

When data centers outsource, they give up some control over the hardware, software, services and projects in question. No matter how many ways there are to measure what the vendor is doing, no matter how many checks and balances there are to ensure quality, data center managers may feel uneasy and uncertain.

In this situation, fear of loss of control and other uneasy feelings are normal, according to Robert Joslin, principal, the Everest Group, a global outsourcing advisory firm in Dallas. But, data center managers should subdue those concerns, and any real threat outsourcing may carry with it by taking on those relationships only after thorough planning, preparation and forethought.

By weighing the cases for and against outsourcing, vetting and comparing vendors and mitigating the risks, data center managers can rest easy in their decision to outsource, their choice of vendor and their readiness to respond if the vendor falters.

Case for Outsourcing

When determining whether to outsource, the data center must develop a business case. The business case will favor either outsourcing the data center's needs or keeping them in-house.

Establishing the business case can be as simple as getting a few senior people together, doing some white boarding, coming up with numbers and understanding which path is the right one, according to Ilya Bogorad, principal, Bizvortex Consulting Group, Inc., in Toronto.

The data center begins to make the case for outsourcing when they recognize that the obstacles to completing a project in-house outweigh the risks of outsourcing. Limited physical space is often such an obstacle.

Other typical barriers include prohibitive upfront and ongoing costs, according to Nick Gerner, software architect, SEOmoz.org, Inc., Seattle. Outsourcing is often cheaper than building new facilities and cheaper than the short-term and long-term investments involved when data centers provide their own service.

There is a case for outsourcing when a data center can easily move a service from one vendor to another. The easier it is to find multiple candidates who can provide the service and do it well, the less the need for data centers to do it themselves.

Another important factor in a data center's case for outsourcing is whether it is good for the future course of business. "There is a client who is a large health care organization," Bogorad explains. "They outsource their desktop computer support to a large IT vendor. Calls to the help

desk come from everywhere, including the operating room where a patient may be lying on the table and the computer is not working. In this case, the help desk needs are so sensitive and the risk is so high that the company should have kept technical support in-house."

Any service that relies on existing expertise in-house should not be outsourced. Some data centers let experts go simply to save on their salaries, and then they outsource those services again. The data center will pay the price by forfeiting quality. "Expertise needs to be kept in-house," says Bogorad.

Find the Right Vendor

In order to find the right vendor, it is important to understand the vendor, their culture and the people responsible for delivering the service. For the relationship to work, the data center and the vendor need to have the same guidelines, ethics, principles, culture and objectives, says Joslin.

Examples of common objectives include increasing service levels, increasing quality of service, or maintaining quality of service while driving down the costs from the supplier in order to pass the savings on to the client. The vendor should have the same culture as the data center in order to attract like-minded staff and in order to maintain staffing levels with people agreeable to everyone.

A vendor who is a good fit for outsourcing will also be able to prove their credibility through technology, stability and track record, according to David Littman, director of business development, Vault USA, Middleboro, Mass. This means a financially stable vendor with well-documented work, extensive references and a strong success record in fulfilling service-level agreements (SLAs).

Data center managers need to speak with those references. According to Wayne Kiphart, vice president, managed services, Logicalis, Bloomfield Hills, Mich., they need to read between the lines of what those references say...as if they were interviewing their own staff.

Ask references about a vendor's quality of service along the lines that are most important to the data center. Make sure the vendor understands and will fulfill expectations around priority response times when something goes wrong. "Some vendors perform well when things are going well and poorly when they are not," says Bogorad. For example, a large organization outsourced its data center services and IT operations to a major vendor. Because the vendor believed the agreement was not equitable, it did not provide high quality service. When the data center escalated issues to the highest possible level, the vendor ignored them.

The data center should also make sure to understand the SLAs. If the data center ends up having to manage a vendor by penalizing them for not meeting SLAs, they have already failed in the partnership.

Validate whether the vendor has the resources to support the environment beforehand. "Ask the vendor how many certifications they have, how many people they have with that skill set

working on each shift, and how many people they have on call," says Kiphart.

Lasting Relationship

The right vendor's service is not in danger of phasing out. "If it is a publicly traded company, make sure business is going well, that they are making money," says Bogorad. Make sure the vendor is doing well in the particular area in which they are serving the data center.

Publicly traded companies publish annual and quarterly statements that are readily available. "Those traded in the U.S. can be found on www.sec.gov, in Canada they can be found on www.sedar.com. These statements often discuss revenue streams. It is important to read both the management opinion and the notes."

The right vendor will have facilities that are immune to the following risks:

- rising energy costs
- energy shortages
- impacts related to geography and local economy. (Dell, closed its facilities in Alberta, Canada, due to the boom in the oil and gas industry in that province and the escalating costs of running a business that resulted.)
- negatively impacting environmental policies and attitudes

Check these risks by asking about them. Ask the vendor where the facility will be located relative to affordable energy supplies.

A choice vendor should be willing to answer all questions, invest their time to understand the data center's business, and offer solutions that fit their unique needs rather than offering canned approaches. For example, if the data center runs a stock trading platform, the speed of a transaction is crucial and the vendor should know that a canned solution will probably not be acceptable.

Make sure the vendor invests in an engineer and a service level manager for the account, says Kiphart. The engineer should be able to provide summary reviews of the data center customer's environment each quarter. The service level manager is the customer's advocate to ensure the vendor is meeting or exceeding customer expectations.

The vendor should also include capacity management in the service fee. This means the vendor should be able to grow the capacity of the environment provided over a period of six months to a year. This includes growing the network bandwidth, the CPUs used, the memory and the storage.

Ask the vendor if it charges for changes above one per month. How many times per month can the data center make requests for work to be done on the environment? What are the hours of

service when the vendor takes these requests?

Measures, Controls, Mitigation

An important measure in hiring a good vendor is making sure they are big enough to do SAS 70 audits. SAS 70 is the Statement on Auditing Standards for Service Organizations developed by the American Institute of Certified Public Accountants (AICPA, New York City). Service organizations should use this standard to audit and validate any process changes they make.

But, the best measure is hiring a vendor who the data center knows and trusts. It is critical to know the sales and technical people, according to Gerner. This helps when the data center needs to expand the service or when something goes wrong.

It is a vital component of the relationship whether the vendor will compromise to resolve issues. "A good relationship takes precedence over all the legal stuff," says Bogorad. But, do not just accept the vendor's contract either. Do not use in-house legal for contracts for services that are a big deal. "Make sure the deal is equitable. If a vendor feels ripped off, it will cut corners," says Bogorad.

As with contracts, do not accept the SLAs as they come without changes. The SLAs need to be real, current and applicable. Some people pull SLAs and clauses from other people's existing agreements and re-use them. Do not settle for that.

Equitable agreements are enforced by good technical controls. Controls include daily reporting on the services provided by the vendor so the customer can see whether there are any issues. This includes automatic notifications when there is an issue.

The vendor should also have measures in place to act on issues or errors in specific ways. If the vendor is a backup service, it should automatically initiate new backups based on notifications of backup failures; engineers should respond to reports of failed backups or backup errors.

"The system should be monitored continuously by trained engineers. The system should notify them automatically of backup failures or errors using e-mail, paging systems or system management tools like SNMP. Upon notification, these engineers should contact the customer by phone or e-mail to gain remote access to the backups to start the troubleshooting process," says Littman.

Vendor contracts should specify that the data center can remove its data from the provider on immediate notice. The data must be recoverable.

To ensure this, the data center has to choose a high-integrity vendor with good intentions who expects to give the data back in proper condition if something goes afoul of plans, according to Littman.

There are many vendor tests and other precautions data centers should take before an

outsourcing relationship begins. Applying those listed here is a good start. By compiling a growing list of vendor checkpoints, preparations for outsourcing and methods for responding when relationships sour, data centers can increase the positive outcomes from outsourcing and decrease the likelihoods of disaster.

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What If the Vendor Becomes Unreliable?

By implementing a solid development process along the way, the data center can be prepared should a vendor fail them, according to Nick Gerner, software architect, SEOmoz.org, Inc.

By using a local testing and staging environment that logically mirrors the production environment through virtualization or smaller-scale deployments, the data center keeps a copy of the service provided by the vendor.

By having this mirror of what the vendor is doing for the data center, the data center can switch to a new vendor if necessary and the new vendor can use the mirror to see what the service needs to look like. This enables the data center to set up the environment with a new vendor much more readily.

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