



# OutsourcePortfolio

Growth of Remote Infrastructure Management Outsourcing



Remote Infrastructure Management Outsourcing, (RIMO) is a growing trend among the outsource providers to deliver IT infrastructure management services remotely either from onshore, nearshore or from offshore locations. In the past customers were reluctant to outsource infrastructure management services to offshore locations but now that trend are changing. Recently India based [HCL](#) won a major [infrastructure outsource deal](#) from [Reader's Digest Association](#), Inc. and from [Xerox](#).

Several trends like globalization, innovation in remote management technology, customer behavior, offshore vendor RIMO maturity, etc has created huge opportunities for offshore RIMO vendors. In this article we will explore changing dynamics of RIMO and discuss offshore vendors capabilities in RIMO market.

## 1. What is Remote Infrastructure Management, RIM?

Remote infrastructure management deals with managing IT infrastructure and applications remotely (outside the physical location of hardware assets) taking proactive steps and remedial actions so that all the computer assets will be available 24x7x365 to the customers. Following are the RIM services companies currently outsourcing to offshore locations:

- Helpdesk Services
- Network Management
- Server Management
- Storage Services
- Desktop Services
- Application Services

In the past Helpdesk and network management services are most prominently outsourced to low cost destinations. Now all aspects of IT infrastructure services except services (like disaster recovery, hardware repair, etc.) that requires physical presence, are outsourced to offshore locations.

## 2. Market Dynamics for Remote Infrastructure Management Services

In early 90's Companies like IBM, Unisys, EDS, etc started infrastructure outsourcing trend by taking full ownership of both IT assets and the employees of client companies. Most of these engagements are long-term that spans ten to fifteen years. The long-term contract created risks for both customers and infrastructure management vendors. For customers it is loss of control of all the assets and difficult to commit on long-term contracts due to changes in their business conditions like mergers and acquisitions. For vendors long-term contract and full ownership needed up-front capital expenses and it took several years before they see profit in their engagements.

### 2.1. Asset Light RIMO

Innovation in new [remote management tools and technologies](#) helped companies to use their engineers to manage their IT infrastructure remotely and they became comfortable in infrastructure planning, monitoring, and trouble shooting all their IT assets remotely, a new model Remote Infrastructure Management emerged. During this time infrastructure outsource vendors were improving their service offering and started marketing their remote management capabilities to customers. In this new model both the companies and outsource vendors started entering into short-term contract popularly known as [asset light RIMO](#). In this selective outsourcing model, outsource vendor assumes responsibility of managing specific IT assets for a shorter duration say two years. Unlike Asset heavy model, Asset light model does not entail to transfer asset ownership and IT personnel to the vendor.



The asset light model benefited both the customers and vendors. For customers they can choose different vendors based on their specific skills like storage services, network and server management etc. Since different vendors manage the IT assets, companies risk exposure is reduced compared with one vendor in asset heavy model. For providers they can specialize in specific verticals and offer cost arbitrage due to economy of scale. It also reduced their large capital investment, creating opportunities for low-cost offshore providers entering into the RIMO market.

Based on research analysts like [Everest](#), [Gartner](#), [Mckinsey](#), etc., predicts significant growth in RIM services to offshore locations. Though cost saving is the primary reason for the growth of offshore RIM services, following are some of the other reasons:

Growing maturity of offshore RIM service providers

Service Process standards maturity like Microsoft Operations Framework, [MOF](#), [ISO 20000](#) [Growth of telecommunication](#) industry in low cost destinations like India, China, etc.

Processes and guidelines like [ITIL](#) and [COBIT](#) helping both the suppliers and customers to speak common language in IT asset management and governance.

Growth in remote management tools and technologies like [Cisco Remote Management Services](#), [Java Management Extension](#), [Intel VPro](#), etc.

However, still server issues slows the adoption of offshore outsourcing for IT infrastructure services. Following are some those issues:

- [Security risks](#) in offshore locations
- Legal and privacy rules like HIPAA creates more risk exposure for businesses allowing offshore personnel managing sensitive data.
- Managing other [offshore outsourcing risks](#) and anti offshore outsourcing sentiments that comes with it
- Lack of confidence on technical skills of offshore infrastructure vendors
- Offshore vendor corporate scandals like [Satyam](#)

### 3. Offshore RIM vendor landscape

Big Indian outsource vendors like [TCS](#), [Infosys](#), [Wipro](#), are started competing with US infrastructure vendors like IBM, EDS, etc., directly. Recently Wipro acquired US based [Infocrossing](#) to strengthen its remote infrastructure service offerings. Tire two Indian outsource vendor HCL has been aggressively improving their capabilities in RIM services and recently it was ranked as [No.1 in infrastructure outsourcing](#) by Independent Global User Survey. Traditional infrastructure outsource vendors like [IBM](#), [HP-EDS](#) has their data centers in US but aggressively hiring professionals in India to manage their datacenters and competing with low-cost Indian outsource vendors. Other Indian IT vendors like [Cognizant](#), [Patni](#), [Tech Mahindra](#), etc., are also started offering RIM services. Indian based boutique IT vendor [Microland](#) started IT infrastructure outsourcing services as early as 1999 and has been making steady progress in the infrastructure outsource market.

After seeing Indian IT companies success in RIM outsourcing, providers from China, Philippines, Brazil, Eastern Europe, etc., are trying to enter into RIM outsourcing market. But so far they could not match the Indian based outsource vendors in their service offerings.

#### 3.1. Challenges facing Offshore Remote Infrastructure Outsourcing Growth

Although Remote infrastructure management outsourcing is poised for a stronger growth, it faces several key challenges:

Unlike BPO or ITO, disruptions caused by RIMO are huge for companies, issues caused in BPO and ITO will affect few business processes and applications. However, any failure in server, storage, network, etc. will cause the entire company to a grinding halt. Therefore, the RIMO vendors must respond to any infrastructure failure in real-time basis. From the customer's point of view, this is still a huge risk for their business continuity and still they are not comfortable to send these types of mission critical services to offshore locations.

For companies planning, designing, and implementing infrastructure outsourcing is a huge task and it may take months and some times years. Companies need to change their entire IT infrastructure architecture, trouble shooting, security, support policies, etc., that takes significant capital investment. Unlike BPO and ITO projects, companies are hesitant to take the initiative to outsource their infrastructure services.

Managing IT infrastructure remotely is a daunting task for the offshore vendors. They need skilled professionals with deep technical expertise and business acumen to solve the problems 24x7. Finding qualified people even in low-cost countries is getting difficult for the offshore vendors and this slows the growth of RIMO significantly.

Customers expect stringent SLA for infrastructure outsourcing and require 24x7 real-time technical support from the vendors. This requires significant upfront capital investment from the vendors due to this, cost of entry is very high and poses challenges for new vendors entering into this market

#### **4. Conclusion**

Though there are significant obstacles in remote infrastructure outsourcing, offshore vendors have been making steady progress in winning customers and competing aggressively with big companies like IBM, HP, Accenture, etc. Offshore vendors also improving their service offering by investing in training, skills, and hiring qualified personnel to increase their market share. Indian based vendors are also looking for inorganic growth through mergers and acquisitions to compete for high-value remote infrastructure management contracts.

Similarly, to compete with low cost providers US based infrastructure vendors continuing their investments in low-cost countries. They are using their existing relationships with C-level executives in big corporations to dominate in higher-value infrastructure outsourcing deals. By judiciously blending their onshore and offshore teams passing down the cost savings to their customers.

New technologies like [cloud computing](#), [SaaS](#), [server virtualization](#), etc will make the remote infrastructure outsourcing a hot market for all the vendors for the foreseeable future.

### **Disclaimer**

This publication is provided “AS-IS”. The author(S) and the publisher (OutsourcePortfolio, its affiliates, partners, and its related entities) will assume No liability or responsibility to any person or entity with respect to any loss or damage related directly or indirectly to the information provided in this publication. No warranties of any kind, express or implied, are made, the publisher will provide no remedy for indirect, consequential, punitive or incidental damages arising from this publication, including such from negligence, strict liability, or breach of warranty or contract, event after notice of the possibility of such damages. This publication is not a substitute for professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. The publisher shall not be responsible for any loss sustained by any person who relies on this publication. Your use of the information is at your own risk and you assume full responsibility and risk of loss resulting from the use thereof. The publisher will not be liable for any direct, indirect, special, incidental, consequential, or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, relating to the use of the information.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

### **Copyright**

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise without the written permission of OutsourcePortfolio

Copyright © 2009 OutsourcePortfolio.com. All rights reserved.

# About OutsourcePortfolio

OutsourcePortfolio is a fully owned entity of Cybelink Systems, Inc. The primary focus of OutsourcePortfolio is to publish news, blogs, and research articles pertinent to outsource industry. For the past several months, OutsourcePortfolio has collaborated with several organizations, professionals, and bloggers working in outsource industry to bring in latest research articles to our readers.

For more information contact

5786 Blackshire Path  
Inver Grove Heights  
MN 55706  
USA

[www.outsourceportfolio.com](http://www.outsourceportfolio.com)  
[info@outsourceportfolio.com](mailto:info@outsourceportfolio.com)