
THE FOUR HUNDRED

iSeries and AS/400 Insight

REPRINTED FROM VOLUME 15, NUMBER 10 – March 6, 2006

Hosting is Increasingly Popular at OS/400 Shops

by Mary Lou Roberts

Most of the analysts agree: Outsourcing (defined here as turning over all or part of the delivery of an IT service to a third party) is continuing to grow at a steady pace, in virtually all of its permutations. While the specifics of the projections may differ somewhat, no one seems to challenge the notion that, more and more, businesses are focusing on their core competencies--making and shipping goods, investing money, healing the sick, and selling products--and farming out the responsibilities for running increasing complex IT infrastructures. While OS/400 shops are not on the front end of this trend, they are not immune to it, either.

Outsourcing functions that are not viewed as core to the business, of course, is not new. How many decades has it been, for example, since companies by the hundreds decided that firms outside their doors did a better job of handling payroll transactions, or running the cafeteria, or pruning the campus landscape? But during the same period when functions like these were being outsourced, many companies were growing their data centers, and getting deeper into hardware and software.

That's changing--and changing quickly. In this brave new world, every function appears to be on the table. Witness, for example, the uproar over the sale of the leases to operate six U.S. ports to the United Arab Emirates. What's interesting to me in the brouhaha that's followed this disclosure is that all of the conversation seems to be focusing on the wisdom (or lack thereof) of choosing an Arab company. I've yet to hear substantive discussion on why the U.S. should have outsourced this function at all to any company outside our borders, or any explanation of why management of our ports would not constitute one of our "core competencies"--the acid test that most people use for outsourcing decisions. The vast majority of our ports are owned by foreign companies, and this is the real problem.

But I digress. Suffice it to say that outsourcing has become the rule rather than the exception, and this shift in thinking has been going on for quite some time. Until recently, however, outsourcing hasn't been the major issue for iSeries shops that it has been in larger corporations. That too, may be changing.

One business that's picking up steam is the hosting and outsourcing of management of the iSeries itself to outside firms. It's clearly a growing business that is attracting companies that are firmly committed to the platform moving forward.

Synergistic, for example, offers two tiers of services for outsourcing the management of the iSeries, says Keith Carpenter, the company's sales manager. The first model is managed co-location where customers send their iSeries to one of Synergistic's several data centers where the operation of the system is managed. Under the second model, Synergistic hosts the customer application on Synergistic hardware, perhaps in a partition of a larger system.

Who are the customers who choose this approach? Are they clients moving off the platform, looking for someone to pick up the management of a legacy application while they have one foot out the revolving door? Absolutely not, says Carpenter. "The clients who come to us are still serious iSeries shops. Only 10 percent or fewer may have a straggling iSeries application on a box in a corner, and they just want us to host that until they eventually wean off that program. But that's the minority."

The vast majority of Synergistic's approximately 300 clients around the country have far different motives. They may, for example, have downsized their staff, automated schedules, or automated other functions of the system, or they may have consolidated from multiple machines. Carpenter describes a customer that previously had seven AS/400s and has now put all of those applications on to one large i5 570, so they no longer need two or three operators around the clock. "This customer is looking for someone to outsource operations to. It doesn't want to be in the business of buying a new system every two to three years. It just wants a partner to host its applications and provide flexible pricing in terms of labor and hardware."

This can be a real cost savings for companies that find that they no longer need the full-time attention of three shifts of operators. "We already have a full-time staff who can devote a certain amount of time each day to their hardware, so customers just pay for what they use, and that generates a cost savings for them," explains Carpenter. "It also lets their staff stay focused on their core mission, while they are leaving the operation of the iSeries to us."

Customers who chose the co-location option tend to be smaller shops, says Carpenter. "They typically come to us with no iSeries manager or OS/400 operator at all. I've even had some municipal governments where the responsibility for the iSeries operation has been given to a policeman on the beat, or maybe an assistant to the mayor, and it doesn't take long for them to realize that it isn't an optimal situation, so they come to us and want to ship us their iSeries box. They are still absorbing some of the cost, but not the cost of a full-time employee. They may only need someone part-time, and that's sort of what we do for them; we are providing the data center space and around-the-clock management for a price that's less expensive than a full-time operator."

Rich Waidmann, chief executive officer of Connectria is also bullish about the growth prospects for this business, projecting that his iSeries hosting and remote monitoring business will probably double every year for the next three years.

Connectria offers full management and hosting. "Everything from having the machine in our data center to remote batch job processing," Waidmann says. "Through our advanced administration tools, we can also run the system in the customer's own data center."

There are several typical scenarios that may bring a customer to Connectria, says Waidmann. One such situation may be when a company buys a new division that has an iSeries platform, and the new parent company has no experience running it. Another might be a situation in which a company has one iSeries administrator and that person resigns, leaving no one to run the system. "Sometimes, customers can't find someone to take the job. For example, we just had a call from a company in Alaska--not exactly a hotbed of iSeries talent--that couldn't find anyone with iSeries experience. Then again, a company might just decide not to replace someone who is leaving. Our costs are typically less than it would cost them to hire a single person."

Waidmann agrees with Carpenter that the vast majority of people that choose remote hosting services are still strongly committed to the iSeries platform. "They are not looking to get off of the platform," he says. "They are just looking to run it more effectively by having someone take over the management and administration and not having to worry about the staffing issue."

Both Carpenter and Waidmann agree that there are two major factors positively affecting their businesses. The first is the dwindling number of experienced iSeries folks, exacerbated by the coming retirement of the Baby Boomers and the lack of college graduates who know anything about the platform.

"The iSeries is such a strong platform," Waidmann points out. "It works well because it's reliable and predictable in its costs, and it doesn't take a lot of people to run it. But it does take someone who is skilled and who knows how to do it--and there aren't a lot of people coming out of college today who know the iSeries."

If companies are still highly committed to the platform, but they are attempting to draw from a significantly decreasing pool of people knowledgeable about the platform, a logical move is toward hosting where iSeries resources can be shared, especially when consolidation and automation decrease the need for round-the-clock operators.

A second factor in the move to hosting is the increasing sophistication (some might say complexity) of the platform itself. Carpenter points out that IBM itself is always looking for the best ways to make sure that its iSeries business partners understand all of the capabilities of the iSeries. "But even some of the fairly sophisticated shops are pretty blown away by all the new capabilities, and it's difficult for them to keep up with it. It's a full-time job just to keep up on the technology, and customers realize that they are far from capitalizing on the hardware that they have, let alone the new hardware that is out there. That's why they turn to someone like us instead of trying to do it themselves."

Waidmann concurs. "The increasing sophistication of the platform is definitely a factor in people coming to us. It's difficult any more for one single person to know everything there is to know. The AS/400 used to be its own island. Now it's becoming a server that might be delivering Web pages on the Internet, have email and Lotus Notes, have iSeries applications, have a Windows partition, and more. There are lots of pieces to it. It's not just a single skill set any more."

Like all types of outsourcing, moving to a hosted environment is not without pain. Not the least of these pains occurs when upper management drives the outsourcing decision and IT managers are forced to lay people off, which is not something that any manager looks forward to, not to mention the employee getting the pink slip.

In some instances, outsourcing firms may hire these employees, and that should always be explored as an option. In fact, Carpenter explains the hiring of customer staff as one of the drivers for creating new data center locations. "Our two primary data centers are in Detroit and Kansas City, and if there is no logistical reason to be somewhere else, that's where the bulk of the clients will be. However, if we are going to be taking on the customer's employees, we can set up a new site. In that case, we might find some local company to partner with until we get to the threshold of enough clients to build that out into our own data center and building."

I tried to get IBM on the horn to talk about its OS/400 application hosting options in its Global Services unit, but Big Blue was unable to get someone to talk about what it was doing. Luckily, a year ago, this very newsletter did an in-depth story on the OS/400 hosting services that Global Services offers. I don't know how much IBM's offerings have changed in a year, but this is a starting point.