

Hosted Collaboration

A Timely Solution to Old Problems

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An Open-Xchange Position Paper



This position paper will address the question, “Why should organizations consider a hosted collaborative environment rather than hosting it themselves?”

This is another in a series of Open-Xchange position papers on IT Management topics. Each of the papers will focus on a trend Open-Xchange has observed, what impact this trend is expected to have on the industry and how Open-Xchange, Inc. will help organizations respond to that trend.

Doing more with less has become the mantra of IT executives

Organizations have had to deal with a set of conflicting imperatives for quite some time. On the one hand, the organization must reduce its cost structure. On the other, the organization still must be able to:

- Focus on their core value and reduce investment in non-core functions
- Offer better products, services and overall solutions
- Improve customer satisfaction by being more responsive to ever changing customer needs
- Increase revenues by making it easier for customers and partners to do business with the organization
- Offering the same or better service even though customers, partners, and staff members are always on the go

Some commonly seen cost-reduction strategies

Organizations are carefully reviewing what they’re doing to focus on their core value and are asking stakeholders to help with other portions of the business infrastructure. Once the organization has really considered what its core value proposition is, it often does one of four things to help reduce the cost of their IT function including the following:

- 1) Move to industry standard systems and low cost (read open source) software
- 2) Ask others who specialize in security/management/administration to take over that function on some or all of their servers
- 3) Purchase access to important, but not core, functions and treat them as a service similar to what they do now with telephone or electricity
- 4) Host some of their core functions elsewhere in datacenters managed by companies who specialize in that function

Executives in these organizations are aware that industry studies show that staff-related costs often make up 50% to 70% of the total costs of an IT-based solution. They realize that hardware and software, when taken together, often are responsible for less than 30% of the costs of that solution. These executives are carefully evaluating what they do and how they're doing it. If they can get the same results using a lower cost approach, they'll do it because this approach allows them to use their funds more effectively.

Collaborative solutions fit this profile quite well

Collaborative solutions help organizations focus more on their core value and less on searching out important information and documents. Relying on instant, real-time communications can help the organization be more responsive to the needs of both customers and partners. If sales professionals, for example, are enabled to use collaborative technology; such as messaging, calendar management, contact lists, knowledge managements, document sharing and the like; to the fullest, they will be more efficient and may be able to produce greater levels of revenue. The correct collaborative solution will encourage people to collaborate regardless of where they are located, what network-enabled device they're using, or what time of day it is.

The exciting thing is that this function can be made available to the staff, partners and customers of an organization in many ways including:

- The organization owns its own systems and manages them itself
- The organization owns its own systems but asks *a service provider or hoster* to manage them to reduce the overall costs of administration and operations
- The organization uses systems owned by a service provider or hoster but manages them itself in order to reduce the overall costs of hardware and software
- The organization *purchases access to the* function. In this case, the function is hosted by a service provider or hoster and also managed by that organization. In this scenario, messaging and collaboration become a service that can be purchased per user or per mailbox rather than as capital expenditure.

What's important is that the messaging and collaboration *function* is absolutely reliable 24 hours a day/7 days a week. If this is true, members of the organization's staff, partners or customers have no need to know what servers are providing that function or where they are located.

As long as performance, security, management and operational functions are assured, collaborative solutions may be better purchased as a complete service rather than being purchased as a series of hardware and software products.

Hosting is an increasingly popular way to get IT done

The industry research firm, IDC, published a report titled "Worldwide and U.S. Application Management Services 2006-2010 Forecast", document #200964, in April 2006. Here's an interesting quote from that document. Application management services are one of the categories that IDC uses to segment the hosting market.

"The worldwide application management (AM) services market is once again experiencing healthy growth, enough so that IDC has this year revised its forecasts upward. As customers seek to reduce the portion of their IT budgets dedicated to ongoing maintenance in order to reallocate funds for new initiatives that drive business value, AM services is often a logical choice. Adding in the benefits of increased quality, access to talent, and innovative modernization services is sealing the deal for many customers. Though there are several threats on the horizon that could potentially drive down AM services spending, including SOA, hosting, software as a service, and increased automation, savvy vendors will find ways to turn those threats into opportunities," said Barry Mason Rubenstein, senior analyst for Application Outsourcing and Offshore Services at IDC.

It's clear from this report that hosting is an increasingly important way for organizations to maintain a low cost profile. To be profitable, on the other hand, hosting companies are seeking out ways to lower their own hardware, software and staffing costs. This means that they are seeking ways to host more and more functions virtually on high performance industry standard systems (blade computers, high end SMP systems, and the like)

Which organizations are most likely to turn to hosting IT functions?

Netcraft (<http://www.netcraft.com/>) conducts extensive research on hosting companies, the number of servers in use, what operating systems are in use at these companies. Their reports indicate that Europe is currently a stronger market for hosting services than the Americas. Open-Xchange expects that this approach to offering computing functions is likely to be increasingly attractive to organizations in the Americas as well.

The interest in this approach is likely to span all sizes of organizations. Small and medium size organizations are likely to be interested because this approach would allow them to have access to the same type of enterprise planning, customer relationship management and collaborative solutions that are used by the world's largest organizations. The small and medium sized organizations would not have to staff up to support these applications, purchase and maintain expensive servers or pay the full cost of licensing and supporting these applications. Large and very large sized organizations, on the other hand, are likely to be interested in lowering the hardware, software and staff-related costs of important, but not core, functions.

Why hosted Open-Xchange?

Open-Xchange is architected to fit the needs of the hosting market. It is built upon industry standard systems running open source software. Because Open-Xchange Server is based upon standards, standard APIs, and standard data formats, it is possible to integrate Open-Xchange into the service provider's or hoster's environment. It is also possible to integrate other functions into Open-Xchange using the OXtender architecture.

To reduce costs of hardware, service providers are often using partitioned operating environments or virtual machine software. This allows many functions to safely reside on a single machine. It is simply not possible for one partition or virtual machine to interfere with any other. Open-Xchange has encapsulated the Open-Xchange Server software in a virtual machine to test out this concept. The virtual machine file containing an operating environment and all of the functions necessary to run the community edition of Open-Xchange Server can be found on the Open-Xchange community website (<http://www.open-xchange.org>). Other approaches to virtualization are being tested now and will be announced when they are ready.

Open-Xchange believes that the fact that it offers twice the capabilities of most traditional messaging and collaboration solutions at half the price, the fact that the software is open source and is supported by a stack of open source software, and the fact that it is based upon open standards, positions Open-Xchange as an ideal choice for hosting companies.

If you have any questions please contact:

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