

Managed Software Services

**Increasing Productivity and
Maximizing your Return on IT**

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1. Managed Software Services

Every company wants to improve the productivity of its employees. Improved employee productivity lends to increased overall company productivity and profitability. Information Technology (IT) in the 21st century offers some extraordinary opportunities to drive out inefficiencies in an organization, and improve employee- and overall productivity. One key area where these efficiencies have yet to be maximized by most businesses is in regard to Managed Software Services.

1.1 Benefits of Managed Software Services

Managed Software Services (MSS) provide a cost effective mechanism for outsourcing the maintenance and support of an organization's information systems, software applications, or technical infrastructure. This maintenance and support is a crucial part of any organization.

Your enterprise contains important – many times mission critical – applications in which are vital to your business. However, the maintenance of these applications is time consuming and costly. Not only are there immediate costs for monthly fees for software, hardware, network, and human resources, but the opportunity cost is significant. Offloading software services of this nature to a professional IT services firm which specializes in MSS can significantly reduce the cost of IT by generally increasing employee productivity and specifically focusing employee efforts.

1.1.1 Increased Employee Productivity

Think about your employees for a second. You are probably very proud of your employees. Your organization works diligently to find the best possible people to fill the critical roles in your company, whether in IT or otherwise. Not only did you choose your employees, they in turn chose your company. Why? For a job, yes, but likely also because they believe in your company and the products and services it offers. Your best employees want to be an important, integral part of your business and make a valuable contribution to the products or services you provide.

Regardless of how critical to your business an information system is, your IT staff would typically rather be building new innovative solutions than maintaining old ones. When their skills are maximized in the creation of some new system which will increase revenues or decrease costs, their morale and productivity are maximized, and your return on IT investment goes up.

1.1.2 Focused IT Investment

Furthermore, your IT resources are limited. Having carefully recruited excited, knowledgeable resources to serve on your IT team, you are now faced with the reality that these valuable team members can only do one thing at a time. So, you're forced to choose. IT staff can either be providing new business functionality for your customers – translating to needed innovation, increased margins, or competitive advantage – OR they can be performing routine software maintenance tasks. Even if their focus is maintenance of critical systems, wouldn't you rather use their passion and domain expertise to provide new, important business functionality versus having them support legacy applications? When you free your employees from the day-to-day maintenance and support of your existing enterprise, you can now leverage their very important domain expertise to provide new, transformative value for your business. This maximizes the return on your investment in your IT staff, and your employees become an even more important part of your company's success.

1.1.3 Understanding an Application's True Maintenance Cost

When application maintenance and support is handled internally, it can be difficult to gauge the true costs of supporting the application. Costs can be hidden in your employees' salaries, lost productivity, etc. Once a cost has been identified for supporting services, making decisions regarding the short and long term viability of these applications – from a financial position – becomes much easier.

1.1.4 Guaranteed Levels of Service

A good MSS provider is careful to support their offerings by written, well-defined Service Level Agreements (SLA). These SLAs guarantee terms of service both to you and to the end users of the systems managed by the MSS provider. When your IT team is overtaxed, multitasking, and running at a breakneck pace – a natural byproduct of trying to do it all with limited resources – these levels of service are extremely hard to come by. Outsourcing maintenance and support to a provider whose exclusive focus is on the task of maintaining your legacy software sidesteps this challenge. Plus, a contract which includes SLAs of this nature, gives you the power to hold a service provider accountable for the quality of service to which they have agreed in writing.

1.2 Managed Software Services Implementation Models

Managed Software Services can be defined and customized to meet your company's specific needs, so there are a number of options from which to choose to maximize the benefits to your organization at an affordable cost.

1.2.1 Software Maintenance

A software maintenance only option allows you to outsource the day-to-day maintenance of your applications in a cost effective manner. SLA's are typically structured around normal business hours and provide service options for problem analysis, defect resolution, and application enhancements for your applications.

Applications that would fit into this category would be non mission critical applications or applications where initial support is handled internally and then handed over to your MSS provider for defect resolution. Commercial Off The Shelf (COTS) products would not fall into this category.

1.2.2 Software Maintenance and Support

Software maintenance and support is differentiated from software maintenance by adding 2nd and/or 3rd level support (after initial helpdesk analysis) for your applications. This increased level of support typically translates into increased hours of support and knowledge of your applications. SLA's and hours of support can be flexible to meet your company's needs.

The addition of support to the software maintenance package opens up the potential applications to also cover mission critical and COTS applications. Note that applications which rely heavily on domain expertise for troubleshooting and analysis are not good candidates for 3rd level support without extensive training and knowledge transfer to your MSS provider.

1.2.3 On Site Services

Targeted for larger companies, this option provides dedicated, on-site resources to maintain and support your applications, freeing up your employees to focus on new functionality and technologies. The benefits of bringing resources on-site would potentially include increased response time and easier access to business resources. In addition, by outsourcing these services staff can be increased/decreased in a shorter timeframe than it takes for a typical FTE. The downside to on site staff is the increased logistical support needed for office space, computers, phones, supplies, etc. that would normally be covered by your MSS provider.

On site services can be structured to provide support for any type of application.

1.2.4 Application Hosting

By outsourcing the hosting of your application, you can further reduce the amount of time needed by your employees to support your applications. This option allows your MSS provider to provide true end-to-end maintenance

solutions for your applications. However, since many companies already have well defined infrastructure teams in place, this option may or may not be appropriate for your company.

Support Area	Software Maintenance	Maintenance and Support	On Site Services	Application Hosting
Problem Analysis	√	√	√	
Defect Resolution	√	√	√	
Minor Enhancement	o	o	√	
Major Enhancement	o	o	√	
2nd Level Support		√	√	
3rd Level Support		√	√	
8-5, M-F	√	√	√	
24x5		√	o	
8-5 Sat		o	o	
24x7		o	o	
Custom Developed Apps	√	√	√	
Mission Critical Apps		o	√	
COTS Software		o	√	
Dedicated Resources			√	
Application Hosting				√
o = Optional				

Table 1 – Summary of Features

1.3 Return on Investment

Payroll and benefits costs are likely the largest line item on your IT budget. Devoting internal resources to the maintenance of your legacy applications devotes a significant portion of these costs to necessary, but not innovative, work.

By outsourcing your software maintenance and support, it may be possible to reduce these costs. With your IT resources now focused primarily on the creation of new, innovating solutions, you have engaged a service provider whose mission IS to provide managed support. Unlike your organization, for which this kind of support is a distraction, an MSS provider has explicitly hired

IT staff enthusiastic about this work and which has perfected the business model of aggregating and distributing maintenance and support tasks across multiple applications and multiple companies.

Plus, it is no longer necessary for your staff to include the specific skills necessary to do this type of maintenance work. You can rely on your MSS provider to maintain these skills (and the associated payroll costs) in their organization, not yours. So, although you're writing a check for these services, allowing the service provider to aggregate and distribute time, skills, and interest across their many customers, reducing the overall cost to your organization in particular.

However, there is no guarantee that your overall maintenance costs will go down, so ask your MSS provider to perform a cost/benefit analysis for you. Other benefits, such as increased employee productivity and guaranteed levels of service, may be enough to outweigh any increase in costs.

1.4 Action Steps

How can I get more information about MSS? Capstone can help. We would be happy to answer any other questions you may have about managed support and, if requested, we will work with you to understand your business needs and help you to define a plan tailored to your company's needs. Feel free to contact either of the resources listed below.

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2. About Capstone Consulting

Capstone Consulting (<http://www.capstonec.com>) is an IT services firm specializing in strategic IT consulting, program/project management, business intelligence, data warehousing, full-lifecycle application development and integration, and managed software services.

We leverage broad-based experience from multiple disciplines and industries to provide clear guidance and direction in helping IT deliver results to the business. Our goal is to give business leaders at all levels of the organization the tools to make intelligent business decisions to most effectively capitalize on revenue-generating opportunities. To this end, we offer strategic IT consulting services to provide our customers with guidance and expertise in solving complex business problems with technology. We specialize in developing and integrating enterprise applications, understanding and leveraging best practices in enterprise architecture, applying industry standard processes to manage projects and enterprise-level programs, as well as developing reports, dashboards, and custom applications to create the right solution to specific business problems.