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What makes a good outsourcing deal

The service level agreement is key to a comprehensive outsourcing deal. TAN CHONG YAW lists the things to look out for

The systems failure of DBS two months ago is a reminder that outsourcing is still not safe from basic errors, even though it is the business norm today.

On July 5, customers of Singapore's biggest bank found themselves shut out from DBS' network of more than 1,000 ATM machines as well as Internet and mobile banking channels for about seven hours.

The failure stemmed from a human error caused by staff from the outsourcing vendor, which was no tech fledgling but IT giant IBM. IBM's decade-long \$1.2 billion IT outsourcing deal with DBS, which would have involved a service level agreement (SLA), was awarded in 2002.

A document which maps out what services are provided and to what standards and how these services are measured, the SLA is a key tool in any outsourcing deal.

Digital Life speaks to industry experts on the key aspects of shaping and managing an SLA.

1 Consider a multi-vendor arrangement

A multi-vendor arrangement can help spread the risk.

In the aftermath of its systems failure, DBS has been told not to "overly rely" on a single vendor by the Monetary Authority of Singapore.

Shawn Yip, a financial insights market analyst from research firm IDC, said that the DBS incident may mark a shift from exclusive and comprehensive outsourcing agreements.

However, even in a multi-vendor arrangement, one party should be picked as the key vendor, said Yap Soo Khoon, the infrastructure management and solutions general manager of NCS.

Giving management responsibility to a vendor will reduce finger pointing when things go awry, he added.

2 Define the right performance levels

Benchmarks and measurements should be kept simple and confined to what is really needed.

Doing so saves costs and avoids unnecessary documentation.



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Companies can turn to software like management dashboards, which lets them automate the monitoring of systems, and present key performance indicators in easy-to-understand terms.

For mission-critical functions like maintaining a data centre, a 99.999 per cent - dubbed the

"five-nines" - availability is equivalent to less than 5 1/2 minutes of downtime in a year.

While five-nines offers a tangible measure, other performance indicators are harder to measure, although there are ways to do so.

Fujitsu Asia's regional managed services vice-president Joseph Chan said: "An indirect measurement of the effectiveness of SLA adjustments is customer satisfaction surveys."

3 Make your SLA a living document

Experts noted that companies should insert clauses into their SLAs that call for regular reviews and make changes if needed.

Hence, an SLA that stretches five years or more need not mean that the company will be stuck when technology changes.

Companies should look at a technology "refresh" every six months or annually, when their vendors are required to propose enhancements that keep the technology used up to date, said NCS' Yap.

4 Go short for more

Long contracts are attractive because switching vendors is costly and may disrupt business.

However, research firm Gartner

recommends a short-term contract of three to four years, with annual or biennial options to renegotiate and renew the deal.

"This provides a natural incentive for the provider to keep delivering services at a consistently high level," said Gartner IT Services research vice-president Jim Longwood.

5 Establish regular reviews

A monthly interval for reviews is recommended, even if it is just for internal ones, said Oded Moshé, product management director of Israeli management software firm SysAid Technologies.

"This makes sure that nobody is surprised in the annual review and allows you to take timely higher-level decisions."

6 Set the scope

Start with a clear business goal to keep your SLA focused, for instance, on the provision of a teller machine network to serve a bank's clients round-the-clock. "A top-down, business-oriented simplicity should be the way to proceed," said Dennis Drogseth, vice-president of Colorado-based IT industry analyst and consulting firm Enterprise Management Associates.

Another key component in the SLA is one which defines how

disputes are to be settled.

"Like a marriage, if the relationship becomes problematic, independent mediation is recommended," said Gartner's Longwood.

Clients should seek to renegotiate the contract to be more equitable and in line with their business needs, he added.

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HUMAN FACTOR

Hardware failure can be anticipated most of the time and hence, easier to manage. Human error is harder to predict.

To reduce such errors, one good way is to continually train and certify staff from both the company and its vendors.

Having a "happy" vendor team is also important, said Yap Soo Khoon, the infrastructure management and solutions general manager of NCS.

"If you hear the leader scolding his staff every morning, you should be concerned," he said.

Staff morale may be intangible but has real impact on service.

One way to keep tabs on this is to conduct an annual staff engagement survey. This should be done by an external party, said Yap.



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Peace in a Pod

Having a Pod, a nifty container-housed data centre, can be a quick way of attracting business. GRACE CHNG reports from Wyong, Australia

A new type of fast-deploying data centre has helped Australian company Verb Data Centre land AS1 million (\$81.2 million) worth of business almost immediately after the company implemented it.

Set up at a cost of A\$5 million, the data centre looks like a container. All the equipment for the servers and racks, storage, network, cooling systems and power are built into this special purpose container.

Supplied by Hewlett-Packard (HP) in partnership with Triforce Australia, a server and storage infrastructure vendor in Australia, the data centre is dubbed Pod, for performance optimised data centre.

HP said this was the first 20-foot Pod operating in the Asia-Pacific region.

With Pod, it took Verb Data Centre just 14 weeks, instead of six to 24 months, to roll out a new data centre operation.

Such a short lead time let the company secure business immediately, said company director Christopher Clifford. With its relatively small size, the Pod can also be located anywhere, he said.

Verb Data Centre's Pod is



George Kazangi of Triforce Australia showing off the Pod, a performance optimised data centre. It was produced by his company in partnership with Hewlett-Packard.

PHOTO: GRACE CHNG

located in the company's office in Wyong, about a 90-minute drive from Sydney.

Stephen Bovis, HP's vice-president and general manager of industry standard servers, said this Pod can squeeze in 10 50-unit high server racks, which would normally require

2,000 sq ft of space in a regular data centre.

It was also more energy efficient, consuming nearly 50 per cent less power than similar traditional ones.

Verb Data Centre's Pod was made in HP's factory in Scotland. When it arrived in Melbourne, the server, network and storage

equipment were installed. It was then shipped to Wyong.

The Pod has cooling systems and built-in safeguards which let people work in it safely. In the event of a short-circuit or electrical mishap, turning a big switch just outside the Pod will kill all power to it, said George Kazangi, senior solutions architect with Triforce Australia.

Verb Data Centre will be supplying data centre services to small and medium-sized companies in the coming months. It intends to have two more Pods and expand its Pod data centre business to South-east Asia.

The 20-foot Pod is not HP's first container-housed data centre. In 2008, it unveiled a 40-foot Pod.

Before Sun Microsystems was acquired by Oracle, it had a similar solution called The Black Box.

However, such data centres have so far not proved a hit.

Simon Piff, programme director for Asia-Pacific infrastructure

research for consultancy firm IDC, said these data centres have not been popular in this region because they may not be suitable for use in skyscraper-filled and dense cities like Singapore, Tokyo and Hong Kong.

"I cannot imagine them being used in these skyscraper cities. Where would you put the containers?" he asked.

Besides, customers want to be assured that the information kept in such data centres can be properly secured. So the Pods must be kept in a warehouse under lock and key and hence, are unlikely to be located in a car park or on top of a building.

"However, I can see that they would be extremely useful in a disaster situation like the earthquake in Sichuan. That is, if they can pipe in water to cool the systems and the power to run them," said Piff.

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