

## The MSP Movement Is Launched

Net Forecasts – Peter J. Sevcik

BCR Volume 30, Number 5

May 2000

Keeping IT running directly affects the bottom line. When systems are inoperative, many if not all enterprise functions halt. For example, the Infonetics Research WAN Downtime Study found that WAN downtime at enterprises with more than 1,000 employees cost about \$7.8 million per year.

That statistic is only the tip of the iceberg, because it doesn't include all the costs that are lost during long periods of poor system performance. So, here's the question: If network and systems management (NSM) vendors provide good tools by which an enterprise can stay out of such trouble, why the large cost of downtime?

### The Current Approach has Failed

The key reason why NSM investments don't deliver value in the long run is that the tools of IT management are as complex as the IT systems they manage. In essence, an enterprise must invest in IT twice: once to operate the business, and a second time to operate IT. Very few enterprises can comfortably afford both investments.

In order to successfully implement a new, platform-based NSM system, the enterprise should follow a multi-step project plan of evaluation, purchase, installation, integration, test, agent deployment, procedure development, service metrics definition and, finally operational staffing. All of this work has to be performed by two distinct types of staff: systems analysts and operators. These people are often simply unavailable within the enterprise.

So, the enterprise must recruit, train and retain new people with unique IT specialties, and that's a major challenge. Recent research by the Information Technology Association of America (ITAA) shows that during 2000, a staggering 50 percent of the 1.6-million openings for IT staff will not be filled due to the lack of available, qualified employees. The IT labor shortage will only worsen as more of the economy comes to rely on IT. While executives often complain about the "time-to-market" problem, in the case of staffing, there's a "lack-of-market" problem.

While enterprises wage a valiant effort to get the IT monster under control, they're caught in a vicious cycle: The cycle for getting and deploying a new system can take 9-12 months, but since there's not enough qualified staff, it doesn't take very long before no one is operating the NMS platform on a regular schedule. The platform may continue to be used for background data gathering and to help solve occasional problems but, over time, the staff becomes less facile at using the platform.

Eventually, people abandon the NSM or use a small fraction of its original capabilities. It is not unusual to see enterprises that have made multiple investments in NMS platforms within a decade, none of which provide much value. Money winds up being wasted and the IT infrastructure remains in a chronically chaotic state. There has to be a better way.

### MSPs to the Rescue

Fortunately, there is a new option that's becoming available. The idea of a management service provider (MSP) presents a new, middle ground between doing it all and giving it all to someone else. Enterprises still own and operate their primary IT assets, but use a specialist firm – the MSP -- to operate the sophisticated tools to monitor, measure, notify, track and report on the health of the client infrastructure. Global standardization of IT makes it possible for MSP firms to take over such fundamental functions.

An MSP can take over the complex and expensive jobs of operating an NSM foundation and providing constant, Level 1 support for an enterprise. This permits the enterprise staff to be freed up for higher-value roles such as true system administration, problem diagnosis and repair.

The importance of shifting the burden of operating and maintaining the NSM foundation functions cannot be underestimated. It's almost impossible for an enterprise IT organization to keep up with the NSM software industry as well as a company that specializes in operating large NSM systems. Given the limited pool of talent that's out there, an MSP has a much better chance at attracting the kinds of

specialized, skilled staff it takes to design, build and operate an NSM.

Since businesses operate on IT *applications*, we need to rethink our approach to Service Level Agreements (SLAs) so that they're defined at the application level with a bilateral set of expectations and responsibilities with business units. SLA reporting becomes, in essence, a report on the operation of the business. But your staff isn't going to be able to operate at that level until and unless they get freed up from mundane Level 1 and 2 support tasks. Proper SLAs cannot be established in chaotic environments where the support staff doesn't have the time to discuss, analyze and respond to issues at the business-unit level.

Calculating the return-on-investment from an MSP is a simple "buy vs. build" analysis. Estimate the cost of performing the total multi-task NSM project vs. buying a completed NSM service. In the latter case, the client is buying an incremental level of capacity from a fully operational NSM infrastructure. As a practical matter, it's hard for the do-it-all-alone approach to beat an incremental-cost model.

Moving to an MSP service can be a win-win scenario. The enterprise maintains full operational responsibility for the IT infrastructure while outsourcing the tools needed to get the job done. This is analogous to what happens when a surgeon walks into the operating room to perform an operation. We don't expect the surgeon to prepare the operating room with instruments and support systems. An MSP keeps an IT operating theater prepared and fully staffed with technical rather than medical specialists. You and your enterprise IT staff move into the role of the surgeon.

### **MSP Market Segmentation**

Good ideas in networking and telecom tend to attract a crowd, and that's already happening with MSPs. There already are at least 10 vendors offering MSP services, but, as discussed below, they have adopted different perspectives and focus on different customer needs.

The primary segmentations are enterprise or e-business focus. The enterprise-oriented vendors include:

InteQ ([www.inteqnet.com](http://www.inteqnet.com)),  
InfoVista ([www.infovista.com](http://www.infovista.com)),  
Triactive ([www.triactive.com](http://www.triactive.com)),  
SilverBack ([www.silverback.com](http://www.silverback.com)),  
Luminate ([www.luminate.com](http://www.luminate.com)) and  
NetSolve ([www.netsolve.com](http://www.netsolve.com)).

Those with an e-business focus include:

MimEcom ([www.mimecom.com](http://www.mimecom.com)),  
SiteROCK ([www.siterock.com](http://www.siterock.com)),  
atManage ([www.atmanage.com](http://www.atmanage.com)) and  
Loudcloud ([www.loudcloud.com](http://www.loudcloud.com)).

Enterprise MSPs must provide a broad range of tools and services to satisfy the diverse nature of the enterprise market and the vast number of current and legacy IT systems that must be monitored. Furthermore, these vendors must strike a balance between providing custom solutions and canned reports. Client customization of features can be counterproductive for both the MSP and the enterprise, because the whole purpose of going to an MSP is to avoid unnecessary, specialized analysis and reports. Sound practices like the IT Infrastructure Library (ITIL), the *de facto* standard for IT service management, provide the best balance.

MSPs that focus on e-business provide services to Web-based businesses, most of whom are too new to have any IT management staff. E-business also is a simpler problem than overall enterprise management because there are fewer platforms and protocol standards. Moreover, Web-based systems are, almost by definition, open and accessible.

The MSP vendors with an e-business focus differentiate themselves in terms of their ability to provide robust electronic commerce monitoring, alarms, reports and diagnosis. In this market, since most customer sessions involve generating revenue, insuring customer trust is paramount.

Solutions available for both the enterprise and e-commerce market segments range from comprehensive integrated solutions, to small packaged solution "suites" and down to providing specific management tools on an *ala-carte* basis.

The latter option can appeal to IT shops that, while

otherwise well managed, do not want to invest in the new, specialized tools for applications like e-commerce tracking. In some cases, the *ala-carte* approach is only the first step and, if successful, the customer may decide to migrate to more comprehensive offerings.

Moving toward to a comprehensive integrated solution from an *ala-carte* service vendor may prove to be difficult. Buyers of MSP services need to take a long-term view of their overall needs, because, as is the case with any other procurement, you need to find an MSP that can respond to evolving requirements. If you think that you'll eventually need more comprehensive solutions at some point in the future, find an MSP who can deliver those solutions today; changing MSPs is likely to be traumatic. This is far from a commodity service where churn benefits the buyer.

### **Conclusion**

Will the MSP movement succeed? Time will tell, but the most likely reason for optimism is their ability to focus on a narrow, but extremely important layer of any IT solution. They can get ahead of the buyer in both staff and execution. Neither traditional enterprises nor dot-coms will be able to match these capabilities.

MSPs are part of private-to-public IT shift I discussed in an article I wrote two years ago in *BCR* (see, "The Beginning of the End for Private Data Networks," January 1998, pp. 41-43). Over the long run, enterprises will benefit if their IT staff can move up to focusing on making their companies more competitive rather than having to worry about whether IT systems are operating. Put another way: Welcome to the bridge of the ship all you boiler-room workers!

*Peter Sevcik is President of NetForecast in Waltham, MA, and is a leading authority on Internet traffic, performance and technology. He has contributed to the design of more than 100 networks, and led the project that divided the Arpanet into multiple networks in 1984, which was the beginning of today's Internet. He can be reached at peter@netforecast.com.*