

Exploring Managed Services Options:

Strengthening B2B Integration & Supply Chains

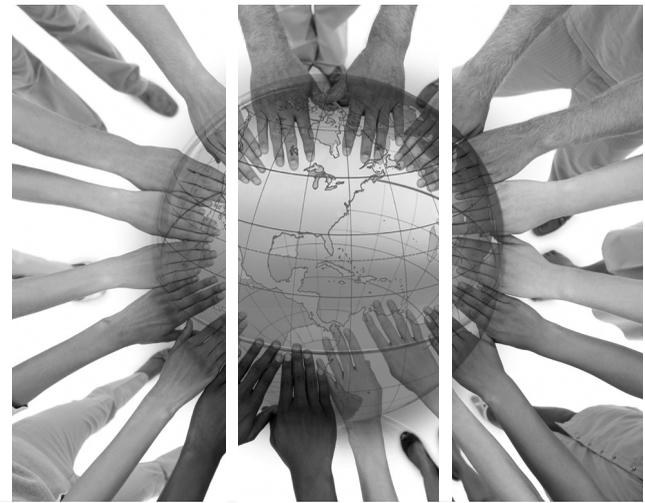


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Executive Summary

Prospering in today's competitive global environment requires operationally efficient processes and supply chains. Recognizing this, many companies have adopted electronic tools and processes to streamline their processes and trading relationships. In fact, some observers have compared e-commerce with electricity in today's marketplace; both are fundamentally essential to a company's ability to do business.

Electronic business-to-business (B2B) tools bring their own challenges, however. For many Small-Medium Businesses (SMB), the capital investment required to establish a robust e-commerce infrastructure is prohibitive. In addition, dedicating internal IT resources to B2B integration operations may be impossible, either because IT personnel are needed elsewhere or because of the difficulty companies have in attracting and retaining such specialized talent. In addition, as trading partner requirements change, and new compliance standards emerge, many companies feel the strain of trying to maintain best-of-breed solutions.

A re-emerging solution to these challenges is the use of managed services to provide a B2B integration service platform. Like performance contracting in the energy field, an external provider furnishes the infrastructure and expertise necessary for the client company to upgrade or transition to a fully-functional B2B integration model. The client avoids the capital costs associated with such a migration while still reaping the benefits of fully automating its business and trading processes.

The primary key to success is choosing the right approach to managed services as well as selecting the service provider that best fits the company's needs.

Background

The current economic climate, coupled with the accelerated rate of change in the marketplace, presents challenges to companies seeking to streamline business processes and strengthen supply chains. E-commerce has become as critical to the flow of business as electricity. And as industry analyst AMR Research notes, "Using B2B gateways has become a standard approach to simplifying the implementation and ongoing management of B2B e-business communications."¹

Large companies may not be able or willing to devote internal IT resources, particularly if these have been downsized, to new strategic initiatives no matter how valuable. Smaller companies may recognize the benefits to be obtained by automating both business processes and trading relationships, but lack the resources to implement or maintain costly on-premise solutions. This traditional approach, where an entire B2B integration application solution resides within the physical IT infrastructure of an organization and is maintained predominantly by internal IT personnel, can be burdensome for today's companies. Not only do on-premise solutions require significant capital investment, but they also require skilled and dedicated IT personnel to implement and maintain the systems. For some companies, this approach remains the preferred option.

Many companies, however, are already accustomed to outsourcing some aspects of business operations. What's more, the opportunity to outsource B2B

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integration efforts offers tantalizing benefits:

- **Accelerates return on investment**

Return on investment can quickly recover the original investment, due to reduced costs, increased productivity and other business benefits.

- **Eliminates cost barriers for smaller companies to automate mission-critical business processes and trading partner relationships**

For many mid-size and smaller companies, the initial capital expenditure required to automate processes and relationships can be prohibitive, and ongoing operational and maintenance costs can constrain use of company cash for other mission-critical operations. By reducing the cost requirements to only a fraction of an on-premise solution, these companies can realize operational efficiencies without tying up vital capital in non-core functions.

- **Reduces operational costs by automating business processes and the supply chain**

Automating even small percentages of business processes can realize significant operational savings. For instance, research on automating transactions with only 20% of trading partners suggested cost savings approaching one million dollars annually.²

- **Eliminates need for dedicated in-house IT personnel**

With compensation packages sometimes approaching \$200,000 annually for a single IT integration specialist, not to mention the difficulty many companies experience in attracting and retaining such specialists, outsourcing B2B integration efforts reserves internal IT resources for core operations and avoids unnecessary personnel costs.

- **Enables companies of all sizes to maintain best-of-breed solutions and ensure faster time to market**

Relying on industry expertise rather than trying to maintain it internally provides the agility to rapidly comply with changing customer requirements—a necessity when as much as 40% of a company's

A Lexicon of Managed Services

Any discussion of managed services may use numerous different terms and phrases almost interchangeably, although some companies and providers may intend specific meanings.

Application Management – this approach utilizes client IT infrastructures while outsourcing the deployment of application components and ongoing administration and monitoring.

Application Monitoring – Some industry analysts define this as the practice of monitoring and optimizing application performance to improve overall business performance, employee productivity, and customer satisfaction.

Integration-as-a-Service – the model of providing B2B integration solutions as a managed service, with some or all components being provided/hosted by external, third-party resources.

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On-premise – also referred to as in-house or onsite, this is a model where the key elements of an IT solution are managed and provided by internal resources. While application implementation may be performed by external resources, this is done as an initial service only with ongoing administration and management provided internally.

Outsourcing – subcontracting a service such as product design or manufacturing to a third-party company, often to lower costs or make better use of internal resources. In the IT field, it may mean commissioning the development of an application to a third party. Alternately, and more often in the area of managed services, it means hiring a third party organization to manage services that otherwise would be provided by internal IT resources.

Software-as-a-Service (SaaS) – provider licenses a software application to customers or clients for use as a service on demand. In some cases, the application resides on the software vendor's infrastructure, and is accessed via a web-based portal. Alternatively, it may be installed on the client's hardware for the prescribed subscription period.

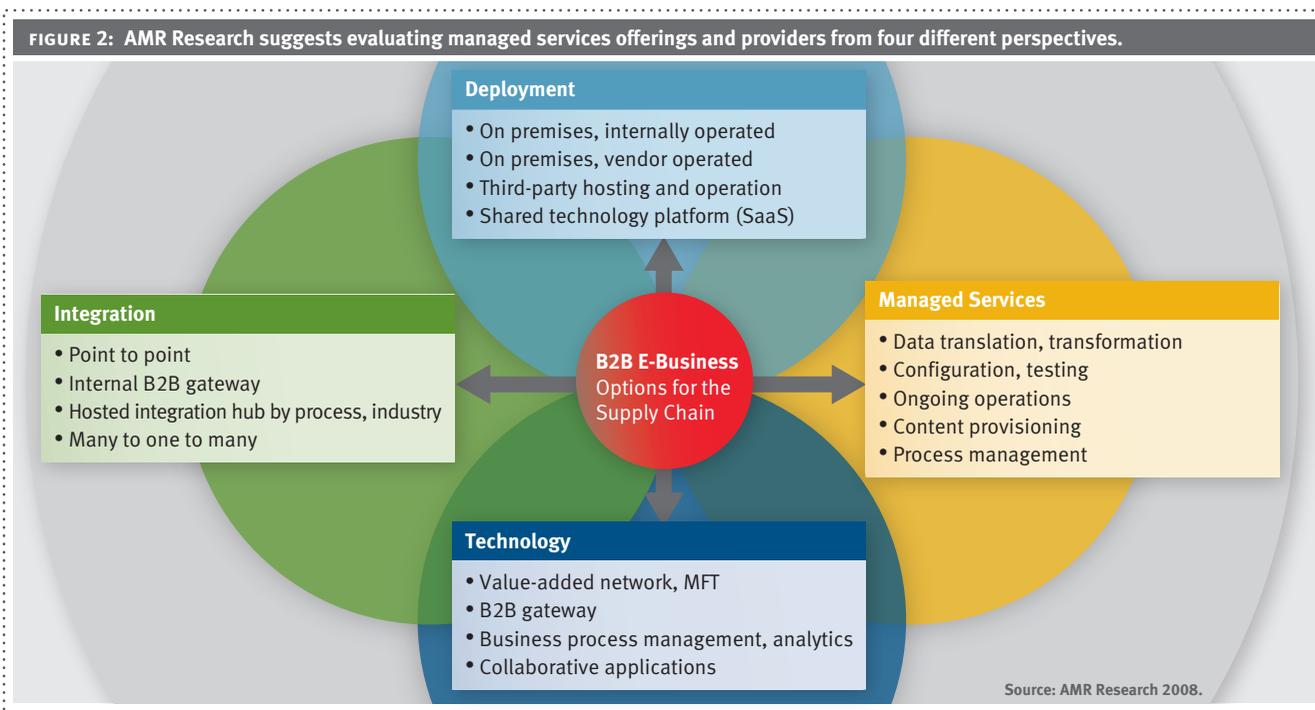
revenue may come from a single trading partner.

A Range of Managed Services Solutions

Companies investigating managed service solutions soon find there are a host of options. Most fall into two broad categories, however. One category offers completely outsourced services while the other provides a level of on-premise client control coupled with varying degrees of outsourced service provisioning. A threshold consideration when evaluating managed services is which type of option is better for the client. While every company has unique characteristics and no one solution is ideal for every company, a few general rules of thumb can be considered. Often, companies ranging on the smaller end of the spectrum will benefit most from a fully outsourced model. This approach

enables these companies to conserve scarce internal resources for business-critical functions while still achieving a strategic B2B integration initiative. Another differentiator is how a company perceives its core competency. For manufacturing companies, for instance, core competencies may be perceived as the product development process—conceptualizing, testing, and releasing new products. While important, functions such as getting the product to market may not be perceived as core and consequently, easier to outsource. Another perspective, suggested by Deloitte Research, is to adopt an approach labeled “Value Chain Dynamics.” Rather than focusing exclusively on the question of core competency, this view assesses the role of outsourcing as it enables an organization to optimize its value chain: the competitive requirements

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as defined by the markets being served.³

Fully Outsourced Managed Services

Companies that select this type of managed service solution enjoy complete independence from the ongoing operation and maintenance of B2B integration efforts. A service provider furnishes both hardware and software at a secure data center, while its personnel, typically highly skilled B2B professionals, utilize sophisticated automated monitoring systems to ensure that daily operations flow seamlessly. Clients can access reports and other data as necessary for strategic business decisions but need not become involved with technical application-related issues. Many companies may recognize this model as similar to the salesforce.com approach, where clients access

the service through a web-based portal, and ease-of-use is paramount.

Companies that may find this type of offering more attractive, or better suited to their operational needs, include smaller companies or companies who are highly involved in rapid product development cycles. For these companies, the ability to fully outsource this non-core business requirement means they can

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focus all their resources on the processes central to their business.

Sara Lee, for instance, maintains operations in more than 40 countries, employs 52,000 people worldwide, and sells its products in more than 200 countries around the globe. The company wanted to implement a consolidation of B2B integration systems from an environment with 16 different business units on multiple continents, handling as many as 60,000 discrete messages each week with multiple local providers and software solutions. The company recognized the massive opportunity for operational efficiencies to be obtained by centralizing on a single platform, but also recognized that its mission-critical operations were the business processes involved with brand acquisitions and product development and release. As a result, Sara Lee decided to outsource the entire project. The company partnered with SEEBURGER to migrate to a single, unified B2B platform within an SAP environment. By utilizing external resources that could focus on this project, Sara Lee was able to transition rapidly, within 18 months.

Application Monitoring

Companies interested in a high degree of flexibility may select the other broad type of managed services solution. Sometimes also referred to as application management, this approach leverages IT infrastructure investments companies have already made. In these situations, the service provider utilizes the on-premise infrastructure while deploying the application components and mappings. The vendor also provides ongoing daily administration and monitoring. This type of managed services solution may be ideal for companies on the larger end of the SMB spectrum.

They may have already made significant investments in e-commerce and ERP systems but not yet fully deployed a B2B integration solution. This approach may also be particularly valuable to companies whose business environments remain more challenging economically. In this type of circumstance, an organization may be unwilling to risk significant capital on long-term IT investments but still want to reap the operational benefits of increased business process automation. For companies like this, a hybrid type of solution offers the financial “hedge” for short-term benefits, allowing a company to “try on” the approach without a full-scale commitment. Finally, this approach can be very beneficial to companies with finite, short-term needs, such as staff augmentation or vacation coverage.

When L&L Products, a Michigan-based manufacturer of engineered sealing and structural solutions for the worldwide automotive industry, decided to modernize its legacy MRP and EDI systems, it recognized the value of achieving this upgrade via managed services. With 1000 employees and 15 offices worldwide, the company serves most of the major automotive OEMs. L&L licensed SEEBURGER’s Business Integration Server (BIS), while outsourcing all mappings and administrative duties to the vendor’s managed services group. The deployment, hosted along with L&L’s implementation of Oracle E-Business Suite to replace its legacy manufacturing resource planning system, utilized a third party provider’s infrastructure platform. This relieves the company of hardware management while ensuring around-the-clock, time-zone-independent support for business-critical functions. The company obtained full transaction visibility, first-ever 24x7 support, and shorter cycle times for new mappings and onboarding trading partners, all while lowering their total cost of ownership. These were

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viewed as critical benefits, particularly in the current business environment in the automotive industry.

Important Considerations when Evaluating Managed Services

When an organization begins to evaluate managed services solutions, the project team will consider bottom line factors such as cost. Beyond the bottom line, however, other factors can also contribute, not only to an initial successful migration but more importantly, to long-term effectiveness. The relationship between company and provider is one of trusted partnership and in B2B integration, the company should feel completely comfortable turning over the proverbial keys to the kingdom. A close examination of factors such as the expertise of the service provider, the flexibility of the solution, the capabilities of the application software—all these contribute to ensuring that the company will find a perfect fit for its needs.

B2B Integration Expertise

Regardless of the internal sophistication of the organization, selecting a managed service provider with deep B2B integration expertise is critical. Provider personnel who offer deep industry knowledge of business processes and workflow can work with client company personnel to help select the right managed service approach and speed initial deployment. For instance, the business health of an automotive tier 2 supplier is linked to its ability to respond to the always-changing requirements of its trading partners. Selecting a managed services provider who already intimately understands these

requirements can ensure that the deployed services continue to maintain a satisfactory trading relationship.

In addition to process and workflow expertise available from provider personnel, the services themselves should be solidly grounded on best-of-breed application solutions. This will speed error-free deployments and decrease the time to revenue for clients migrating to a managed services environment. Prospective clients should review and fully understand the underlying technology. If the provider is a software development company, does the provider leverage its own software? Does the provider allow a path for future ownership? A provider who can offer single platform technology offers vital stability for simplifying and consolidating business processes. Another key area for consideration, for instance, is extensive mapping libraries, since this reduces the amount of work required for initial deployment.

Solution Flexibility

In today's business environment, flexibility equals agility. Selecting a managed services solution that enables the organization to outsource as needed, scale operations as appropriate with business developments, and still exercise the ability to take operations in-house if desired provides the ultimate agility. The company can focus resources where they are most needed, rather than having to siphon them off in managing IT infrastructure. At the same time, the company retains the autonomy to assume dedicated responsibility for B2B integration processes if it chooses, without a highly disruptive and costly migration. This agility can prove extremely valuable for organizations

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in volatile business segments, or companies that want to “try on” a managed services relationship.

Service Provider Reputation

When an organization contemplates establishing a trusted partnership with a managed services provider, it must have complete confidence in its partner’s expertise. Savvy leaders should explore the range of expertise across numerous business segments. Does the provider have experience predominantly in one business sector? If so, this may be an advantage if the company exists in this space. However, a provider whose expertise spans a number of sectors can bring a deeper understanding of business processes and workflow to the engagement. What’s more, a provider with broad expertise across several sectors can furnish a more comprehensive mappings library and be able to speed the initial transition to a managed services environment. Another important consideration is the

provider’s bandwidth; for instance, do they provide managed services for a significant number of clients or are they dedicated to a few engagements?

Global Reach

In today’s global economy, a provider’s ability to operate worldwide is critically important. Most companies whose supply chains extend across national boundaries will benefit from a provider that can furnish multiple language support and comply with various international protocols and standards. Providers with global expertise also can provide valuable insight into business processes that might

FIGURE 3: With supply chains spanning the globe, an effective B2B managed services provider should offer a presence in key locations worldwide.



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be unique to specific cultures. Finally, the client will appreciate the accessibility of service that is independent of time zones, work weeks, and holiday schedules. IMAGE

Ease of Use

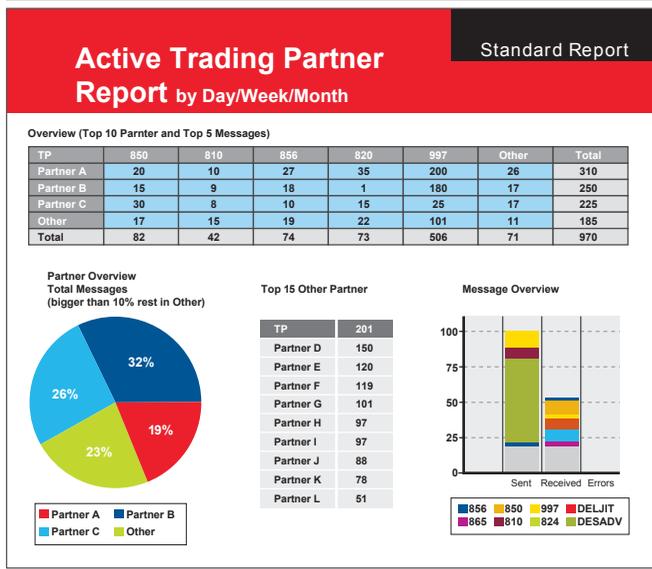
An easily accessible user interface, that enables client decision-makers and other stakeholders to easily review and absorb critical business information, is essential. Non-IT personnel may not have the time or interest in developing a proficiency in navigating and understanding arcane software applications.

Familiar, intuitive dashboards and reporting capabilities will go far in ensuring that the vital data is easily accessible and can be effectively used in strategic business decisions. IMAGE

Conclusion

Outsourcing B2B integration efforts, either as a complete package or in a more modular way, can enable companies to realize the business benefits without major capital investments. In today's business environment, where e-commerce is virtually functionally equivalent to electricity, this enhances cash flow as well as providing the operational efficiencies companies can leverage for competitive advantage.

figure 4: Easy-to-understand reports and dashboards can enhance access so client personnel swiftly obtain vital information at a glance.



For some organizations, transitioning to a fully outsourced environment provides the greatest benefit. These companies can rely on a trusted partner-provider for infrastructure, application solutions, and daily administration while still being able to easily access B2B business data when necessary for strategic decisions. Other companies may choose a more modular approach, retaining the IT infrastructure they have already invested in but outsourcing the application and administration aspects. Whichever approach a potential client chooses, their decision-making team will do well to examine potential partner-providers carefully, not only for the relative cost savings each could provide, but for a range of other

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factors as well. A well-chosen partner-provider can offer a robust, healthy B2B integration service platform for years, enabling the client to prosper throughout the rapid evolutions of the business environment and its own internal developments.

SEEBURGER’s Managed Services

SEEBURGER’s flagship Business Integration Server (BIS) product—engineered from the ground up—is the foundation of its managed services platform. This provides organizations with a scalable powerful integration service, accessible via options to meet unique business needs. SEEBURGER leverages a wide array of maps organized by industry vertical or transaction class, so that clients benefit from faster and lower risk deployments.

SEEBURGER offers Application Monitoring for clients interested in preserving significant flexibility, by deploying application components and mappings

within the client’s onsite IT infrastructure. For clients that prefer to entrust the entire operation of B2B integration operations, SEEBURGER offers managed services. Its experienced B2B professionals, utilizing best-of-breed automated monitoring systems, ensure that daily operations flow seamlessly. This includes IT infrastructure components as well as deployment of BIS components and mappings.

About SEEBURGER

SEEBURGER is a leading provider of global business integration solutions designed to optimize transactions throughout the extended enterprise by automating trading relationships with all partners regardless of their size and technical resources. Launched in 1986 to provide integration solutions to the automotive industry in Germany, the company today is ranked among the top business-to-business gateway

MANAGED SERVICE SOLUTIONS FROM SEEBURGER	
RANGE OF SERVICES	DESCRIPTION
Infrastructure Management and Monitoring	Seamless operation and management of any B2B environment.
Flexible Service Level Agreement (SLAs)	Flexible offerings ensure organizational business requirements are met and exceeded.
Implementation Support	Dedicated team to accelerate project plans, enabling swift transition into managed services while avoiding risk.
Role-Based Visibility	Operational Dashboard allows a web-based interface for reports and data analysis. Role-based access allows multi-level data viewing.
Translation Services	Comprehensive ability to support any data type or format. <ul style="list-style-type: none"> • Flexible mapping strategies • “Any to Any” conversion of message types • Library of maps by industry vertical • Custom development options • End-to-End Testing • Full support of communication standards
Trading Partner Community Support	Optional programs to support the goal of 100% Trading Partner enablement including faster onboarding with compliance checking.

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providers by industry analysts, and serves more than 7,800 customers in 50+ countries and more than 15 industries through its flagship BIS and related products and services. SEEBURGER has global offices in Europe, Asia Pacific and North America, including a U.S. office that opened in 1998.

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