

Homesteading: Establishing a Long-Term Strategy

Frank Calvillo
Managed Business Solutions, Inc.



<http://www.thinkmbs.com>



Today's Agenda

- Introductions
- Outsourcing
- Homestead Modules
- Application Management Support
- Homestead Transition Project
- Customer Scenarios
- Conclusion

Introductions



Who is MBS?

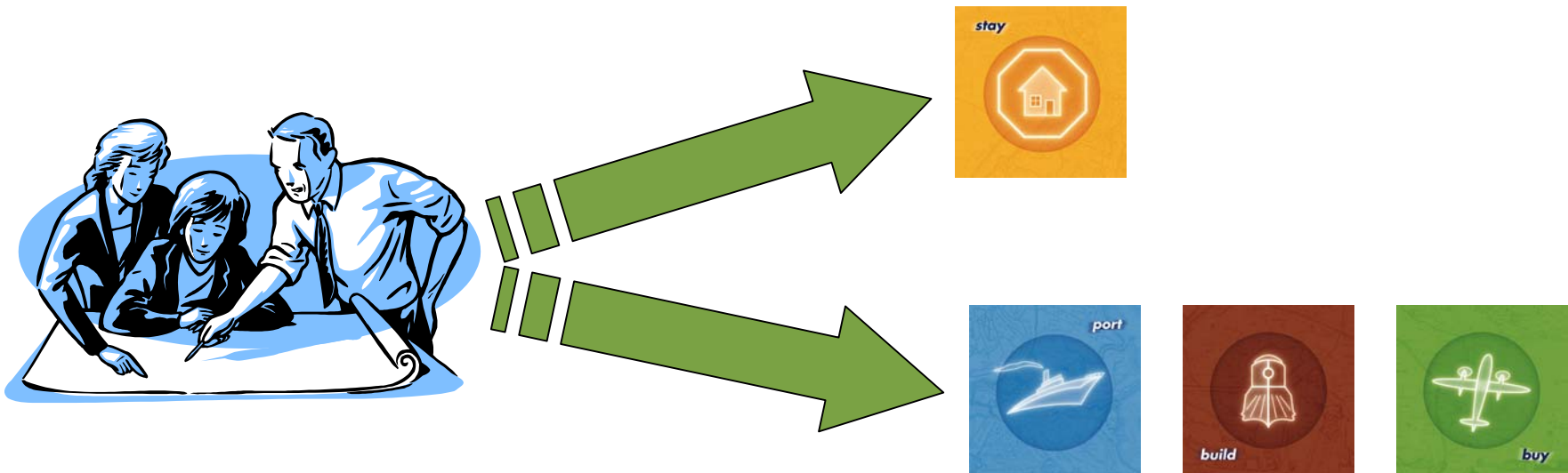
Booth #1111

- HP Platinum Partner
- Professional Services organization
 - Founded in 1993, headquartered in Colorado with global service delivery
 - Approximately 150 professionals across U.S.
 - Application development, Transition & Integration
 - Full-service, 24x7 **Right-Shore™** Support
 - Twice named to Inc 500 “Fastest growing, privately held companies in United States”
 - Profitable since day one
- **Stay, Port, Build or Buy™!**



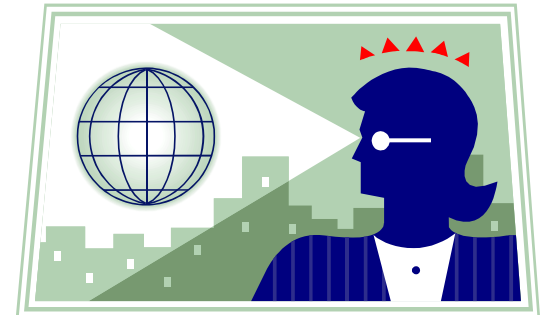
Why are we here?

- Address Homesteader's needs
 - What should I do to prepare for Homesteading?
 - What questions should I be asking?
 - What problems have others run into?



What are we covering?

- Homesteading = Outsourcing
- Briefly examine Hardware & System Support
- Focus on Application Support issues
- Provide long-term vision for future



Outsourcing



Planning Process: Outsourcing

Homesteading will involve Outsourcing

“Outsourcing is an arrangement in which one company provides services for another company that could also be or usually have been provided in-house. Outsourcing is a trend that is becoming more common in information technology and other industries for services that have usually been regarded as intrinsic to managing a business. In some cases, the entire information management of a company is outsourced, including planning and business analysis as well as the installation, management, and servicing of the network and workstations.”

Source: searchCIO.com

Why outsource?

Industry statistics

- “An effective outsourcing strategy can reduce these ownership cost by as much as 30 to 40%”, *Thomas Kelly’s “Is Application Outsourcing Right for your Business?”*
- Global outsourcing can reduce application management costs by 20-50%. *Forrester Research*
- The highest revenue and Gross margins will come from support services that aim to increase availability in mission-critical environments. *International Data Center (IDC)*

THE BOTTOM-LINE IS...

Analysts agree, noting that in 2003 the outsourcing market will help companies trim costs around non-core business requirements, squeezing the most efficiency out of the systems and applications already bearing an investment.

Why outsource?

What the experts are saying...

- “In the past companies outsourced to get rid of assets...today more and more companies outsource to gain capabilities.” *Wendal Jones, Outsourcing Center Analyst*
- “The shared risk arrangement between the two companies is one of the most visible examples of a growing trend of risk and reward relationships between supplier and customer,” *Stephen Lane, Aberdeen Group’s IT services research director*
- “The challenge for small to mid-sized companies is that it will become even more difficult to discern the right choices, unless they take a strategic approach to IT outsourcing.” *Bill Donovan, CEO Intellicisions*

CIO Pain Points

CIO pain points according to CIO Magazine

40%

LACK OF SKILL
SETS, RETENTION

37%

INADEQUATE BUDGETS

16%

POOR VENDOR
SUPPORT AND QUALITY

CIO MAGAZINE © 2002

Outsourcing Benefit: Staffing & Turnover

- Provider incurs cost, responsibility of managing, replacing resources
- Outsourcing provider should:
 - Reduce support costs by at least 20%
 - Have infrastructure in place to expand/contract rapidly as fitting your needs
 - Be able to share with you hiring methodology
 - Minimize turnover; be more responsive, scalable
 - Have turnover rate < 10%; average IT: 35%
 - Assume responsibility for training new resources

Homestead Modules



Areas to Outsource/ Homestead Modules

Application Management

ACCESS SECURITY	APPLICATIONS: CUSTOM OR COMMERCIAL		
	Manufacturing	Insurance	Financial
	Healthcare	Retail	Customer Care
	Sales & Marketing	Reporting	Procurement

System Management

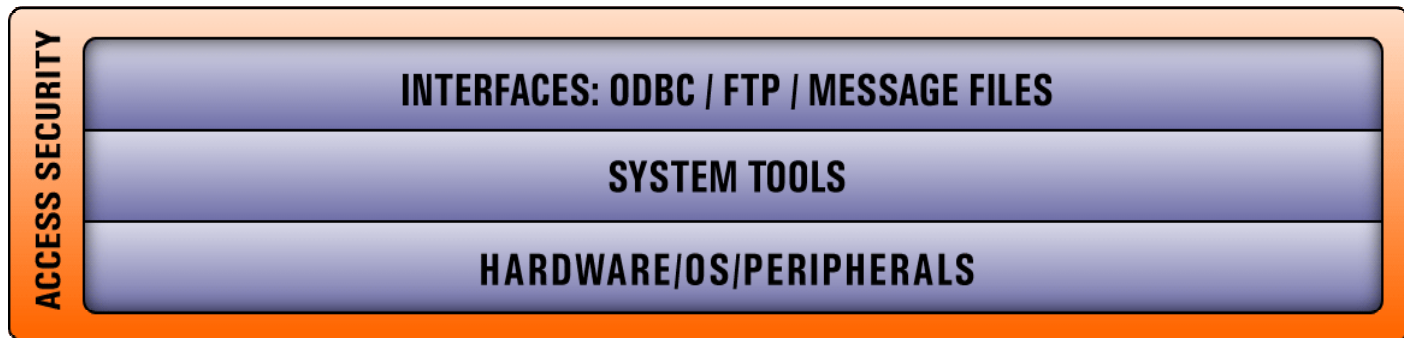
ACCESS SECURITY	DEVELOPMENT TOOLS
	DATABASE
	SYSTEM MANAGEMENT

Hardware

ACCESS SECURITY	INTERFACES: ODBC / FTP / MESSAGE FILES
	SYSTEM TOOLS
	HARDWARE/OS/PERIPHERALS

Homesteading: Hardware Support

- Basic hardware support:
 - Fundamental OS, System tools
 - Peripherals, Interfaces and any add-on tools
- On-site hardware support
- Parts and Logistics
- HP Certified Lab and Help Desk services



Planning Process: Hardware Support

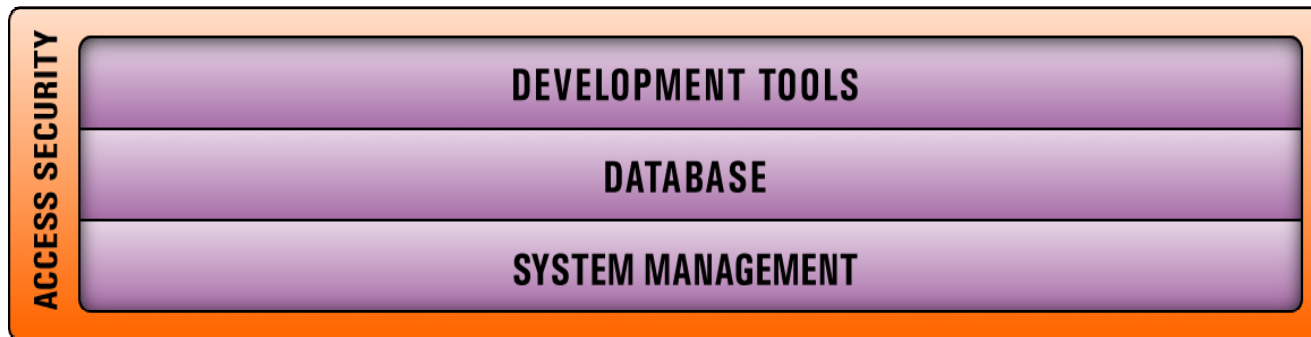
- Reputation & references
 - HP3000 history
 - If new to HP3000, past performance w/previous platforms?
- Price & performance
 - Can they provide 24x7 support? At what cost?
 - Response time? Type of response?
- Parts availability
 - Sourcing strategy
 - 3rd party reliance versus personal stockpile

Planning Process: Hardware Support

- Personnel
 - Does the Vendor have certified engineers?
 - How long have they been doing this type of support?
- Proactive maintenance
 - What policies/costs are associated with ensuring hardware is secure before problems occur?
- Data centers
 - Can the Vendor operate in an ASP model?
- Disaster recovery
 - Is the Vendor prepared for a catastrophic failure?
 - How long would a complete recovery take?

Homesteading: MPE Support

- Selected System administration programs:
 - Reactive problem resolution assistance
 - Proactive system administration consulting
 - Complete outsourcing of system administration
- Flexible support response, up to 24x7
- Single point of contact



Planning Process: MPE Support

- Ensuring stability (Vendor qualifications)
 - Strategy: Intend to perform support w/o access to MPE source code?
 - Staff: Qualified personnel to patch OS code at the application level?
 - History, business viability (size, longevity)
- Controversial, future uncertain
 - OpenMPE status?
 - MPE emulator?
 - Access to MPE source code?

Homesteading: Application Management Support

- Management and maintenance of custom, commercial and orphaned business applications
- Proven MPE support expertise for critical business applications
- Flexible support options, up to 24x7
- Closed-loop problem resolution

ACCESS SECURITY	APPLICATIONS: CUSTOM OR COMMERCIAL		
	Manufacturing	Insurance	Financial
	Healthcare	Retail	Customer Care
	Sales & Marketing	Reporting	Procurement

Planning Process: Application Management Support

- Optimum application support provider profile:
 - Focused on support as primary business
 - Flexible enough to take on custom applications
 - Also offers development services
- Application definitions
 - Custom, in-house developed code
 - Defunct ISV code (orphan)
 - Mainstream ISV code

Homesteading: Another Option - Hosting

HOSTING

APPLICATIONS: CUSTOM OR COMMERCIAL

ACCESS SECURITY

Manufacturing

Insurance

Financial

Healthcare

Retail

Customer Care

Sales & Marketing

Reporting

Procurement

DEVELOPMENT TOOLS

ACCESS SECURITY

DATABASE

SYSTEM MANAGEMENT

INTERFACES: ODBC / FTP / MESSAGE FILES

ACCESS SECURITY

SYSTEM TOOLS

HARDWARE/OS/PERIPHERALS

Advantages:

- Mgmt & Support of MPE infrastructure to max technology investments
- Shared Services allow for decreased costs
- Increased performance
- Limitless expansion capabilities
- Secure, stable environment

Application Management Support



Application Management Support (AMS)

- Factors to consider when selecting a AMS provider
 - Service level agreements (SLA)
 - Application transitions
 - Proactive support model
 - Support methodologies
 - Support tools
 - Application enhancements & upgrades

AMS:

Service Level Agreements (SLA)

- Service Level Agreement is the contract binding client & service provider
- Ensures expectations & service level is communicated & agreed upon
- Absolutely critical: can make the difference between business success & failure
- Guarantees are worthless without a SLA

AMS: Application Transitions

- Vendor must demonstrate overall business process understanding & change management
- For each specific application, the Vendor must understand:
 - Business use, process criticality
 - Technical environment
 - Interfaces
 - Critical events
 - Local customizations
 - Key users
 - Data flow

AMS: Proactive Support Models

- Norm is reactive support model: action is dictated when a problem occurs
- Proactive support reduces ongoing costs
 - Focus on fixing recurring problems
 - Continuously monitors applications for aberrations
 - Unsolicited communications to increase business productivity
 - Capture, document integration of application & data flow, useful for training

AMS: Support Methodologies

- Client service standards
 - Are these clearly defined?
 - What level of service is guaranteed and how is this measured?
 - What structure is in place to capture data?
- Knowledge management
 - How is the knowledge capital captured, managed & disseminated?
 - Is this knowledge actually being re-used or are problems routinely being re-investigated?

AMS:

Support Methodologies (cont.)

- Communication management
 - What processes are in place to facilitate communication? Is it bi-directional?
- Release to production
 - What is the quality assurance process for releasing new applications or modifying existing ones?
 - Testing
 - Going live
 - Version control
 - Risk mitigation
 - Documentation

AMS: Enhancements & Upgrades

- Long-term supportability must be kept in mind.
Provider should:
 - Assess & comprehend business environment
 - Understand the software development lifecycle
 - Involve support analysts & business users throughout SDLC
 - Establish definitive metrics to measure success
 - Demonstrate ability to provide accurate, thorough documentation

Homestead Transition Project

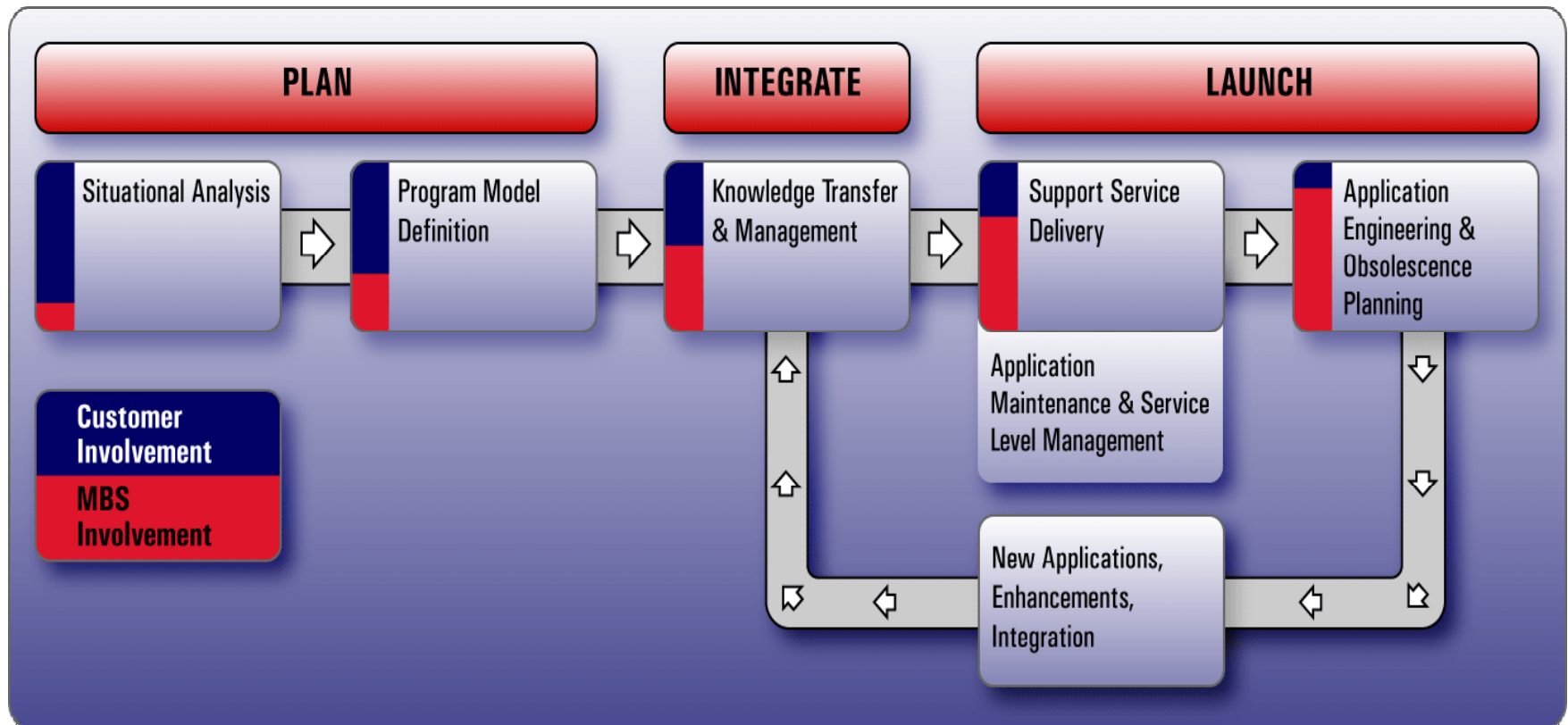


Homestead Planning: Support Audit

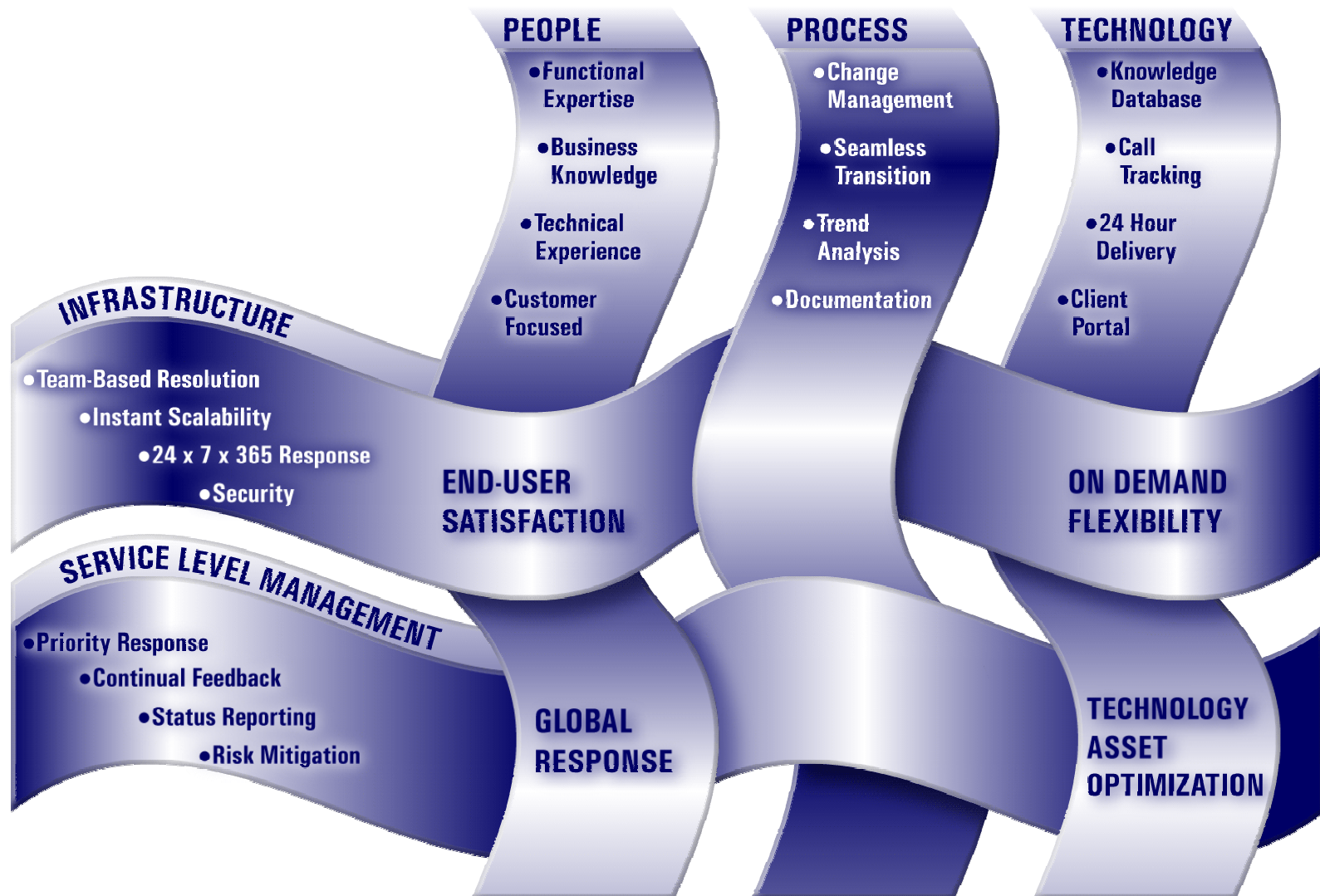


- Phase 1: Data Gathering
 - Step 1: Review business goals and direction
 - Step 2: Review IT goals and strategy
 - Step 3: Perform application inventory with support requirements
 - Step 4: Perform hardware inventory with support requirements
 - Step 5: Evaluate current app management/maintenance processes
 - Step 6: Review current application usage and support processes
- Phase 2: Data Analysis
 - Step 7: Perform GAP analysis regarding application management
 - Step 8: Evaluate application management tools and processes against GAP analysis
 - Step 9: Provide strategic management and process implementation plan

Homestead Transition Project



Homestead Monitoring



Eventual Migration

- Support provider will have intimate knowledge of not only your hardware, systems and applications, but also your business
- Outsourcing support now can help fund future business ventures, including Migrations
- Support provider should be more than a contract; should be your business partner
- Change is natural, trust your instincts!



Customer Scenarios



Sample Homesteader: Regional Insurance

■ Situation

- HP3000 929KS/020
- Single IT resource
- 1 Homegrown application:
Image, Cobol, Vplus

■ Timeline

- Assessment: 1 day
- Transition:
Hardware - 1 week
Application - 1 month

■ Monthly Pricing

Hardware/System support:

- Elite, same day 4 hr: **\$449**

System & Application
Management:

- 16x5, 4 hour response
- Batch management
- End user support
- **\$3K**

Sample Homesteader: Manufacturing

■ Situation

- 929 Manufacturing Server, 14 major application w/customizations
- 968 Procurement Server, 3 custom applications
- 967 Finance/HR Server, mix of OTS & custom apps (total: 17)

■ Timeline

- Assessment: 1 week
- Transition:
 - Hardware - 1 month
 - Applications - 2 months

■ Monthly Pricing

Hardware/System support:

- Manufacturing: **\$599** (Critical+, 24x7)
- Procurement: **\$599** (Critical+, 24x7)
- Finance: **\$349** (standard, next day)

System Management, 24x7: \$2K

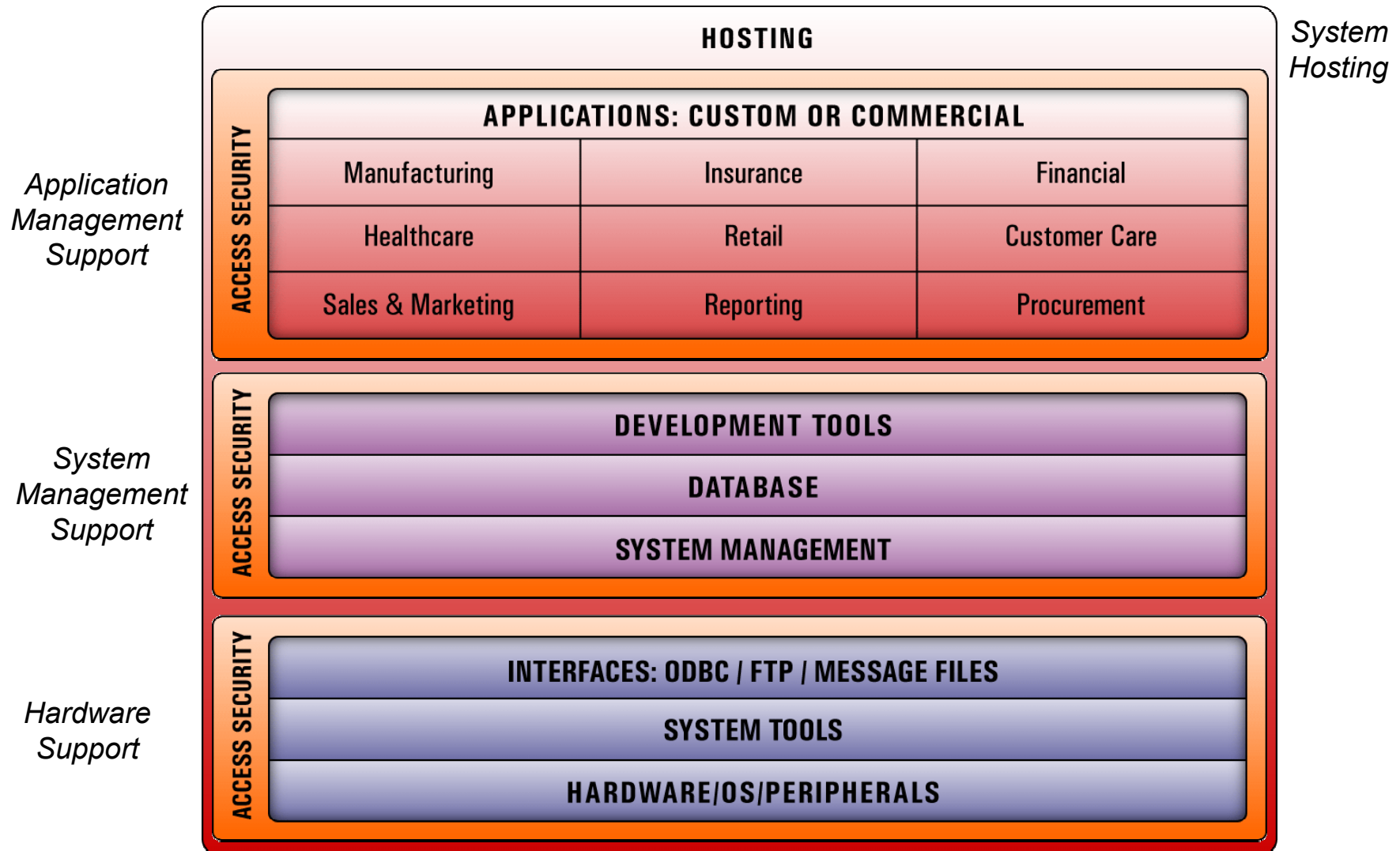
Application Management, 24x7:

- Manufacturing: **\$11K**
- Procurement: **\$3K**
- Finance, 16x5: **\$9K**
- All include end user support & batch scheduling

Conclusion



Homesteading: Weigh all the options...



Summary

- Choosing to outsource support is **NOT** risky
 - Reduce operating costs
 - Reallocate critical resources
 - Minimize, quantify risks
- Do your homework
- Continue to monitor effectiveness
- Keep your Business' best interests in mind!





Interex, Encompass and HP bring you a powerful new HP World.

