

Fixed-cost model adds more value to IS services

BY LEO SPIEGEL

Are your end-users getting the biggest bang for their IS bucks? Are you providing computer systems services in the most efficient way possible? Is anyone getting more services than they really need?

If you're having a hard time answering these questions, you're not alone. Faced with the threat of data center consolidations and third-party outsourcing, you may want to beat management to the punch and start running IS more like a business.

By charging end-users for the use of computer systems, the help desk, consulting, and installation support, you can deflect suspicions that IS is a mysterious money pit.

For budget-conscious IS managers, this new business approach, called fixed-fee support, controls demand and facilitates more efficient use of limited IS resources.

This method can also capture costs more accurately than traditional cost-recovery methods. Fixed-fee support can free IS managers from unnecessary tasks and let you focus on delivering performance-based, valued-added services.

In addition to fixed fee, there are several alternatives for allocating and tracking IS service costs — including the tradi-

tional mainframe "charge-back" type system (see table). During the decision-making process, consider your cost-recovery options, test pilot your proposed approach, and solicit feedback from your end-users.

Under the fixed-fee scenario, the cost model is based on an a la carte support menu that converts costs to prices for specific services, such as processor usage, pages printed, disk space utilized, or programming time.

Departments are charged for labor-intensive services, such as helping a user with a particular application, installing a PC, or consulting on the best word processor for a department.

However, the tough part is developing the pricing algorithms for these services. You need to collect and monitor usage statistics and carefully analyze IS and end-user workload and performance.

Next, you need to develop an automated billing system that tracks service costs. It's possible to take advantage of usage-tracking capabilities incorporated into network OSES, document management packages, and fax-server systems.

As these technologies mature and other system management solutions emerge, such as Computer Associates International Inc.'s Unicenter program, the accuracy and seamless integration of cost

Taking IS into account — different models for tracking costs

Method	Pros	Cons
Cost center - No cost allocation or revenue recognition	No accounting requirements	Hard to justify budgets or prioritize projects
Allocation/overhead - IS costs are spread throughout the company based on head count/revenue	Minimal accounting requirements	Hard to determine IS costs by usage
Charge back - IS charges departments by dividing the actual costs by usage	Departments learn value of services rendered	Complicated billing, hard to track usage
Fixed fee - IS costs are converted to prices for specific services and charged to users who use them	Better spending efficiency; simpler justifications	Establishing pricing is difficult; accounting requirements are complicated

tracking will improve.

Unfortunately that day has not arrived. Until the necessary usage data arrives, IS managers must devise a cost model that accounts for the budgeting, planning, and support requirements of users in distributed networked environments.

After you have determined a cost for all of your IS services, it's essential that you communicate these costs to the end-user departments and set up a formal charging method for each month. You should also promote understanding and awareness of the associated costs for the service levels requested.

As the role of IS evolves from an internal cost center to a fee-based service

provider, the dynamics between IS and end-user departments will change. Hopefully, once end-users realize they are paying, they will not do things that waste IS resources — such as printing a report three times.

If the service works, business managers will benefit from the new structure by realizing costs and profitability on a real-time basis. And IS managers will find it easier and more cost-effective to forecast and implement services that boost corporate productivity and efficiency. □

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Manager's Bulletin Board

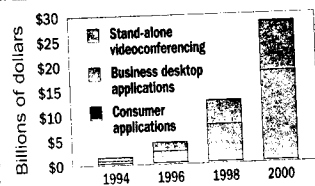
Sybase offers support plan. Sybase Inc., in Emeryville, Calif., is revamping its technical support by replacing custom support contracts with a four-tiered plan. The plan's programs range from Desktop, which offers support during the business day for Sybase databases running on LANs and client PCs, to Advantage and Preferred programs, which offer 24-hour-per-day, seven-day-per-week support for mission-critical applications running on Unix servers. The bad news, according to Dataquest Inc., is that the new plan will mean a 5- to 8-percent increase in support costs for most customers.

Book smarts. *The Essential Client/Server Survival Guide*, by Robert Orfali, Dan Harkey, and Jeri Edwards (Van Nostrand Reinhold, \$24.95), is a guide to client/server that balances the promise of client/server technology with a healthy bit of skepticism about vendor pledges. Starting with a basic introduction through to application development, the authors explain concepts such as information warehousing; atomicity, consistency, isolation, and durability; and the various network management protocols. The chapters include soapboxes (for opinions), briefing boxes (for background), detail boxes (for esoterica), and warning boxes.

Turning to the electronic channel. McAfee Associates Inc. is extending its unique method of software distribution to its recently acquired Brightwork network management products: SiteMeter, Brightworks, NetRemote, and NetTools. The full-fledged products can be downloaded at no charge through CompuServe, the Internet, and other bulletin boards nationwide. McAfee relies on users to call in and pay for the product in exchange

Multimedia spending to soar

\$25 billion will be spent by the year 2000 — \$18 billion of it on business applications



SOURCES: OVUM LTD. AND ERNST & YOUNG

for technical support and updates. McAfee is at (408) 988-3832.

Pirate's share. Dire warnings about software piracy have apparently paid off in this country. About 67 percent of all software in the United States is legal, according to the Software Publishers Association (SPA) — a rate only surpassed by the United Kingdom, which has a 73 percent share of legal software. By comparison, 48 percent of the software in France is legal and only 18 percent is legal in Taiwan. India bottoms the list with a 5 percent compliance rate.



AUGUST

9-11 Share Technology Conference and Technology Exchange, Boston. Contact Association Headquarters, (312) 822-0932.

17-20 5th annual Macintosh Summit Conference, Santa Barbara, Calif. Contact University of California, Santa Barbara Extension, (805) 893-4588.

21-25 SCO Forum '94, Santa Cruz, Calif. Contact Blenheim NDN, (800) 553-9939.

29-September 1 Client/Server '94 East, Washington. Contact CMP Trade Show and Conference Services, (800) 972-5244.

SEPTEMBER

12-13 Digital Media Outlook, San Francisco. Contact Technologic Partners, (212) 696-9330.

12-16 NetWorld+Interop, Atlanta. Contact ZD Expos, (415) 578-6900.

13-16 Seybold Conference, San Francisco. Contact Seybold Seminars, (800) 488-2883.

20-22 Networks Expo and Windows World, Dallas. Contact Blenheim, (800) 829-3976.

26-28 Information Superhighway Summit, San Jose, Calif. Contact IDG World Expo, (508) 879-6700.

U-M-I

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INFOWORLD