

New-Reality IT:

How Less Can Be More

A White Paper for Senior Executives

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About the Author: Graeme Thickins is a freelance IT writer and consultant based in the Twin Cities and Southern California. His writings have appeared in several technology publications and online sites in recent years. For more than 25 years, both within IT organizations and as an independent industry-watcher, he's written about information technology through several cycles – from timesharing on mainframes and supercomputers, to minicomputers, PCs and client/server systems, Internet computing, and now full circle to the managed outsourced service-provider model, another timesharing approach of sorts – which is leading us into a new era of “utility computing.” Through all this, he thinks he's finally figured it out: *it was about services all along*. He may be reached at graeme@thickins.com.

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Executive Summary

Enterprise information technology is undergoing massive change. Cutbacks in budgets and spending have been at once *rapid, deep, and broad*. Call it a “triple-whammy” of sorts, but one thing is sure: change of this magnitude is unprecedented.

The closest comparison might actually be the rapid *increase* in IT spending during the 1990s. But that pales in comparison to the velocity of change in the other direction since the so-called bubble burst. Industry leaders such as Intel’s Andy Grove and Oracle’s Larry Ellison have variously used such phrases as “the 100-year flood” and “falling off a cliff” to describe the phenomenon.

Granted, the global economic slowdown had something to do with all of this. But, without a doubt, other factors are at work here as well – both business and technology related. What we are experiencing is a major “reset” in the IT marketplace. And where it will all lead is the question of the day for everyone involved in managing corporate information technology.

In this white paper, we discuss this “new reality” for IT – one certainly based on *less* in many respects, but one that must continue, as always, to produce *more*. More performance, more return on investment, more contribution to the business all around. This much is certain: there will be no let up in the pressure to improve the performance and return of IT.

Here’s an overview of the key points in this white paper:

- Asset-based IT is increasingly not a realistic option for businesses. Information technology is now about *services* and *access*.
- Corporations must continue to reduce IT risk and the costs associated with excess IT capacity. That call will be relentless.
- The ability for an organization to quickly scale its IT infrastructure up (or down!) will continue to be a prime requirement.
- Because of these realities, we are seeing a distinct movement toward outsourcing to managed service providers, especially for IT functions that are easily managed that way – precisely because there is such a strong economic and business argument for it.
- Intellectual property (IP) is where the focus of business will continue to be – that is, appreciating assets (customer relationships, software, and the like), not depreciating assets such as IT equipment and infrastructure.
- We are witnessing the beginning of the “utilitization” of IT – it is becoming a commodity. And, like a utility, businesses will just expect it to “be there.”
- The credibility for this concept is here: the major computing powers (Microsoft, IBM, Sun, HP, Dell) have all placed their bets on it, and they are very clearly lighting a path for the rest of the industry.

“One simple phrase, I believe, expresses the new ground rules for IT resulting from the convergence of computing with the Internet: ‘Think access, not assets’...ownership (of IT assets) will ultimately be seen as a high-risk option of last resort.”

Phil Wainwright,
Consulting Analyst,
ASPnews.com

- We're well into the early-adopter phase: the proof is that enterprises, legacy buyers, are in fact buying into this trend – especially in the large-company category, where Gartner says 80% of the spend is now going to various managed service providers.
- Management needs to educate itself now about this significant new trend in computing, and devise a strategy for dealing with it. Such a strategy is presented in this white paper.
- The best part is that it's easy and inexpensive to begin, using a professional services approach for evaluating specific IT needs that can be addressed immediately with this new approach (a framework presented later in this paper). This process enables an organization to quickly launch a pilot project and see immediate benefits. Simple applications many firms begin with include email, hosting, or a stand-alone web application.

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Introduction: Getting More From IT With Less

A new model in IT is emerging strongly, based on several business realities. These include continuing rapid change, the commoditization of IT, increased technological complexity, working off the bloated IT costs and excess capacities of the past, and a need to reduce business risk – all of which are forcing corporations to seriously examine the way they manage the information infrastructure on which their companies run.

Some are calling this new model “just-in-time IT” – borrowing a term from the movement that literally transformed manufacturing. Be assured, this one is transformational, too. Think of it as buying your information technology by the drink, while providing economic benefits far too powerful to ignore.

The way the new IT model is now coming to the forefront, after a prolonged period of economic slowdown, adds even more weight to the argument. Businesses are increasingly growing tired of dragging around the IT “asset anchor.” To be sure, they’ve long known they have to be able to scale up when necessary. But, as many have painfully learned, they better have the flexibility to be able to scale *down* as well – and quickly. The point: control and agility.

It’s hard to believe, out of the cacophony of hype surrounding what began less than five years ago in the midst of the dot-com bubble as the “ASP” (application service provider) phenomenon, that something very real is now starting to emerge and gain traction in Corporate America.

That something is a managed IT services model that allows businesses to actually *take advantage of* the “less is more” mentality that’s become a brutally hard reality in business today.

Giga Information Group reported that the number of companies enlisting service providers in 2001 to manage some portion of their business almost doubled over 2000, climbing more than 92%.

Gartner's Technology Hype Cycle

Hosting and ASP Services

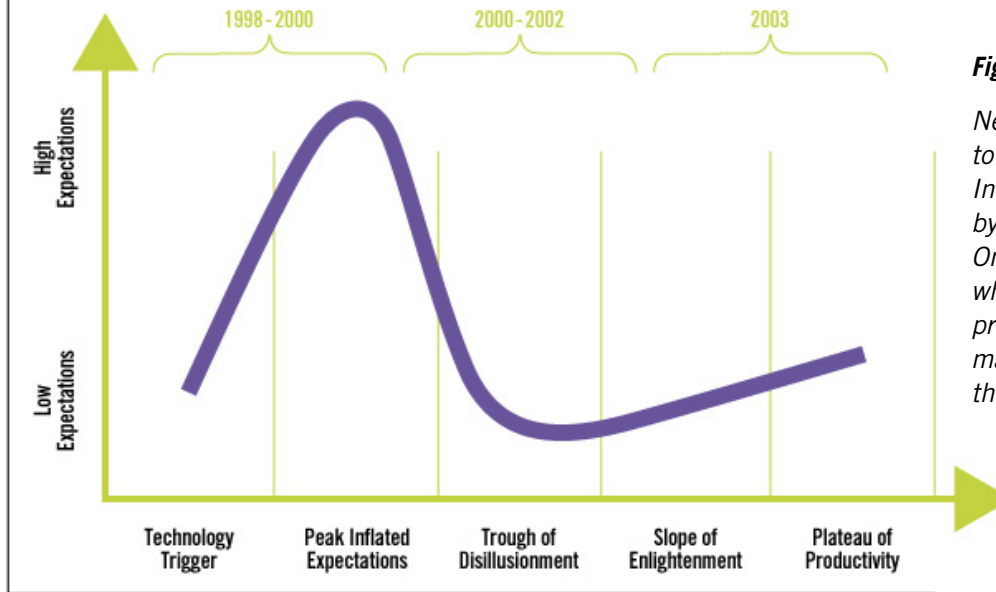


Figure 1. Gartner's IT Trend Lifecycle

New trends in the IT industry tend to follow this curve. A "Peak of Inflated Expectations" is followed by a "Trough of Disillusionment." Only later does reality set in, when those trends that have real promise begin to take root in the market. Such is now the case with the managed IT services model.

This trend to managed IT services outsourcing goes by many names – "agile IT," "just in time IT," "utility computing," even "on-demand computing." Regardless what you call it, what we're now witnessing is very clearly the beginning of a significant, evolutionary shift in how businesses manage information technology.

We may still be in the early innings, but the major computing powers – IBM, Sun, Microsoft, HP, and others – have pointed to the fence, and many forward-thinking IT and business executives are already in the outfield bleacher seats, rooting it along.

Their initial focus is on such concepts as "virtualizing" the data center. But the longer term promise from industry leaders is a whole new ecosystem of "web services" – with such talked-about initiatives as Microsoft's ".NET", Sun's "SunOne" and "N1" initiatives, HP's "Utility Data Center (UDC)," and IBM's broad concept of "On-Demand Computing." Just how big is it this movement? IBM alone announced it will spend \$800 million in the next year promoting and educating the market about its take on it – which certainly erases any doubts about their seriousness.

The ultimate promise of web services, where all these initiatives are headed, is this: it's about *automating* the processes of business relationships and transactions over the Internet.

Though most experts will agree we're only in the early stages of this longer term trend, there are benefits to be had along the way – for any size enterprise. And there's no denying that learning about the ultimate end-game and how it can benefit your organization is simply smart management strategy.

One thing is clear: whether you're a manager in an enterprise IT department or an independent software vendor (ISV), your business and your job will most assuredly be affected by this trend – which is now well into motion.

The good news is that this “new-reality IT” is not complicated, and not even really about high-tech; in fact, it's actually *low-tech* in many respects. It's about good management practice – better risk management, control, flexibility, and a renewed focus on your core business strategy and intellectual property (IP) assets.

Think of it as making your organization agile and fit – a way to, in essence, turn the information technology that runs your business into an on-demand, just-in-time “stream” – only what you need, when you need it. Later in this white paper, we present an approach that can help you and your company begin to smartly capitalize on this trend.

Gartner has estimated the global 'xSP' market will reach \$11.6 billion in 2004, up sharply from only \$2.1 billion in 2000.

The Evolution of Managed or Hosted IT Services

A brief history: it all began in the good old days of 1998. The concept of the application service provider, or ASP, began with much youthful exuberance, with many firms joining in to become an “application vending machine.” Call it the revolution phase, with a rampant build-it-and-they-will-come mentality.

Trouble was, there were really no apps yet, and no infrastructure, no credibility, and no relationships, for that matter! And the best target for this multitude of hopefuls calling themselves ASPs? Why, well-funded dot-coms, of course! Spending for web sites and e-commerce apps may have been a lower priority than fancy furniture and executive recruiters, but it was still right up there. Enough “pre-bubble burst” talk.

Soon, as it became apparent the direct-sales model wasn't working for most ASPs (MSPs, SSPs, or whatever flavor they were calling themselves by now), the industry moved to a second phase: channel partnerships. This period, beginning in 1999, was marked by big growth projections, with a matching “spend and ramp” mentality to meet those expectations. But, because the industry needed credibility, ASPs began forging partnerships in earnest. They went to resellers, integrators, and consulting firms to help them sell the concept. The problem, however, was the classic innovator's dilemma: it was difficult for these consulting firms and resellers to switch revenue models. And the ones who did, who really got it, suddenly became demand constrained.

Oh, darn – what next?



Figure 2. The Evolution of the “xSP” or Hosted IT Trend

The ASP/xSP industry has gone through significant growing pains (and growing up) over the past five years. The survivors are those that have shown the ability to evolve rapidly based on shifts in the marketplace, and on the vision that began to emerge of a new IT model, as articulated and led by the major computing firms.

Reality began to set in by late 2000, as the economy began to falter. Many so-called xSP firms suddenly were exposed as being overbuilt, having made huge investments in infrastructure. They were already in trouble as the millennium dawned, and several major players closed down or continued to struggle for survival. There was also a tendency by many of these IT infrastructure firms to over automate – with purported innovations like operational support systems (OSSs) and business support systems (BSSs). A classic case of over-baking. Or, as one industry watcher said, “Too many 9s,” And pricing pressure soon ensued.

Enter plan C, a brighter future, as we close in on five years of evolution in what is now being called the managed or hosted IT services provider model. The focus in this latest phase has been on managed infrastructure and the enablement of services from that infrastructure. Some things had in fact been working, it turned out, in certain circles – despite the problems referred to above. The new model was gaining a foothold in credibility and acceptance, and initiatives from computing industry leaders (such as Microsoft’s “.NET”) were beginning to light a path.

Enterprise customers, as is often the case in IT advancements, were taking the lead. The early adopters among them were finding this new approach was not difficult – and it worked. One big reason the early traction came from this part of the market, when one thinks about it, is that enterprises understand the outsourcing model – they’ve been doing it for years. In fact, the portion of IT spending in large organizations going to outside IT service providers of all kinds is now approaching 80%, according to the Gartner Group.

What’s more, in another market segment – independent software vendors (ISVs) – demand has been markedly increasing for software applications and services to be delivered using a “hosted model,” which well-positioned managed IT services firms were recognizing and acting upon.

What’s working for the smart survivors in the managed IT infrastructure services industry today is this: it became apparent that a full spectrum of managed services, combined with “high-touch” customer relationships – for both *consumers* of IT (enterprises) and *providers* of IT (such as ISVs) – was the formula. The IT infrastructure firms that succeeded did so because they learned they must understand the customer’s business, have flexibility in their contractual relationships, and tailor their services to the customer’s needs, not forcing highly standardized, overly automated services on them. Read on for a better understanding of this new phenomenon in IT management.

“We’re 100 percent convinced that all software will become a service someday.”

Jeremy Burton,
Senior VP,
Oracle

“Lumpy IT” Keeps Getting Harder to Swallow

The problem with managing information technology came down to this: it was becoming largely event-driven, or “lumpy.” Significant capital expenditures had to be made periodically for IT systems that were supposed to last for years, even though all the capacity provided by them was not yet needed.

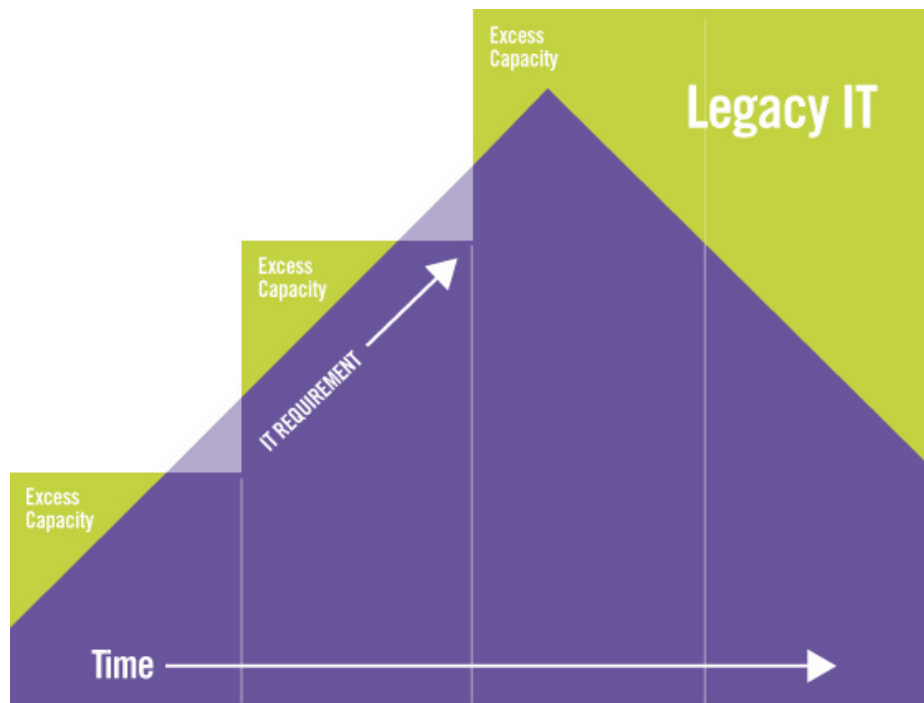


Figure 3. Traditional IT Spending vs. the New Model

The major financial issue in managing IT has traditionally been dealing with excess capacity (left). The new model smoothes out that line (right) – not only making scaling up for growth more manageable, but facilitating scaling down when necessary as well – that is, without the burden of large, long-term asset commitments.

In the old model, the corporation was carrying these IT assets for long periods of time when they were commonly not being fully utilized – and some assets would in fact never be used at all, with technology changing so rapidly. Waste happened, in spades.

The new model of outsourcing selected IT functions via serviceprovider partners has come about in large part because corporations want to get off this “technology treadmill.” The distinct fiscal benefit of eliminating wasted IT assets is a strong motivator.

The new model smoothes out the line, so a company has just the IT capacity it needs at any given point. Not only does this approach to IT management free up capital and improve the balance sheet, it reduces risk.

Good News: The Risk Moves from the Customer to the Providers

Perhaps the single most significant business benefit underlying the new IT management model is *risk reduction*. No longer must the customer bear the brunt of the major technology risk associated with large IT asset investments. Instead, the risk moves to the marketplace – essentially, to the providers who are stepping up to provide services on an outsourced, on-demand basis from state-of-the-art data centers.

And there are other advantages of this “New-Reality” or “Less Is More” IT model. It lets you deploy applications faster, at increased service levels, at lower total cost. It lets you focus on your core business strategy and needs, rather than daily maintenance. And, after all, most IT managers are really more interested in *building* than *maintaining*. Virtually all IT departments have large backlogs of application work – so, by selectively outsourcing IT infrastructure, managers are better able to focus on that backlog, and the more creative pursuits of their business.

IT managers also gain the flexibility to quickly change and speed their organization’s “time to market” – without tying up capital in assets that have a short-term, depreciating life. As the customer of these new service providers, you essentially manage a service, not technology – effectively eliminating the cycle of switching from technology to technology, dragging around the familiar, old “capital anchor.” What’s more, the need to hire and retain difficult-to-find IT people and constantly train and retrain your personnel is vastly reduced.

Customer Issues In Adopting This New Model

So, how does an organization deal with this new approach to managing IT? Industry analysts, as well as the major computing vendors, say it’s inevitable that most companies will evolve to this model – some, of course, with a higher sense of urgency than others. Legions of early adopters already have.

Enterprises are relying on outside service providers to manage more and more of their IT functions – according to just about any research numbers you read. Large enterprises have led the way, but small to mid-sized firms are quickly seeing the advantages as well.

To understand the new model and put it into practice, most all customers will need to consider the ramifications within their organizations in three key areas: *technical, financial, and cultural*.

“The more accessible that external services become, the fewer advantages there are for enterprises to own proprietary infrastructure.”

Phil Wainwright,
Consulting Analyst,
ASP News

1) **Technical issues** include concerns such as these: Can an outsider know our IT needs as well as we can? Will the service be reliable?

In the category of systems architecture, there are the issues of accessibility, scalability, reliability, maintainability, and securability. Operational processes must be considered, such as change management, release management, configuration management, capacity planning, communications management, and custom engineering services. There are issues of service control, involving both monitoring and reporting. And there are considerations of physical assets – the need for Tier-One infrastructure and partnerships with major computing vendors.

2) **Financial issues** revolve around questions such as: How much can we save? And what about the outsourcing firm’s long-term viability and financial stability?

The key benefits of the new IT model financially are these:

- It lowers upfront cost
- It changes IT to a monthly expense
- And it effectively eliminates the burden of excess IT capacity

3) **Cultural issues** are perhaps the most significant, including: Can we trust the outsourcing firm? What about the people issues – can our IT management give up control, or deal with the really mistaken perception that they are? How will our IT department be affected? Will we as an organization give up visibility, knowledge, and control of our systems and applications? Is selective outsourcing a threat or an opportunity?

An organization also needs to consider what the upside is to refocusing internal resources on strategic and managerial issues – and if its IT staff can adjust to control through web-based tools, instead of having everything between “its own four walls.” Finally, every company should consider to what extent selective IT outsourcing can even drive increased job satisfaction for its employees – through reduced hours, lower stress, and an increased focus on more interesting job duties.

A significant cultural advantage for virtually any organization is that this new computing model lets a company better manage risk – by receiving proactive notifications of IT activity, defining predetermined remedies, having defined escalation procedures, receiving proactive patches and upgrades, having “service level agreements” (SLAs) that guarantee service and are backed by specific dollars, and the associated extensive customer reporting and regularly scheduled service reviews that go along with this selective outsourcing to a trusted service provider.

How Some Customers Are Benefitting

Founded in 1999, Agiliti was an early player in this new computing model. It has since built a broad customer base of more than 200 companies. These customers span both the categories of *enterprises*, for whom it is outsourcing certain IT functions; and *independent software vendors (ISVs)*, for whom it hosts software applications. What follows are testimonials from just a few of these many satisfied customers.

“Agiliti provides the flexible services and infrastructure that allow us to offer a breadth of online services to our customers, with improved system reliability and availability.”

Bob Harris, General Manager

Achieve Online Services

(provider of information systems to the long-term care industry)

“We’ve been able to rely on Agiliti’s Tier-One infrastructure and IT expertise, while keeping our own resources focused on our mission of developing innovative software and services to serve our customers.”

Paul Satre, CEO,

Stratyc

(recently spun out software division of HB Fuller)

“System reliability cannot be sacrificed in a content-based business like ours. We selected Agiliti’s proven infrastructure and service delivery capabilities to give us peace of mind. As a result, we’ve been able to provide an even higher level of service to our clients.”

Carolyn Karstens, Chief Operating Officer

Anlon Systems Inc.

(e-learning software firm)

What the Major Computing Industry Players Are Saying

Several high-profile initiatives have been recently announced by several leading IT vendors, all pointing to the same basic vision of a new world of “utility computing” – and one ultimately connected via automated “web services.” Granted, these are glorious, longterm scenarios – now just in their early stages. But it is nonetheless helpful to begin understanding the intent of these visions and their promised benefits to the world of corporate computing. A brief look at four of these visions:

- **IBM** announced in the fall of 2002 a broad program it calls “On-Demand Computing,” in which it said it will invest \$800 million in the next year alone, saying: *“We are entering a new era in business – the on demand era. It’s a time when your customers will demand that you be more responsive, more flexible, more resilient than ever before. They will expect you to build products only when they are ordered – to literally deliver things ‘on demand,’ with a level of customization never before expected. Your suppliers, partners, contractors and every department within your own organization will demand tighter integration of critical processes – so they can deliver what customers want without a single minute of wasted time.”*
- **Sun Microsystems** introduced an initiative it calls “N1”, also in late 2002. The company’s CTO, Greg Papadopoulos, said this about it: *“N1 provides a means to virtualize the elements of the network....It represents Sun’s long-term vision – it’s how we intend to add value for our customers who are looking for someone to step up and help them manage the complexity of delivering services on demand...we’re laying the foundation for the next 20 years.”*
- **Microsoft’s** “.NET” initiative is largely about the ultimate long-term vision of automating business processes via “web services.” Or in their words: *“By using the Internet to enable software applications to more easily work together, Microsoft .NET promises easier integration within and between businesses, while creating opportunities to more meaningfully connect with consumers. With .NET software and services, businesses can realize improvements in the time and cost associated with developing and maintaining their business applications, as well as benefitting from empowering employees with the ability to act on vital information anywhere, from any smart device.”*
- **Hewlett-Packard (HP)** claims to have had the vision for utility computing some 20 years ago. In the fall of 2002, it launched the HP Utility Data Center. According to Nick Van Der Zweep, director of infrastructure solutions at HP: *“This is our crown jewel, which still continues to grow towards our original dream.” HP says companies can adopt utility computing in one of two ways: “The first is to outsource the entire IT operation under a contract with a service provider that charges the customer only for the server capacity, storage, bandwidth, or applications it uses; the second is with on-demand access to storage and server capacity that scales larger as the customer’s needs increase.”*

“Agiliti is a powerful combination – they’ve weathered the storm, maintained focus, they have an excellent team, and they’re well backed. They’re a great partner.”

Tom West, Director of Marketing,
Preferred Accounts, Dell Computer
Corporation

As part of this collective new movement by the industry, virtually all the leading computer firms also have stated their belief in the outsourced, managed services model. Another example:

“We see a lot of the demand in the marketplace,” says Tom West, Dell’s director of marketing for preferred accounts. “Customers are trying to understand how they can use managed service providers...We’re certainly seeing customers going with this approach...And, as it becomes more like a dial-tone, the more it will be accepted.”

He continues: “At Dell, working with our partners like Agiliti, we’re especially seeing success in vertical markets – where the new model is used to solve specific problems. In such markets as auto dealerships, real estate, insurance, education, and healthcare, companies are looking for complete solutions for running their business. They don’t have tech experts inside their companies, so they’re happy to pay by the seat. They just want to be a user.”

The Relationship and the Importance of the Contract

Nothing is more important in an outsourcing relationship than the issue of *trust*. The key to a rewarding, long-term relationship, first of all, is this: a partner that understands your business objectives and is easy to work with.

It goes without saying that a managed IT services provider must be financially stable, well-backed, with an experienced, dedicated management team, strong technical credentials, major industry partners, a stable workforce, and a solid existing customer lineup.

An important advantage for the customer is that the outsourcing partner takes ownership, yet the customer maintains visibility, knowledge, and control.

What should you look for in a contract? Flexibility is key, say industry experts – with “easy in” and “easy out.” Be careful of long-term contracts, with inflexible terms. Understand and insist on Service Level Agreements (SLAs), backed by guarantees and real dollars. Performance measurement must also be a key part of the package, and monitoring/reporting software tools for capacity planning and trend analysis, to ensure you’re paying only for what you need, when you need it.

It's Only Outsourcing – No Rocket Science Here

The IT industry likes to re-invent things and call them new. The current evolutionary model we call “Just In Time IT” or “Utility Computing” is, in the final analysis, really just about outsourcing. And many enterprises already understand that, so there’s no learning curve to go through. Much knowledge and best practices exist throughout industry about how outsourcing can advance business strategies and performance.

The new model is also being called “usage-based outsourcing,” or “consumption-based IT” – as opposed to asset-based. Whatever the name, the benefits are the same.

Drivers for outsourcing in a given organization include the need for additional technological competencies, cost savings, a desire by the business to focus more on its core competencies, increased flexibility, faster time to market, and improved quality and efficiency.

But remember, this trend we’re talking about, to be realistic, is *evolutionary* in nature. There are no big bangs here. Most industry experts agree that the practical model will be a “hybrid” for some time. Total outsourcing of all IT functions is not in the cards for most existing businesses. Nonetheless, the trend is as clear as it can be.

And there’s a wakeup call here for incumbent suppliers, too – ISVs, integrators, and resellers. The first part of it is this: it’s clear they have to *sell* this new model; the marketplace needs education about the benefits. Secondly, we will likely never see another aberration like the dot-com era. “There are no new customers,” one executive declared in an xSP industry conference last year. That is, the market requires the value proposition of this model to be explained and sold – and that means to existing firms of all sizes, including the vast legions of so-called legacy buyers.

Importantly, realize that, in times of change like this, incumbent suppliers do not have a “lock” on the business that will result from this major IT trend. The first chance may go to the incumbent – but, if it doesn’t react to the challenge, customers attuned to market realities will invariably open their doors to others to help them reap the benefits.

IDC says IT outsourcing will grow at a 12 percent compound annual growth rate from 2001 to 2005. Another source, JP Morgan Securities, says outsourcing will be a \$48 billion industry by 2005. Of the total, IDC says the ASP portion will reach \$7.8 billion by 2004.

How to Begin Capitalizing on This New Computing Reality

Whether you're a *consumer* or a *provider* of IT – and there can be only those two perspectives – realize that information technology is no longer a “gee-whiz” game, but an *economic* one. The new status of IT is that of *commodity* – and change from this point forward will only accelerate. The age of computing as a utility, a transparent utility, is not far off.

If you're an enterprise, you likely have the advantage of already knowing what outsourcing is all about. So, you can begin taking advantage of this new trend without a big learning curve. And your incentive is clearly there: the economic argument for this new breed of outsourcing is stronger than ever before.

If you're a provider of IT, such as an ISV, an integrator, or a VAR, the reality is that “going vertical” and helping companies in specific vertical markets to “ASP themselves” clearly represents a bright future for you. The opportunity to turn your customers into sellers of applications, not just buyers – so they can realize *profits*, not just costs, from them – is unquestionably a major business opportunity.

“If the ASP approach becomes broadly successful, it will do so because ASPs start driving new rules for software quality, integrability, usability, manageability, packaging, pricing, and customer service in the industry generally.”

Peter Burris,
Industry Analyst
Meta Group

A Professional Services Approach Can Help You Get Started

So, how do you begin to take advantage of the new computing model? How do you go beyond the big issues of significant cost savings to focus on where you can start right away? The best advice, say customers and vendors who have been down this road, is to ask yourself what is too cumbersome for your organization today. Not necessarily taking the big macro view, but where do we have a “toothache” right now? Is it Email? Security? Redundancy? Disaster recovery?

Ask yourself, where could a service provider work with us now to implement a *simple, real-life* pilot, to test the concept? It’s simply a matter of considering where some of these logical places are to start within your organization.

One way to help determine that is by utilizing a professional services approach, such as that provided by Agiliti. This approach can allow you to quickly begin piloting or testing selective outsourcing and putting this “New-Reality IT” model into practice.

It can begin with an “Infrastructure Strategy Assessment,” which is tied to your business goals and examines how you can:

- Reduce IT capital requirements
- Simplify technology delivery, support, and maintenance
- Increase technology flexibility and options
- Better support your business operations and growth
- Easier adjust to business changes
- Focus on appreciating, not depreciating, assets

Secondly, a “System Readiness Assessment” can be conducted, a more tactical step in which the provider works with the customer to:

- Determine the details of how to implement the strategy above, and, specifically, a pilot based on that strategy
- Determine the services that the outsourcer will provide
- Determine how the outsourcer will deliver the most value for the customer
- Provide recommendations for the readiness of an outsourced system for internal users, customers, and/or partners that is secure, reliable, manageable, and profitable
- Provide a business requirements review, technology architecture review, “ilities” assessment, management assessment, operations assessment, findings and financial analysis, and an implementation plan

“Agiliti’s new professional services staff will allow the company to further pursue opportunities in managed services at the enterprise level. They were one of the first to launch this as a formal offering, and we expect them to see good success and growth in 2003.”

Andrew Schroeffer,
 Founding Analyst
 Tier 1 Research

About Agiliti: A Well Positioned Managed IT Services Provider

As an early entrant into the service provider industry, Agiliti draws on years of experience delivering applications to a diverse end-user community. Its expertise in data center operations, public network infrastructure, and application hosting saves you the time and cost of developing those skills internally. Its ITIL™-based methodology (see “Operational Framework”) ensures your systems are managed to worldwide industry best practices.

Agiliti provides a flexible suite of managed IT services that enables companies to deliver their applications more profitably and effectively. From IT infrastructure to managed hosting and rentable applications, Agiliti offers the services to help companies develop a revenue-growing, cost-reducing strategy. Agiliti’s uniquely modular IT approach is based around its secure and reliable Tier-One Data Center and industry-proven best practices. Designing solutions around key services such as managed server hosting, rentable applications, and project support across the lifecycle of an application, Agiliti has assisted ISVs, solution integrators, and enterprise customers alike in better managing their costs and increasing their end-user satisfaction. With this business focus, Agiliti has helped organizations benefit from comprehensive IT results, but always on their own terms.

Agiliti can help you put your existing applications onto the web. Client/server applications work perfectly well over the Ethernet network in your office. What happens when your partners or customers need access to those applications? Using technology from its partners Citrix, Microsoft, and Sun, Agiliti can help you deliver those applications via a web browser, without major application rewrites or the need for local installations of the software.

Agiliti can solve your business needs with industry-leading solutions. Developing a new externally-facing application? Whether it’s a simple web site or a full transaction-based system, Agiliti has the tools – and the major industry partnerships.

The company has already built a world-class data center for your systems. It has extensive expertise in fast turn-up of system infrastructure. And, with its LifeCycle Services development support methodology, it has the tools you need to develop your applications quickly, from short-term contracts on development systems to application-testing methodologies.

Agiliti offers subscription-based computing. The data center, the network, the servers, the applications are all available on a monthly subscription basis—eliminating high up-front costs, while providing a predictable monthly fee for services. This subscription-based model gives you the actual costs of the new project, so you have the ability to bill back costs to the user/requestor if you so choose. Agiliti provides and manages the full application-hosting infrastructure, leaving you and your staff the freedom to concentrate on delivering the IT features that are key to your business. You have the assurance that Agiliti’s data center staff is monitoring your system availability 24 hours a day, 7 days a week, or as your needs require. With a staff of certified technologists, a fully-redundant data center, and on-site sparing of all systems (backed up with premium support contracts from all its vendors), Agiliti is ready for practically any event.

“The smaller software companies are really struggling with how to move into the ‘software as a service’ space, because they need to rearchitect their solutions and recraft their business models... What’s happening now is the evolution of new, purely web-based software providers.”

Amy Levy,
ASP Industry Analyst
Summit Strategies

You need to know that your systems are performing. So, Agiliti provides you with a Service Level Agreement (SLA) on all of the systems in its facility, backed up with reporting tools to show SLA compliance. Using tools from Hewlett Packard, Concord, and others, it will report on the health of every component in your delivery architecture. Using its secure customer portal, you can access these reports at any time, as well as track any open service issues.

Agiliti's Operational Framework

Joining People, Process, and Technology for Agile IT

Effective IT operations go far beyond technology. Ensuring the stability, reliability, and availability of service is a matter of sound operational management. The better these operations are safeguarded by efficient processes, the greater your savings and profitability.

Agiliti's operational framework provides the foundation for smooth-running IT solutions. A key part of this foundation is a set of standards called the "IT Infrastructure Library," or ITIL™.

About the ITIL™ Best Practices

The Information Technology Infrastructure Library was developed by the United Kingdom's Office of Government Commerce (OGC). It describes an integrated, process-based, best practices framework for managing IT services. To date, it is the only comprehensive, non-proprietary, publicly available guidance for IT service management.

ITIL was conceived in the late 1980s to improve IT service management within the UK's central government but is relevant to all organizations – public or private sector, large or small, centralized or distributed.

Today, ITIL has generated an entire industry that includes:

- Training
- Certification
- Consulting
- Software tools
- And a trade association (itSMF)

Building upon these ITIL standards as a foundation, Agiliti offers the best practices and the certified technical staff that can effectively manage your complex IT needs.

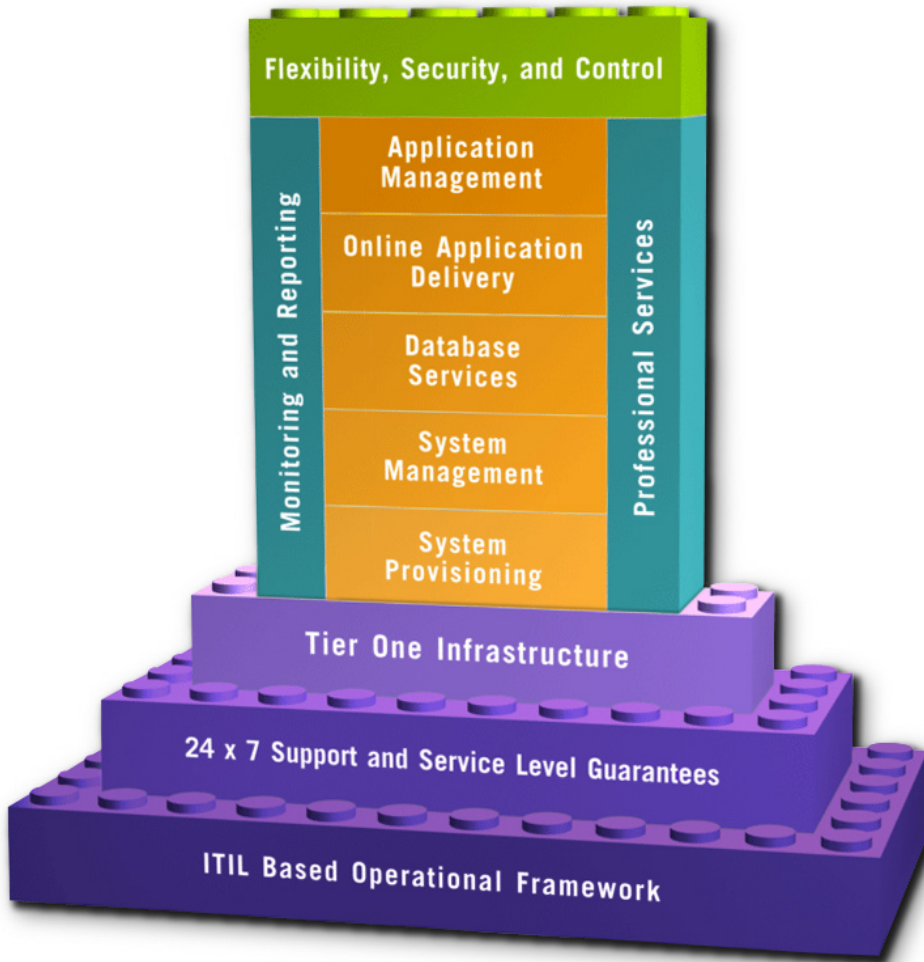


Figure 4: The Agile IT Solution

Agiliti's modular suite of hosting and IT services allows you to select only the services you need to improve your IT effectiveness, then grow into other services as necessary.

Conclusion and Summary: The Benefits Await Those Who Act

So what's the right move for executives in this changing computing environment?

It starts by realizing that change is not only a constant, but accelerating. And the latest manifestation of that is well in motion. The “utility computing” model (if you're a *consumer* of IT, an enterprise) or the “software as a service” model (if you're a *provider* of IT, such as a software company) are very noticeably becoming *demand driven* phenomena. There's a real need in the marketplace for experienced enablement of these IT models, with both technical and business services.

Once you recognize this trend, it's a matter of taking steps to ready your organization to act, if you haven't already. Find a service provider partner you trust, who gets it – as Agiliti does. Then begin, with their help, a process to identify which of your IT functions make the most sense to outsource now.

Start with a simple application (such as email, or a specific web application)– one that will enable you to quickly see results and evaluate them. Identifying and implementing a pilot project is easy and not costly. The beauty of this approach is that it lets you do rapid prototyping without a huge investment in IT assets. And Agiliti has even cut its new-customer activation times by 75% in the last year – now, it's just a matter of *days* from order to activation.

“Our customers demand trust, flexibility, and control,” notes Tom Kieffer, Agiliti's founder and CEO. “And we provide all of that. No exceptions.”

To begin a process to improve your management of IT, deploy your company's applications faster and more efficiently, and – best of all – reduce your economic risk substantially, contact Agiliti today. Please see the contact information on the next page, or visit us today at <http://www.agiliti.com>

For information about Agiliti's solutions and services, please call:

Toll free: 1-866-AGILITI (1-866-244-5484)

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