

Why it can pay to let an ASP take the strain

Martin Boyd of SunGard looks at the pros and cons of using an application service provider for treasurers looking for a way to address IT software solutions.

Much has been made in the technology and financial press about the advantages of various forms of outsourcing in which application service providers (ASPs) and a whole portfolio of others feature regularly. But what does an ASP actually mean to the treasurer, and what value can it deliver?

ASP – a solution to an IT problem or a business problem?

ASPs came about as part of new economy speak to represent IT software solutions for which the server infrastructure

of the software application under consideration was managed by the software provider. In the old economy, this was known as IT outsourcing or facilities management.

A number of software manufacturers jumped on what was thought to be a potentially lucrative bandwagon in the expectation that this would drive a regular revenue stream by receiving regular income for providing the service.

In addition, customers did not have the responsibility of implementing the technology servers – the life of older operating platforms could be extended

and applications would therefore be less likely to fall foul of internal technical standards. The potential benefits an ASP can offer the treasurer include:

- removal of the IT management problem;
- single source for the delivery of application and IT service;
- reduced cost through shared service;
- management of application change;
- easier implementation due to product ‘packaging’ or defined methodologies; and
- integration with other systems.

TABLE 1 What can an application service provider offer your business?		
SERVICE BENEFIT	KEY ADVANTAGES	POTENTIAL ISSUES
The IT management problem	This has the advantage of reducing the IT infrastructure overhead and, if the technical platform is not strategic, it removes an architectural constraint.	What infrastructure competence does your supplier have? Does it have disaster recovery and backup plans, can it show documented operational procedures, who manages the network connection, how problems resolved?
Single source for IT and application	If problems arise, the question of ‘whose responsibility?’ is removed.	Supplier management is a specialised area. You need to be sure you understand where the service starts and ends (for example, an ASP will not manage your desktop or local area network(LAN)).
Reduced cost due to shared service	The hardware is shared across multiple customers, therefore reducing the cost per customer.	Outsourcing is not really aimed at reducing costs; frequently software suppliers use ASP as a discounting opportunity. Make sure you know how other customers use the resources so your business is not impacted.
Management of application change	Sometimes the service includes changes which may be required to the application, requiring fewer skills to be maintained in-house.	The cost of upgrades and the like can be a substantial hidden cost. Make sure you check the change is pre-agreed in the contract.
Product packaging	By taking an off-the-shelf configuration of the software implementation, time potentially can be greatly reduced.	Does your business fit the standard mould? The costs associated with accommodating specific business needs or of re-implementing following business change, can be as great as the initial implementation.
Interfaces	The fewer the interfaces to other systems, the easier it is to work within an ASP model.	If you have many interfaces to banks, enterprise resource planning (ERP) and accounting systems and the like, then the ASP needs to be highly specified.

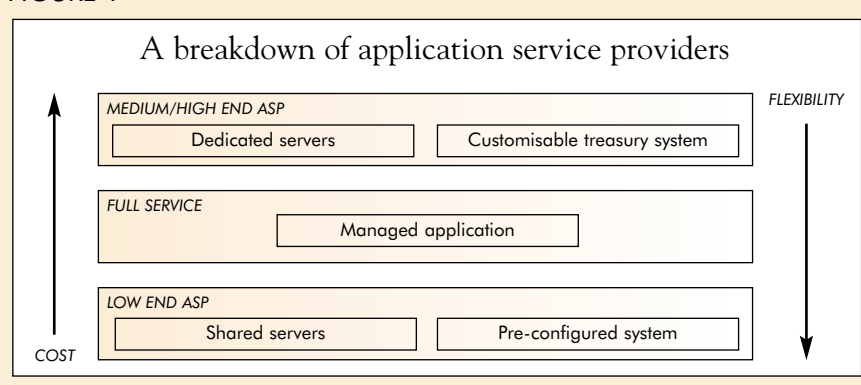
The advantages and disadvantages of each of these depend on the service being provided, and the suitability of the products and services within your company.

For example, if a firm takes the option to go with a pre-configured application at the start, what skills will they be able to rely on to manage the inevitable changes in the business? Does the complexity of the business require more flexibility than a pre-configured package allows?

If you take a low-cost shared service, what contract have you written to guarantee response times and availability, and how does the supplier manage the conflict that one customer might have on another? *Table 1* summarises the key service advantages and the potential issues of ASP.

The main reason that take up of ASP's by treasury operations has been treated with caution is that by definition a shared service is one that lacks inherent flexibility, and the treasury is usually at the centre of organisational change. A secondary reason is that an ASP implies

FIGURE 1



low cost – and a treasury needs to be sure that over a longer term costs are maintained within expectations.

Know your goal

A highly pre-packaged solution on a shared platform will appeal to the smaller treasury operation which undergoes minimal change, while a managed technical environment will benefit treasuries that still want the flexibility of changing and managing the application but do not wish to

maintain the IT infrastructure.

The key message is to make sure you know why you are using an ASP, and then to see whether the solution being offered provides the business benefit required, and that the supplier has the management, technical competence, and infrastructure to deliver. ■

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