



A BLAZENT TECHNOLOGY WHITE PAPER

## Benchmarking IT Outsourcer Performance in IT Asset Management

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*ITO's fall short of the mark on IT asset  
management*

## Abstract

While IT organizations have done a lot to improve their efficiency in disciplines such as applications development and network management, they continue to struggle with managing their IT assets. The challenge many enterprises face in the management of complex IT infrastructures is often one of the catalysts that lead to the engagement of IT Outsource providers (ITO's), who are presumed to be highly capable in this area. This effectively transfers the problem to them. But the fact is that even ITO's struggle with effective IT asset management, leading to costly inefficiencies and reduced customer satisfaction.

ITO's adoption of IT service management frameworks, particularly those that adhere to ITIL, have helped, but data collected by Blazent over the course of a large number of client engagements shows how far even the premier ITO's have to go in addressing this critical discipline. This white paper explores the data found, and examines a case study on how one progressive ITO is addressing the challenge of intelligent IT asset management.

## CONTENTS

The Need for Effective IT Asset Management .....	1
Industry Benchmarks .....	1
Impact .....	2
Case Study - ITO at a Major Financial Services Company .....	3
Conclusion .....	5

## The Need for Asset Management

IT Asset Management (ITAM) is a critical discipline. In fact, according to estimates from Gartner, the successful management of IT assets (hardware and software) can reduce the total cost of ownership (TCO) of IT infrastructure by 10%-20% in the first year and 5% in the following three years. With increasing financial impact attached to hardware and software assets, William Snyder, Research VP at Gartner states:

“Increasingly, we are seeing ITAM programs moving from operationally focused inventory management responsibilities to a more-centralized program (typically found in an IT finance or planning function), spanning multiple budget areas. Best-practice ITAM programs have always been rooted in understanding costs and drivers, but the need for this capability is stronger now than at any point in the past.” “Establishing an IT Asset Management Identity” (Doc. ID: G00136905)

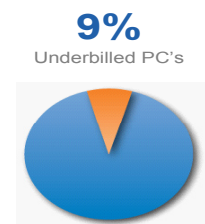
ITAM is a complex and difficult undertaking and one with which most enterprise IT shops struggle. Many organizations are now outsourcing critical IT processes like ITAM to IT Outsource providers, who presumably have better expertise and experience in this arena. Reflective of their expertise, many ITO’s adhere to IT service management frameworks like ITIL to deliver quality ITAM services in their client engagements. The IT process structure resulting from ITIL provides a framework to facilitate more effective outsourcing of IT service elements, allowing the organization to realize better quality from their outsourced vendor. A higher-quality IT service support function allows the ITO to deliver more agile and efficient IT service support to their clients, which ultimately enhances the competitiveness and overall business operations of the client.

## Industry Benchmarks

Blazent has been addressing the needs of global ITO’s for years, helping them to drive more profitability, enhance customer credibility and become proactive partners with their clients in strategic planning. During these years of working with ITO’s the company has collected an important body of operational data about the projects these ITO’s work with. This data provides objective industry benchmarks that measure the effectiveness of the industry’s major ITO’s in their IT asset management practices.

### *Asset baseline*

ITO’s often fall short on the most basic measurement – tracking the number of assets under management. In fact, the data shows that on average, ITO’s are managing 9% more PC computing assets than they are charging for and 6% more server assets than they are charging for.



“Customers that commit a minimum of 3% of their annual operating budgets to ITAM programs and tools can expect a 25% reduction in their total cost of ownership.”

William R. Snyder,  
Gartner  
“Establishing an IT Asset Management Identity”

“While IT is getting increasingly better at front-end investment, it’s doing an amateur-hour job of managing its accumulated asset base. Some CIOs are masters at putting mud flaps on the hog: Rather than deal with it directly, they figure they can rationalize its cost and condition by outsourcing or offshoring the beast.”

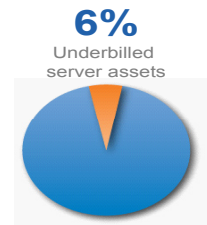
Bruce Rogow  
“Formal Process Needed To Track Core Assets”  
Information Week,  
April 2006

A single enterprise can house dozens of documented and undocumented asset repositories, all with a slightly different perspective on ITAM data. The challenge for the IT organization is to provide a consolidated single point of truth that leverages the nuances of business and operational data to affect confident decisions.

“What I like about Blazent is its ability to create a single platform for data consolidation.”  
- Jamie Erbs, CTO Service Management, EDS

### *Antivirus agent penetration*

Although most enterprises and ITO's claim to have very high antivirus penetration, the reality is far different. The data shows that on average, antivirus penetration is less than 85%, leaving 15% of assets exposed and unprotected.



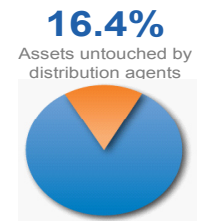
### *Operational agent penetration*

Although most enterprises and ITO's claim to have very high penetration of operational agents, the benchmarks show a very different situation. In fact, the data shows an 83.6% penetration rate, leaving 16.4% untouched.



### *Status and data inaccuracies*

Tracking the status of assets is of crucial importance, as billing rates are often determined by the status of an asset. On average, ITO's have an incorrect asset status on 3.2% of their assets under management.



### *Correlations*

There is no correlation between the size of an account, where the size is measured by the number of assets under management, and where quality is measured by the level of agent penetration and the accuracy of inventory count. However, there is a direct correlation between the individual measures of ITAM quality. Where accounts have high accuracy in their inventory baselines, they also have high AV penetration and high operational agent penetration.

## **Impact**

Shortcomings in IT Asset Management have a profound impact on the ITO and on its contractual relationship with its customers.

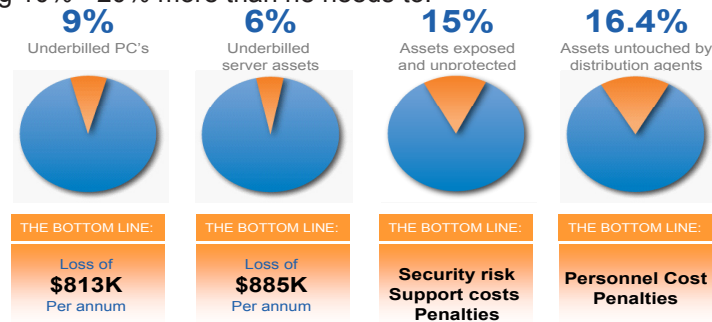
1. *Revenue Enhancement:* Lack of visibility and insight translates into significantly lower revenue. On average, ITO's are leaving \$1.7 million dollars in annual billing on the table by managing assets for which they are not being paid.
2. *Revenue Recovery:* Inaccuracies in asset status result in an average underbill of \$662,432 annually by global ITO's, as ITO's deliver premium services for assets that should get standard services, and as ITO's deliver services for assets that are ostensibly retired (often called "rogue" or "zombie" assets).
3. *Risk Mitigation:* Most contracts put in place security and vulnerability-related SLA's. An aspect of those SLA's is a measure of the level of anti-virus agent penetration and the patch level of those agents. Penalties for compliance failure can be punitive. Although contract terms and conditions vary, a common penalty is a fine for each percentage point off a defined target. For example, the client may set a target of 95% agent penetration and charge the ITO a \$100,000

Buying an asset is the easy part; what happens next is the most important phase of the asset life cycle.

- Stewart Buchanan, Gartner  
 “Best Practices for Managing return on IT Asset Investment”

penalty for each percentage point under that target. With an average penetration rate of 83.6%, that penalty would force the ITO to pay \$1.1 million.

4. *Operational performance:* Customers and ITO’s often invest millions of dollars in technologies that streamline operational performance. These may include agents such as performance monitoring and distribution systems. The ROI of these systems is predicated on the level of penetration the agents have across the enterprise. With an average penetration rate of 85%, the ROI and business case for tool acquisition usually falls apart.
5. *Profitability:* Gartner estimates that successful asset management can reduce the total cost of managing an IT infrastructure by 10% - 20% in the first year and 5% in the following three years. By corollary, a failure to do so means that the ITO is paying 10% - 20% more than he needs to.



Clearly, a business case exists for investment in asset management from a direct revenue augmentation and cost reduction standpoint. But of perhaps equal importance, as ITO’s come to terms with asset management, their ability to work in a pro-active manner with their clients is enhanced. As Gartner says, “the successful ITO adds value every day.” The ITO’s ability to do this is a direct result its ability to work strategically in its accounts, rather than being caught up in a never-ending tactical cycle of fire fighting.

### Case Study – ITO at a Major Financial Services Company

Successful ITO’s are augmenting revenues and lowering costs not by adding more data sources or agents, but by becoming smarter about the IT assets under management. By leveraging the applications and data that are already in place, they are able to drive more profit, achieve better credibility with customers and become proactive partners in their customer’s success. This case study shows how one global ITO turned a potentially disastrous situation into a positive for both the ITO and its customer.

There is always a dynamic relationship between the ITO and its customer, and this case was no exception. But here, the sheer scale of this contract made the relationship even more dynamic than usual. The challenges faced by the ITO in satisfying the customer while maintaining profitability included:

“The easiest way to grow your outsourcing business is inside your key accounts. The easiest way to retain these clients is to help them every day.”

– Delivery Executive at a Major ITO Provider

- *Accurate asset count:* The customer had one view of the assets under management, but it was clear that the figure unrepresented the reality. But without the data to back it up, the ITO had to accept the customer’s figures.
- *Asset data accuracy:* The contract SLA called for 98% accuracy at the field level for the 30 fields used to make up the RU count. Failure to comply could have serious financial impact.
- *Charge back accuracy:* Due to several years of inattention and circumvention of IMAC processes, more than 20,000 assets were no longer allocated to the correct cost and profit centers within the company.
- *Credibility:* The ITO found itself in seemingly endless cycles of client disputes. Not only was the ITO beginning to suffer a credibility issue with the customer, the level of service was beginning to suffer as well, due to the expensive, time consuming manual nature of dealing with those disputes.

CHALLENGE	SOLUTION	RESULTS
<ul style="list-style-type: none"> <li>• Strict service level agreements on field level accuracy of asset inventory (auditable with possible financial penalties)</li> <li>• Accuracy of internal charge backs</li> <li>• Compliance with internal standards</li> <li>• Client credibility</li> </ul>	<ul style="list-style-type: none"> <li>• Blazent was selected to aggregate and cleanse data sources to deliver an accurate and complete IT Asset data warehouse</li> <li>• Powerful analytics to drive actionable information from the chaotic data</li> </ul>	<ul style="list-style-type: none"> <li>• Identified more than 20,000 charge-back misallocations</li> <li>• Avoided a short pay situation by validating supported assets in question</li> <li>• Improved client interaction due to the IT Outsourcer’s ability to show hard data to validate its position</li> <li>• Charging more for dated OS machines to push refresh</li> </ul>

### Solution

The ITO account team took a hard look at what was called for. First, it was clear that the team needed a consolidated and accurate view of the IT assets under management. Second, they needed flexible analytics and reporting that leveraged that data. This would give the team and their customer the visibility into their assets specifically down to the field level they so desperately needed. And last, the ITO team needed to deliver these capabilities in a short time while reducing costs. After extensively evaluating offerings on the market including their own internal technologies and evaluating a build versus buy scenario, this ITO turned to Blazent and their IT Asset Intelligence solution.

### Results

In 2006, the ITO began deploying Blazent’s solution into the production environment. Using Blazent, the team was able to aggregate, cleanse and normalize asset data from more than 12 disparate data sources, creating an accurate and consolidated IT asset repository. The impact on the business was almost immediate, and continues to be felt.

- The ITO was able to help address field level accuracy by identifying data conflicts with automated variance reports. This allowed them to put in place a process to begin correcting those issues in a systematic fashion.
- With the consolidated view of assets provided by Blazent, The ITO was able to leverage the integrated analytics to deliver detailed reporting on assets that allowed them to tie assets to applications and cost centers. Chargeback discrepancies are being cleaned up at a rate of 1,000 per month through a customer portal “self serve” format.
- The ITO team was able to avoid a short pay situation of over \$300K with the data provided by the aggregated data.
- Addressing a customer billing dispute, the team was able to support its billing claims with data that justified all billable items.

The partnership between the ITO team and its customer is back on track. Armed with the accurate asset intelligence information that Blazent delivers, the ITO is now able to better focus on building value with the customer rather than dealing with endless contract and billing disputes. The team is now well positioned to win the contract extension and business for additional services which in the long term, benefits both.

## Conclusion

To streamline costs and maximize revenues, ITO's must adopt more intelligent ways to deliver quality IT asset management. It is not just about immediate profitability. ITO's that achieve long term success seek to bring value every day to their clients. Effective IT asset management is at the heart of both immediate profit and long term success. Solutions that add intelligence to the ITAM discipline, like those provided by Blazent, can help the ITO achieve profit goals, while at the same time, ensuring that their value proposition to the customer is enhanced.

## About Blazent

Founded in 2001, Blazent empowers global IT Outsourcers to aggregate IT information from multiple disparate sources within their customers' managed IT environments to build a complete, accurate, and timely inventory. To speed decision-making, Blazent adds proven analytics that enables accelerated decisions toward financial, operational, and strategic goals. Blazent's proven technology solutions and methodologies deliver increased profit margins, improved customer credibility, and empowers global IT Outsourcers to become proactive participants in their client's success.

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