

Sample Client

NetEffect Networks, Inc.

Analysis of Outsourced Information Technology Services

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Introduction

Sample Client has five servers, 50 PCs, two WAN links, and three site-to-site VPN connections. Sample Client requires a robust, fault tolerant network, with high availability to all mission critical services. Downtime during operating hours is not acceptable.

Sample Client has requested a flat monthly rate to cover all of their IT needs including:

- Full-time support during business hours
- Afterhours support on an as-needed basis
- 24x7 network monitoring
- Preventative maintenance
- Routine security audits
- Disaster recovery planning
- Data backups
- Project management and project planning
- Completion of projects and initiatives
- Network documentation

Sample Client has requested NetEffect take full ownership of all aspects of the IT infrastructure.

The monthly fee for this service through NetEffect is \$4,500.

Financial Analysis

Sample Client's other option is to hire IT support staff, along with a consulting firm to fill in for "knowledge gaps" and supplement for staff shortages due to afterhours demand, vacation time, sick leave, etc. Sample Client will require one full-time staff member and a part-time consultant. The salary and associated hard costs are listed below.

The salary listed was obtained from www.salary.com, and reflects data from the West coast. The cost including taxes, fees, insurance and benefits assumes a 25% overhead burden.

Consulting fees assume an average of 5 hours per month at \$125/hour. The hard costs listed below should be considered in conjunction with the subsequent section on risk analysis as it contains additional "soft" costs that are difficult to objectively measure.

The IT asset costs listed below include the average cost of a laptop and cell phone for one full-time IT employee. NetEffect assumes responsibility for all of its IT asset costs.

<u>Position</u>	<u>Annual Salary/Cost</u>	<u>Annual Cost Including Taxes, Fees, Insurance, and Benefits</u>
LAN Support II	\$60,600	\$75,750
Consulting Fees	\$7,500	\$15,000
Cost of IT Assets	\$1,500	\$1,500
Technical Training	\$1,500	\$1,500
Total Annual Cost of In-House Staff		\$93,750
Total Annual Cost of NetEffect		\$54,000
Annual Cost Difference for In-House Staff		<u>\$39,750</u>
Monthly Cost Savings Using NetEffect		<u>\$3,312.50</u>

Risk Assessment

Sample Client relies heavily on its IT infrastructure. Manufacturing, administration, billing, sales, executive management, purchasing, human resources, and payroll are all technology dependent.

Many companies hire and manage their own IT department, and doing so brings the following risks.

Finding “Right Hires”

Given the lack of in-depth understanding of technology by many executives, assessing the level of expertise and work ethic of IT staff proves difficult at best. It usually takes several months to determine if a new hire has been a good choice. Managing and replacing poorly performing employees is costly, and equally expensive (if not more so) is trying to correct the behavior of marginally performing employees.

NetEffect is experienced at hiring excellent IT employees and assumes all risk associated with recruiting and hiring. Being in the technology business, we understand the desired qualities of excellent systems engineers, and rigorously interview and test them before making them regular employees. Our engineers

are highly intelligent, productive, and possess the social skills to successfully engage with non-technical personnel.

Executive Management Oversight

IT departments typically require executive management oversight to ensure that IT initiatives meet with broader company goals. This oversight can be quite costly, as it consumes the time and energy of executive management rather than allowing them to focus on the daily business at hand.

NetEffect self manages and aligns its support and initiatives to company goals and requires very little time with executive management. NetEffect develops a clear understanding of Sample Client's business needs, and customizes its approach to meet them.

Business Continuity

Employees often resign unexpectedly and with short notice. They accept positions with other companies and sometimes with competitors. Employees take vacations and holidays and they get sick. They experience personal problems that take their focus away from work and these problems are often kept hidden from management until the problem is serious.

NetEffect ensures business continuity by supporting the IT infrastructure 24 hours a day, 365 days per year. Its pool of experienced IT professionals allow for staffing year round.

Level of Expertise

A lack of expertise or professionalism can be very costly and, when the situation is eventually revealed, the resulting problems are difficult to recover from and remedy.

By working with a broad client base, NetEffect naturally gathers a broad range of skills, experiences and a depth of expertise. NetEffect assumes all costs associated with training IT staff to stay current with new and emerging technologies.

Fluctuating Cost

On-staff IT support carries unpredictable costs. Associated expenses include replacing employees, hiring consultants to fill knowledge gaps and help with projects, and fulfilling employee requests for pay increases.

NetEffect charges a flat monthly rate for IT support, and absorbs the fluctuating costs associated with proper staffing levels.

IT Staff Inefficiency

The best IT staff persons are highly intelligent and respond well to a challenging environment. Most in-house IT personnel have a predictable lifecycle; they're at first excited by the challenges of a new network but over time, as they master the challenges at hand, they may fall victim to boredom and apathy and deliver modest results at a slow pace.

NetEffect engages multiple engineers with Sample Client, all who are very familiar with Sample Client's network. Engineers work both individually and as a team, so the challenges of the network remain fresh, thereby delivering consistently high performance from each employee.

Over time, in-house IT staff often prioritizes their own comfort over the company's best interests. Since executive management don't have a comprehensive understanding of technology, on-staff IT people often argue they need additional staffing resources to successfully perform their jobs.

NetEffect understands technology, and can easily evaluate staff workload and efficiency. NetEffect keeps IT staffing "sprawl" in check.

Strategic Analysis

By outsourcing their IT support, Sample Client remains focused on their core business. Rather than diverting attention to managing their IT infrastructure, Sample Client is free to focus on its core businesses.

An outsourced IT staff is cost-effective and naturally aligns with the company's need for a highly available, robust network without the associated risks of managing a complex network. By providing a flat rate for an all-inclusive IT services engagement, NetEffect has a shared interest in providing the highest level of uptime rather than applying a "break-fix" model and simply addressing crises as they arise.

As a technology company, NetEffect is continually staying current with emerging technologies. NetEffect makes use of the latest helpdesk and remote management and monitoring software, and investigates emerging trends such as virtualization to find ways to decrease costs while increasing efficiency for Sample Client.

Virtualization is beginning to neutralize many of the rules technology has obeyed for years. As technology changes, NetEffect will introduce and implement those technologies for Sample Client so they can remain productive, profitable and efficient.

“NetEffect took the place of a full-time network administrator and quickly brought order and efficiency to our computing environment. I am thoroughly satisfied with our partnership with NetEffect and give them my highest endorsement. They consistently exceed our expectations and their skill and expertise has improved our efficiency and profitability of our company.” – Ron Reed, Operations Manager, Nevada Ready Mix