

Remote Infrastructure Management Outsourcing: *Selecting the Right Shore Vendor and Destination*

White Paper

ITS – Infrastructure Technology Solutions
Managed Services



Executive Summary

Information Technology (“IT”) helps ensure stability, resilience, growth and prosperity for nearly all businesses nowadays. An improved geopolitical environment, among other favorable changes in recent years, has prompted companies to reconsider their outsourcing strategies. Aiming to improve their competitiveness, more and more companies are off shoring their IT operations to specialized outsourcing vendors.

What are the risks and benefits of off shoring? How can companies take advantage of outsourcing while at the same time minimize the inherent business risks of such initiatives? Near-shore destinations offer excellent IT solutions. In particular, Brazil stands out because it boasts a mature and complex domestic IT market as well as a technologically advanced national banking system. Moreover, and this is important, Brazilian companies tend to be strongly aligned with western culture and keenly focused on areas important to IT projects, such as: risk mitigation, security and governance processes, quality, cost reduction and operational flexibility.

Today, Brazil’s IT landscape is filled with highly qualified world class companies offering state-of-the-art IT services in compliance with international standards and Best Practices, including: ITIL, PMI/PMP, ISO 9,000, ISO 20,000 and ISO 14,000. Brazilian companies are well positioned and have been gaining share in the global Remote Infrastructure Management Outsourcing (“RIMO”) market, reflecting professionalism and an ability to seamlessly take on remote infrastructure operations.

This White Paper provides details about each near shore delivery model and recommends how to mitigate associated risks while choosing the best near shore alternative based on your business requirements.

Context

CIOs today face the challenge of providing high-quality services while reducing their costs. Using remote services to complement in-house IT staff is one potential solution. Gartner estimates that *"70% of IT support for infrastructure services can be performed from a remote location"* and *"remote infrastructure management services can reduce labor costs by 10% to 50%, depending on the delivery location, resulting in a 3% to 30% overall net savings, excluding one-time transition charges"*. On this white paper we present the alternative of performing RIMO services from near shore destinations like Brazil.

Making a long-term relationship

Intensifying competition and a weakening global economy have raised the importance of outsourcing as a measure to reduce costs, increase service/quality levels, and free up resources to focus on core operations.

This section addresses common issues related to what to outsource and with whom to partner, answering the question:

“How do we make certain we enter an engagement that will meet today’s expectations and constantly bring more value and improvements to our company?”

Before beginning, define what to outsource (an internal assessment)

- **Identify outsourcing barriers within your organization and operating model.** Understand your operating model and define what you can and cannot move to an outsourcing engagement.
- **Baseline your operations before entering an outsourcing deal.** This is required to properly evaluate the value added by the vendor



during the contract engagement in terms of cost effectiveness, service delivery, quality improvements, adherence to compliance, and risk mitigation.

- **Plan for mid to long-term contracts.** 10 to 15-year deals may seem too long, but less than 3 years may not be enough to appropriately evaluate the engagement and harvest the cost and productivity improvements defined in the contract. Return on investment (ROI) usually takes place in 1-2 years.
- **Create a vendor management discipline.** Market trends indicate that 3%-10% of the annual engagement cost should be invested to actually manage the contract. Negotiate for cost-efficiencies but plan for service improvements and innovation; establish a roadmap to guide the transformation efforts during the ongoing operations after the transition phase is finished; plan for governance improvements on the run; be diligent about risk management; and focus on knowledge management.
- **Regularly assess your vendor.** Keep an eye on intangible risks, financial stability, delivery capability, best practices, and innovation; watch for increases in service-level breaches, resolution times, and company turnover; observe relationship management, flexibility and ability to absorb more outsourcing services.
- **Define SLAs/KPIs to cover the deal as a whole.** In order to guarantee service improvements and adaption to your business changes.

Remote Infrastructure Management Outsourcing (RIMO) Briefing

For most companies in the financial market, RIMO is the “front door” to the Outsourcing world. Even when outsourcing these kinds of services, companies maintain access control of sensitive information to avoid raising information security concerns. At the same time, RIMO can achieve significant gains in productivity and declines in costs, allowing budget savings to be reinvested in core operations and/or initiatives to improve service levels.

Companies that take advantage of RIMO, keep managed elements in their current locations; however, event management moves to near shore or off shore operations, on a 24x7 basis, with totally integrated availability management, transparent to businesses and internal clients. The result: integrated control and managerial oversight of checking accounts, Internet banking, insurance, call centers, stocks, amongst others.

RIMO services can be broken down into different modules and can be gradually applied, as follows:

- **Monitoring:** event management and fault management for corporate networks, providing passive threshold monitoring and notification of responsible teams to take further action.
- **Escalating:** follow-up and hierarchical notification of incidents, registering all the occurrences and activities.
- **Operations:** execution of pre-determined routines in response to events and requests, with previous granted permission, including backup and restore procedures.
- **Scheduling:** follow-up of automated routine execution and application management.



- **Administration:** managed elements, including activities such as firmware and operating system updates, security patching, and granting provision for access, configuration and changes.
- **Support:** 1st and 2nd level remote incident management with the objective of restoring IT infra-structure services when it fails.

These service modules can be applied to different IT infrastructure elements, as follows:

- **Network devices:** switches, routers, access points, VoIP appliances and PBXs.
- **Links:** data, voice and multimedia WAN connections.
- **Servers:** Wintel, Linux, UNIX, AS/400, Mainframe and components; memory, disk quotas, CPU utilization, logs, services and running processes.
- **Databases:** Oracle, SQL, Sybase, Ingres, Informix, etc.
- **Storage devices:** SAN, iSCSI, EMC, Hitachi, IBM, HP, DELL, etc.
- **Services:** messaging, directory and authentication, file services, print services and specific applications.

All RIMO services follow pre-identified agreed upon service levels and include reports with key performance indicators (KPIs) to benchmark service quality against measureable objectives. Through service level and KPI reports, your company is able to control the environment and the service provider, adapting the scope of work according to changes in your business needs.

RIMO Benefits

Major benefits of this service include: wide-ranging coverage; centralization and integration of environment analysis on a 24x7x365 basis; best utilization of highly skilled team members for troubleshooting and execution of daily routines, allowing specialists to focus on environment improvements, new projects and planning activities. In general, RIMO adoption results in ROI in the first or second year. From a legal perspective, some qualified RIMO providers can provide services compliant to the "Sarbanes-Oxley Act".

Things to consider

Location

- Cultural compatibility
- Strong financial technology
- Financial viability
- Natural and climate stability
- Adequate time zone
- Strong educational foundation
- Political and governance stability
- Transportation and communications costs
- Business model
- Value added services
- Commercial Issues
- Customer references

Vendor

- Delivery capabilities and experience
- Historical adherence within financial market
- Governance Model and Demand Management discipline
- Transition Methodology/Approach
- Develop a vendor management program
- SLAs and KPIs should cover more than operational performance (contract, relationship and client KPIs)
- Regular vendor and relationship assessment



- Quality improvement capabilities, through standard market certifications: ISO 20,000 (ITIL); ISO 9001:2000; HDI – Help Desk Institute; and SAS 70 Type II
- Flexibility and resilience to adapt to market changes and new business models

Brazil as the right shore alternative for US companies

From a US perspective, several countries have highly qualified near shore providers. In RIMO specifically, the major players are: Argentina, Brazil, Chile and Mexico.

Among those major players, Brazil has been gaining market recognition and mind share from most IT analysts. In 2008, Gartner recommended Brazil as a viable outsourcing choice for a wide range of services, with total risk-adjusted costs for specific services, comparable with those in many other typical destinations.

Technological scenario

Several characteristics and qualifications have helped Brazil achieve this market position. Examples of the country's strengths in finance, technology and innovation include:

- World's most technologically advanced banking system, with real-time money transfers available to any user or company, with total security.
- Almost 90% of bank transactions are automated, using ATMs, telephone and web.
- Secure Internet banking and growing financial network. Various partnerships with third-parties such as stores, lottery shops, post offices, and retail chains have increased significantly the number of bank branches and kiosks in Brazil. Today, banking outlets surpass 134,000 points of sales, not only in

the metropolises but also in the smallest towns in the country.

- 98% of all Brazilians file their income tax returns via Internet.
- 100% computerized elections with more than 120 million voters using specially designed electronic ballots, in 2006.
- The 6th highest number of cell phones in the world, with 125 million in 2007.
- The most PCs installed in Latin America, with over 30 million.
- Latin America's largest country and largest Internet population with more than 32 million users.

Besides those numbers, the country's strong infrastructure and social, economic and political stability position Brazil as a "must-be-considered" destination for companies planning to pursue near shore IT services.

Infrastructure

Brazil is the largest telecommunication market of the Latin America, with more than 50+ million fixed lines, 100 million mobile users and 32+ million Internet users. A wide and reliable telecommunication infrastructure is in place, and the Brazilian government is stimulating grid quality improvements throughout the entire Country.

From a geographical standpoint, Brazil has more than 1.5 million miles of highways. Roads are the main type of transportation of goods, much more than airways, railroads or waterways, although there are several airline companies with domestic flights interconnecting the major cities and connecting them to other parts of the World.

Although electricity availability suffered bad times in the past decade, nowadays this so sought infrastructure element reached its stability, thanks to the Brazilian government investments. More than 90% of the power generation comes from



hydroelectric ways. This is not a problem at all in a tropical Country, with lots of rivers and big rainy seasons to fulfill all the power plant dams.

Community

Portuguese is the official language but this country has been the destination of many immigrants from Italy, Germany, Japan, English-speaking and other Latin American countries. Besides its cultural diversity, Brazil has been strongly influenced by US culture, explaining why Brazilian business practices and methodologies are very similar to those in the US.

The English language is taught in most elementary, middle and high schools. English is the most required language in an employee search of over 4,000 IT companies with operations in Brazil.

The IT labor pool has reached more than 200,000 professionals and 23,000 new graduates enter the industry every year.

Characteristics of flexibility, creativity and client empathy make Brazilian resources attractive in the IT services market. In addition, most workers develop their skills in business and are knowledgeable about business practices. These qualities, in particular, are used by local service providers to create differentiation.

Politics and Economy

Since 2002, President Lula has been showing several efforts to increase development of innovative technologies and attract foreign industries and investors and it has been working. In 2008, Brazil received "Investment grade BB+" from Standard & Poor's and in 2009, it received "Baa3 grade" from Moody's. Its international risk ratings are the lowest ever.

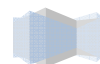
Lula also is focused on social reforms and tight fiscal policies. In a very stable and consistent manner,

international relationships continue to be commercially friendly, inflation is under control with low rates (less than 5% yearly) and the country has not been affected by internal political changes.

According to Gartner, "(...) *Brazilian international risk ratings are the lowest in history, and trust from international business and investors is high. The economy has been stable and inflation rates have been low for 15 years. Despite challenges, the long-term outlook is good*".

Conclusion

Outsourcing RIMO services to a capable near shore provider is a low-risk and highly effective alternative. This approach drives out costs, and mitigate geo political risks, while providing high end user security, satisfaction and quality. At CPM Braxis, we deliver IT Infrastructure Management and Global IT enterprise solutions, helping clients to reduce costs and simplify complex IT environments to secure, integrated and centralized environments.



CPM Braxis Advantage

At CPM Braxis, we strongly believe in delivering differentiated services that create sustainable competitive advantage and business value for our customers. CPM Braxis provides services in Infrastructure Solutions, Application Outsourcing, Business Solutions and IT Consulting, with a focus on the best practices of the market's major segments (Finance, Industry, Commerce, Services, Telecommunications and Government).

One of the largest IT services companies in Latin America, CPM Braxis employs almost 6,000 IT professionals and it is the first Brazilian company to achieve CMMI DEV 1.2 level 5, ABAP included. CPM Braxis is also a Cisco Gold Partner and Microsoft Certified Partner.

With expertise and determination, CPM Braxis is poised to be one of the top 10 global IT companies, recognized for the excellence of its services. The points that differentiate us from the cluster of other players are:

- ✓ Managing the Infrastructure Lifecycle
- ✓ Proven IT Enterprise Security Model and Delivery Experience
- ✓ Full alignment to ITIL processes
- ✓ Proven Robust IT Governance and Client Management Teams
- ✓ Flexibility and Strong Partnership
- ✓ Market Accreditations and Recognitions
- ✓ Service Quality
- ✓ Success Transition Model
- ✓ Enhanced SLAs

Our RIMO offering value proposition is as follows:

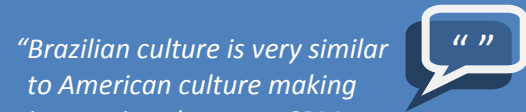
- ✓ **Lower risks.** By means of highly process oriented services.
- ✓ **Compliance.** Adherence to compliance requirements.
- ✓ **Cost savings.** Lower ongoing costs in the order of 30-40%.
- ✓ **Service Improvements.** Through the use of ITIL and CPM Braxis methodologies.
- ✓ **Increased efficiency.** Using best practices and CPM Braxis Quality Programs.
- ✓ **Satisfaction Guaranteed Program.** Try some of our services for 3 months. CPM Braxis will refund your fees in professional services in case you are not satisfied.

To discuss how CPM Braxis' infrastructure management services can benefit your business today, and to discuss if RIMO is appropriate for your own business needs, please contact us via email at andre.maximiano@cpmbraxis.com or telephone **+1 (630) 659-5051**.

"Level of integrity and honesty makes for an excellent working relationship..."



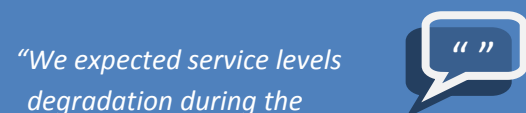
"Brazilian off is only 3 hours ahead of CST instead of 11.5 hours ahead. This makes conference calls much easier to schedule and conduct."



"Brazilian culture is very similar to American culture making interactions between CPM Braxis and our personnel much easier."



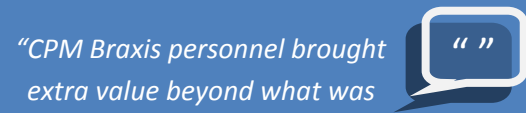
"The quality of work performed by CPM Braxis personnel was excellent."



"We expected service levels degradation during the transition phase... However, we were surprised with the results and fast improvements"



"Emails between the US and Brazil happen in real time instead of being delayed half a day"



"CPM Braxis personnel brought extra value beyond what was documented in the Statement of Work"



"CPM Braxis maturity level on outsourcing services contributed a lot to the superior outcome we experienced"

Global
Clients

CPMBroxis