

When to Change you Hosting Partner: A Conservation with SOMA Networks

Bruce Kozlowski
Director Solution Architecture
Core Services

What is Application Hosting or Outsourcing?

- **Outsource**

- *to buy labor or parts from a source outside a company or business rather than using the company's staff or plant***

** Encarta Dictionary, 2004

Why do Companies Host their Applications?

- Loud's Technologies develops engineers, manufactures professional audio and video reproduction and recording equipment and software Primary reasons for migrating to a hosted environment were:
 - Improve response time for user transactions
 - Provide a more secure hosting environment for hardware and application to provide optimal business continuation globally
 - Reduce overall expense and establish consistent, predictable expense for using, supporting and managing Oracle
 - Improve access to, and reliability of management information
 - Derive greater value from Oracle and make better leverage of applications currently owned.

Getting back to Core Competencies

- **Do you want to build your own Furniture?**
- **Do you want to run your own Cafeteria?**
- **Do you want to have a Custodial Staff?**
- **Do you want to Program all your own Software?**
- **Ever Use a Consultant or Contract Help....?**

Remember Any of These?



"I think there is a world market for maybe five computers."

Thomas Watson, Chairman of IBM, 1943

"Computers in the future may weigh no more than 1.5 tons."

Popular Mechanics, forecasting the relentless march of science, 1949

"There is no reason anyone would want a computer in their home."

Ken Olson, President, Chairman and founder of Digital Equipment Corp., 1977

"640K ought to be enough for anybody."

Bill Gates, 1981



Why Outsourcing can be like a strained Marriage

- “Deciding to outsource tech work is like getting married: You carefully select a partner and agree to stay together for a long time, and from that point on your fortunes are intertwined—at least until relations get too strained to carry on.
- “Not surprisingly, many outsourcing relationships, like many marriages, are dysfunctional. While 70% of tech leaders say they’re satisfied or very satisfied with their outsourcing relationship, a closer look reveals some underlying tension, according to a Deloitte Consulting report that will be released today.”
 - ***‘Till someone gets a better deal do us part***
 - In a Wall Street Journal on line article (February 14, 2008)
 - Posted by Ben Worthen

Hosting Journey from 1.0 to 2.0: the next evolution of outsourcing.

- In its simplest perspective outsourcing is just paying someone else (a third party) to do something that either you, or a member of staff or yours, could do, but is better done by someone else.
- When you go to the doctor, you're not "outsourcing"
- If you hire a company to clean your office or set up computer networking, that really is a form of outsourcing –
- Hiring a full-time network administrator is not outsourcing, whereas hiring a once per week software or hardware administration service is.

Outsourcing is not new a practice, it has gotten a lot of press attention for the reason that it is happening with record speed and in ways that never happened before.

The Key elements for outsourcing 1.0 to 2.0, how they have changed

- Assigned Tasks and Deliverables:
 - A major driver 'Outsourcing 1.0'
 - Arranged tasks, creating complex contracts and delivering on the contract
 - Segregate business task, moving systems from “Your Place” to the “Hosted Place”
 - HR Systems, Accounting solutions, Payroll processing, etc.
 - Get out from under the \$75 per hour DBA.
- Partnership
 - The new driver for ‘Outsourcing 2.0’
 - Collaborative, become a partner with your “Hosting Provider”.
 - Hosting Company a partner in your business.
- The Old vs. the New
 - In the old days was about negotiating the best deal with the lowest costs.
 - In the new era for Outsourcing or Hosting “2.0”,
 - client and provider have business models that are vitally aligned.
 - Collaboration and service to the customer

InformationWeek survey IT Outsourcing



- InformationWeek Research Survey June 2006

InformationWeek survey IT Outsourcing

- 50% rate their outsourcing efforts a success,
- 33% are neutral,
- 17% - *nearly one in six* - call them disasters.

Primary reasons for dissatisfaction include:

- Poor customer service, vendor responsiveness or flexibility (45%)
- Hidden vendor costs
- Insufficient up-front planning by our company

InformationWeek survey IT Outsourcing

- Another InformationWeek article reports the prime motivator for outsourcing is, of course: cutting costs, [among others](#). McDougall's article, however, tells how Sprint, while planning to save \$2M by outsourcing to IBM, instead ended up accusing IBM in court of failing to achieve the promised productivity improvements.

In a Wall Street Journal on line BLOG

- BLOG GRQUILL blogsadmin@wsj.com comments
 - “After spending more than 30 years on both sides of the outsourcing equation, I can tell you that a strong partnership is required. Both parties have to be clear as to their goals and agenda. Government is an ideal location for outsourcing, with U.S. companies, to achieve lower costs, higher accountability, and measurable results! Technology refresh with in-house staff is difficult in these budgetary times and outsourcing with credentialed staff is a key to doing more with less.
 - Comment by GRQUILL - February 14, 2008 at [1:16 pm](#)

Cost Containment

- Major reasons to head down a path of Outsourcing or using Hosting
 - Cost savings.
- Look at the bottom of the Chart
 - Improved IT performance,
 - Better support for internal users
 - Better reliability.
 - Outsourcing decision should be
 - focus on Core Competencies of the business not IT.

Outsourcing Drivers

What are the most important factors driving your company's decision to work with an outsourcer?



Note: Multiple responses allowed.
Data: InformationWeek Research Analyzing The Outsourcers study of 420 business technology professionals, June 2006

Questions for SOMA Networks

- SOMA Networks recently changed Hosting Partners, what are some of the issues that your company faced in making the decision to move to a new provider?

Questions for SOMA Networks

- In the InformationWeek research outlined some issue that many organization face. Did SOMA Networks face any of the issues?



Questions for SOMA Networks

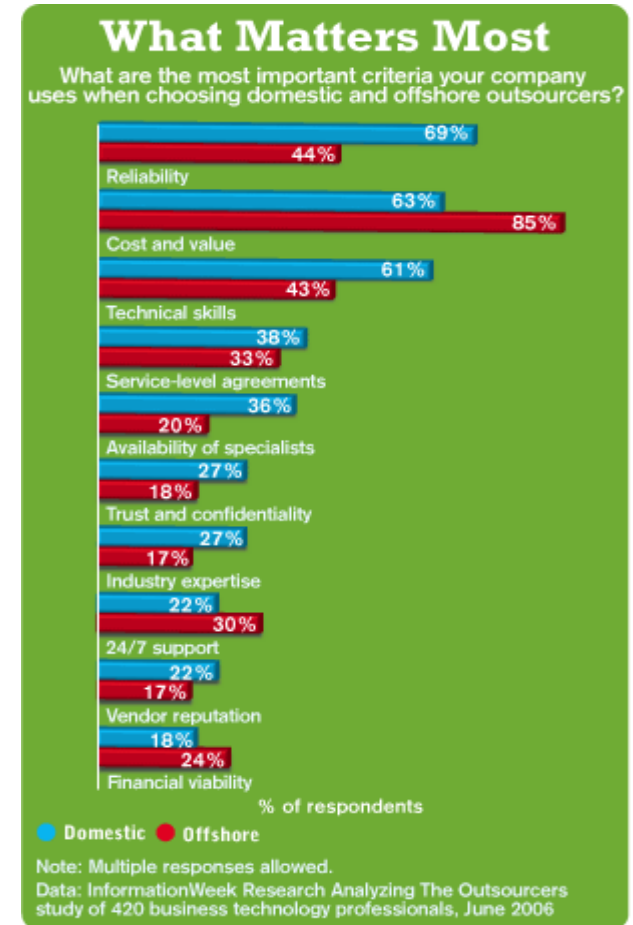
- When you changed hosting providers did you find a company that you could partner with?
- What were some of the key attributes in selecting the new Hosting Partner?

Questions for SOMA Networks

- How important is the relationship or partnership between SOMA Networks and your hosting provider?
- How have you found the overall experience with hosting your Oracle eBusiness Suite Applications?
- Would you recommend other companies follow a similar path and have their Applications hosted?

Questions for SOMA Networks

- In the InformationWeek Study outlines “What Matters Most”, how would you rank what matters most to your business for your continued success with outsourced or hosted solutions?



Questions for SOMA Networks

- What are the key issues that companies should consider when outsourcing IT functions?
- What trends do you see for the future of IT outsourcing?

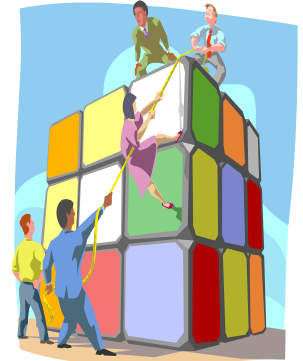
Potential Benefits and Pitfalls

- The Good:
 - Cost reduction
 - Budget predictability
 - Improved service levels
 - Additional functionality
 - Ability to focus on higher, more valuable priorities
 - Opportunity to develop newer skills



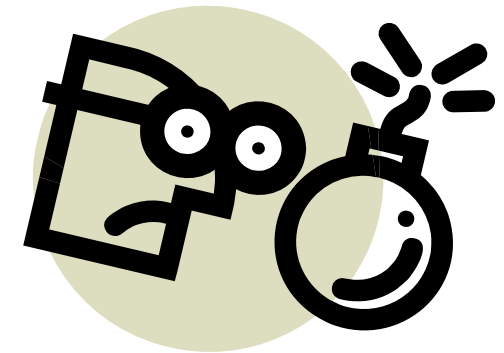
Potential Benefits and Pitfalls

- The Bad:
 - It's not a quick fix
 - Investment of time, money and resources is required
 - Requires a paradigm shift
 - Generally entails some short term unpleasant side effects (reductions in work force or skills change-out)
 - May involve some 'head banging' to get there
 - May create an unexpected 'monster'



Potential Benefits and Pitfalls

- The Ugly, If It's Not Done Right:
 - Service degradation
 - Cost saving not realized:
 - Lack Of Service Penalties
 - Twice The Time at Half the Rate Does Not Save Money
 - Hidden Expenses
 - IT credibility loss
 - Bad media press!!
 - High cost to recover (in-source)



A Few Good Outsourcing Principles

- Seek quality service at a fair, competitive price
- Create long term relationships with short term contracts
- Get detailed service descriptions with adequate metrics for each activity
- Make supplier fully accountable for delivering services with penalties when service levels are missed
- Manage, monitor and review supplier's performance with clear delineation of responsibility boundaries

Those are my principles, and if you don't like them... well, I have others.“ - *Groucho Marx*

What can you do when you get back to work?

- Develop Your Goals
- Recognize Your True Core Competencies
- Identify Outsourcing Candidates
- Seek Out and Analyze Your Alternatives
- Use Professional Assistance

Thank you !