity, quality versus cost, and stability of service offerings. What differentiates your managed services provider from the rest of the market?

7. In cases where certain management functions are to remain in-house, the enterprise must decide how systems and processes will be integrated between the provider and IT organisation.

8. Enterprises should install a measurement device which can be part of the offering or completely separate to the SLA. Managed services offerings are only successful if the enterprise is active in managing the provider.

9. It is not just about managing cost, IT leaders need to innovate if they want to remain relevant, eg. Introducing WAN optimisation and acceleration to enhance application performance

10. Be cloud-ready. Public cloud services will grow five times faster than overall IT spending – 19 per cent annually through to 2015, according to Gartner.

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