

How to Select a Managed Service Provider

- Support & Maintenance
- Networking
- Firewalls & VPN
- Remote Access
- Email & Website Hosting
- Secure Wireless Technology
- Web Development
- Voice & T1 Services
- 24x7 Proactive Monitoring



Compliments of:



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INTRODUCTION

Sheldon Needle, renowned Information Technology author, states in his Handbook of Computer Consulting, the sobering statistic that more than 80% of all Solution Providers and Computer Consulting firms fail! Business automation is an involved and demanding process. Whether it includes accounting, distribution, or manufacturing, it affects all areas within a business. To maximize an organization's productivity, a professional and methodical Solution Provider (Consulting Company) can make a vital difference. All business software is not created equal. Selecting the right solution makes the difference between success and failure. Over the past ten years automated solutions have become more sophisticated and complex. Few businesses have had the time, staff, or expertise to stay current on the technology let alone select and implement these solutions without the assistance from an outside consulting organization.

Selecting the right Managed Service Provider is more important than selecting the right hardware, operating system, and application software. When a Managed Service Provider fails it is usually at the expense of the client. We have written this document to provide insight and key questions necessary in selecting a Managed Service Provider/Consulting Firm that best meets the needs of your organization.

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AVOID THE COMMON MISTAKES

Business automation is a complex matter and will affect your business operation for the next 5 to 10 years. If all costs are considered, including the amortized cost of your employee's time over five years, \$50,000 to \$500,000 is a realistic cost. Considering the size of the investment, it is amazing how many businesses never take the time and steps to ensure they are making the right decision. This section discusses the common mistakes made by so many organizations during the automation selection process.

a. All Managed Service Providers are the same

Many people assume that, since the product they purchase comes from a leading service provider, it is going to work and they cannot go wrong. This is analogous to assuming that a car and a truck are the same. If you only intend to use the vehicle as transportation, then either the car or truck provides the desired result. However, if your goal is to haul cargo, only one solution does the proper job. The same concept is true with a business automation solution.

Vast differences exist between one solution and another. The place to begin sorting out these differences is by having a clear and precise understanding of your own company's requirements and goals. You need to create an internal company document or list that focuses on each department within the organization. The list should differentiate between must haves, want to haves and "wish list" items. Key information to compile includes:

- A prioritized list of each department's needs and requirements including a "wish list"
- A description of how information is shared and flows between departments
- Current manual and automated data collection systems
- Organizational goals such as: Improving customer service or Ship all orders within 24 hours
- Financial data and documents required by accounting, auditing, and banking firms
- Reports and analysis required for management and day-to-day operations
- Integration with in-house systems and desktop applications
- Other important information

NOTE: Having any more than 3 – 7% of the requirements listed as "must have" will eliminate all 500 possible Managed Service Providers for your business.

Once your company information is collected and organized, every solution should be analyzed in terms of how well it addresses each of your goals and requirements.

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b. I Don't Have Time

All Managed Service Providers need time from key members of your organization to gather information and requirements about your business. This data is used and analyzed by the Managed Service Provider to propose the best overall solution. The Managed Service Provider is an important resource. You must be willing to spend the time necessary for the Managed Service Provider to do the job right. All too often we hear, "I do not have the time to spend with you" or "I can only give you an hour." **Imagine needing surgery and telling your doctor to hurry because you have another meeting!**

Your business is a valuable asset. If you want a solution that works, you must make time. If you do not have the time, postpone the project until the time is available. **No solution is better than rushing into the wrong solution.**

c. We can do it ourselves

An experienced Managed Service Provider has managed hundreds of businesses. Their level of knowledge and expertise in business managed services is generally well beyond the staff of a typical business. Use the Managed Service Provider as a valuable resource. Take advantage of their experience by asking questions and learning how similar projects have been done for other organizations. Very few businesses can select and implement a solution without outside assistance. If you think your organization is prepared to do it alone, ask yourself the following questions:

- Performing a needs analysis and selecting a solution is a full time job. In addition to their day-to-day functions, does your staff have the time to do the job without cutting corners?
- A successful solution requires a project leader or "quarterback". Do you have an individual
- With the technical expertise and authority across departments to make the project happen?
- A solution requires an intimate knowledge of hardware, operating systems, and application software. Does your staff have the appropriate certifications and in-depth knowledge in each of these areas?
- Application software cannot be judged by looking at its feature set and making a choice. Does your staff have the time and experience to examine all the important facets of competing products to make the right selection?
- Does your staff have the communication skills and time to train your end-users in the use of the solution?
- Are you willing to be over budget, over time and have an under-performing system?
- What happens to your project if the quarterback or key member of the project team leave?
- What are the lost business opportunity costs because key members of your organization are spending time selecting and implementing a solution?
- Once a solution is selected, who will perform the data conversion and required data entry?
- Who will answer your questions, solve problems, and provide ongoing support?

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d. The Cheapest Solution is the Best

Your heart and brain are vital organs in the human body. If you required surgery on one of these organs, would you interview three doctors and then select the cheapest? Managed Services is a vital part of an organization's productivity and success. Measure price in terms of a firm's knowledge, experience, professionalism, and depth of resources. Selecting a Solution Provider based upon price is equivalent to selecting the cheapest surgeon. In the long run, the cost of a poor solution is substantially more expensive than doing it right the first time (see Purchasing Criteria in the Introduction section).

e. My Friend or Family Told Me to Buy It

Although family and friends want to help, they rarely have the knowledge and experience to select a total business solution. Understanding computers or an aspect of automation does not make someone an expert. Beware of recommendations unless you're dealing with an expert. Also ask them to guarantee, with their own money, that their recommendations will work and solve your business problem.

h. Get References

Once you are comfortable with the Managed Service Provider, you should contact at least one of their existing clients to talk about how they feel about the Service Provider. It is important to be considerate of the time when calling a reference; it is also important to have some structure to the questions you ask. Remember that it is unlikely that the Solution Provider gave you the name of an unhappy customer so it is important to ask questions that are of concern to you. The following chart contains our top 10 reference questions.

Score = Response x Weight

Example: Question 1. If you answered 1 - 3 yrs.

Your response is 5 x weight 1 = Score of 5

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Question	Response	Weight	Score
1. How long have you been working with this particular Solution Provider?	> 3 yrs = 10 1 - 3 yrs = 5 < 1 yr = 1	1	
2. Have they done everything they said they would?	Yes = 10 No = 1	3	
3. What are the project managers, consultants and tech support people like to deal with?	Excellent = 10 Good = 5 Below Average = 1	3	
4. What are the other departments like to deal with?	Excellent = 10 Good = 5 Below Average = 1	1	
5. Did they deliver the project on time as per the project plan agreed upon in advance?	Yes = 10 No = 2	3	
6. Did they deliver the project on a fixed price contract (or exactly on budget)?	Yes = 10 No = 2	3	
7. Did you get all of the functionality you were promised?	Yes = 10 No = 2	3	
8. Did they show up on time as promised to perform their services?	Yes = 10 No = 2	2	
9. How quickly and professionally has the Solution Provider addressed the project and tech support challenges?	> 4 hours = 10 4 - 8 hours = 8 < 8 hours = 1	3	
10. How satisfied are you?	Very = 10 Average = 5 Not very = 1	2	
TOTAL SCORE			



KEY SELECTION CRITERIA

a. Selecting a Managed Service Provider

Any selection of a Service Provider should include the 6 critical phases of system selection and deployment. It has been estimated that for every \$1 a company spends performing pre-selection and deployment analysis with a Solution Provider, they save approximately \$5 during the implementation phase of the project. The reason for this is simple; the better we plan and the more we know, the fewer the surprises and over runs.

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Phase 1 Project Team

Prior to embarking on the journey of Managed Service Provider your company should create a project team. It is essential that this team include an Executive Sponsor, someone high enough in the organization (i.e. CFO, VP of Finance or CEO) to cut across departmental lines and deliver the executive's view of the system. Remember this; at the end of the day the executives of your business are going to base crucial business decisions on the information contained in the system. Therefore, if they are not involved early on in the project the result is usually a challenged project (over budget, over time and reduced functionality), and the project team takes the blame for the challenges.

Other critical members of the team are users from the various departments that may be using the systems, as well as any technical representatives.

Phase 2 Needs Definition and System Evaluation

Through interview and observation techniques, critical system information is gathered with respect to your present data flow and system requirements. The developed list of critical requirements should be reviewed against your present system. The gap between what you are currently using and what you ultimately require should be evaluated, using various reporting tools and requirements checklists specifically for this purpose.

Who pays for this service? You, the customer.

Average investment? This depends on the size and scope of your business but it could range from \$2,000 to \$40,000. Consult with your Managed Service Provider for an estimate and expected benefits.



Phase 3 Negotiation and Contract

Working with your Managed Service Provider, you should arrange to see the best two Managed Service Providers for your business. The vendors will provide a quote for the required Solutions and implementation services.

Phase 4 Installation and Training

This phase involves the installation of the hardware and software, testing of back-up and recovery procedures and training of staff on the basic use of the system. It also involves a pilot project to "mock-up" the accounting software with limited data. This mock-up is used to test procedures and reporting requirements prior to going live.

Phase 5 Data Conversion and Procedures Documentation

In this phase, the conversion of data is addressed. The decision as to whether this process is electronic or manual is decided. The development of a detailed procedures manual is completed prior to the system going live.

Phase 6 Cut-Over and Parallel Testing

Cut-over to the new system must be planned based on the expected cut-off date. Any parallel testing that is deemed necessary is finished prior to cutover. We would not expect parallel testing to be significant.

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b. Size of the Organization

The size of the Managed Service Provider is directly proportional to the quantity and quality of service they can deliver. Quantify the number of employees that are directly involved in business automation. Do not count outside subcontractors or people doing unrelated functions. Divide the total number of active clients by the total number of employees directly involved in business automation to calculate the average number of clients serviced by each employee. Ask how service and support is affected when employees are sick or on vacation. Ask how long these employees have been with the firm.



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How Many:

Project Managers _____

Consultants _____

Systems and Hardware Engineers: _____

Trainers and Support People: _____

Software Developers: _____

Sales People: _____

Administration: _____

(A) Total: _____

(B) No. of Clients: _____

Avg. Clients per Employee (B/A): _____

d. Length of Time in Business

Managed Service Providers in business longer than five years are generally more stable and likely to continue in business. Evaluate how long the firm has been established and what their growth has been over their length of time in business. Beware of small firms with less than five employees in business less than two years.

e. Size of the Managed Service Provider’s Client Base

The size of the Managed Service Provider’s client base is directly related to the success of the firm and its level of experience. Considering the profile of the client base is more important, however, as it relates to your industry and company size. Compare your industry, annual sales, and number of employees to similar clients of the Managed Service Provider. If you find three or more profiles similar to yours, it increases the probability of a successful implementation.

f. Hours of Operation

What are your hours of operation as compared to the support hours of the Managed Service Provider? Obtain the following information from the Managed Service Provider:

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Business Operation:

Mon to Fri	_____	to	_____
Sat	_____	to	_____
Sun	_____	to	_____

Hardware Support:

Mon to Fri	_____	to	_____
Sat	_____	to	_____
Sun	_____	to	_____

Software Support:

Mon to Fri	_____	to	_____
Sat	_____	to	_____
Sun	_____	to	_____

Note: Use this information for section "E" on page 20.

g. Employee Profiles

Company and employee profiles show the years of experience and depth of knowledge a firm has acquired. Request these profiles from each prospective Managed Service Provider and use them as tools for comparison.

h. Breadth of Business Services

To objectively recommend a solution, the Provider must have a broad range of knowledge and expertise. You need to decide if you want to work with multiple Managed Service Providers or one that can do the entire job. When more than one Provider is involved, be sure there is a clear understanding of everyone's responsibility. Finger pointing is common in business automation due to the complexity of the solution. If possible, work with one Managed Service Provider that has the breadth of services to do the complete project. Typical services include:

APPLY YOUR OWN WEIGHTING BASED ON YOUR PROJECT
 1 = Not Important 2 = Important 3 = Very important

Assign a weight to each listing, relating to its importance in your project. Mark yes or no (+ / -) as it applies to the Managed Service provider you are examining. Calculate each listing's score. The Managed Service provider with the highest total score provides the best breadth of business services in relation to your project.

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	Weight (1 - 3)	Yes (+) No (-)	Score
BUSINESS AUTOMATION SOFTWARE			
Accounting & Financials			
Distribution, Warehousing, Shipping			
Manufacturing			
Job Costing			
Sales Automation and Contact Management			
Customer Service			
Office Automation			
CUSTOM PROGRAMMING			
Application Design and Programming			
Custom Software Modifications			
TRAINING, SUPPORT, CONSULTING			
On-Site			
Classroom			
Telephone and Dial-up			
OPERATING SYSTEMS			
Novell NetWare			
UNIX			
Microsoft NT Server			
Windows 95, NT workstation, Windows 3.11, DOS			
COMMUNICATIONS			
Remote Communications			
Wide Area Networking (WAN's)			
Multiplexers and Modems			
INSTALLATION & CABLING			
TOTAL SCORE			



i. Measuring Customer Satisfaction

Firms focused on customer satisfaction have programs in place to measure their effectiveness. Ask the Managed Service Provider how they measure customer satisfaction. Ask for letters of recommendation, surveys, a vision statement, and other instruments that prove the firm's commitment to their clients. The relationship between you and the Managed Service Provider is long-term. Select a partner who displays their desire and commitment to this relationship.

j. On-site Client Visit

Once a clear solution is proposed, arrange an on-site visit to a Managed Service Provider's client. Insist on a client that is similar in size and industry. Make sure the hardware, operating environment, software, and transaction volume are similar to those proposed for your organization. Make a list of questions to ask the client. Explain to the Managed Service Provider that you would like to spend some time alone with the client. This way the client will not feel intimidated by the Provider when you ask sensitive questions.

k. Comparing Rates and Negotiating

When comparing price between Managed Service Providers, you must be certain to compare "apples to apples". There are large gray areas in proposals and making comparisons is often difficult. We have all heard the saying that "You get what you pay for." This is certainly a true statement when it comes to business automation. Break down the cost of your proposals to hardware, software, installation, training, support, conversion, and custom programming. Try to get to a common denominator so components can be compared equally. Insist that your Managed Service Provider do an on-site proposal review. You can only attempt to understand proposal differences if you take the time to fully understand what is going to be delivered. Ask the Managed Service Provider if any hidden costs or additional items are not listed in the proposal. Are they willing to state in writing that there are no additional costs?

When comparing hardware, networking, and multi-user solutions, list the components side by-side. There are significant differences between quality and cost of brand name equipment compared to clones and non-brand names. Make sure you understand what you're getting for your money.

Do not focus on the absolute cost of any given item, but rather, analyze the total cost of the solution. Some Managed Service Providers charge less on some items and more on others. The total delivered cost is what is important.

The cost of services is much harder to compare. Are you concerned with the cost of a doctor performing surgery or his expertise and successes? Firms with more people and experience will always be more expensive than small firms or independent consultants. Evaluate a firm's breadth of service, expertise, professionalism, and references as part of the cost equation.

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Comparing Rates and Negotiating (continued)

If there are large cost differences between one Provider and another, understand and discuss the differences. If one car dealer is selling an automobile for \$35,000, and another the same car for \$25,000, there is either a big miscommunication or something is very wrong. Most likely we were not comparing apples to apples.

If one Managed Service Provider claims that they can train you in 20 hours and another says it takes 40 hours, is there really a price difference? In this case compare their hourly rates, but make sure you're not being "low-balled". You might want to check with references to see how much time they needed for training and implementation.

There are many alternative solutions at various price points. If you have a specific budget, share the information with the Managed Service Provider. Solutions are individually designed, enabling you to achieve different levels of solution at different prices. If you describe your needs and requirements to a Provider and the end result is a \$100,000 solution when you have a \$25,000 budget, everyone has wasted time. Be realistic about your goals in relation to your budget.

Before you get too far along in the budgeting process, do some homework with one of the Managed Service Providers to help establish the budget. Only having \$25,000 is one thing, but if you set the budget without any experience in what it takes to implement a client server financial systems then you have done your company a terrible disservice.

Don't be insulted when a Managed Service Provider refuses to negotiate price. Most professional firms do not inflate their proposals to leave room for negotiation. Both you and the Managed Service Provider must feel the project will be done at a fair price, or it is likely that there will be short cuts taken along the way.

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