

## At Your Service

*Should finance professionals get their software as a 'service' rather than buy it outright?  
Peter Morley advises.*

Software is evolving towards being provided as a service, rather than being a locally installed and maintained asset. This change has been made possible mainly through the internet and marks a major shift in the way software is perceived and purchased. It allows a number of elements – including both hardware and software – to be brought into a 'service bundle'.

This often includes:

- ◆ All central hardware/server provision.
- ◆ Resilience support – backup/disaster recovery, etc.
- ◆ All technical support for the system, from the operating system through the underlying database, up to middleware.
- ◆ All communications up to your network and associated security.
- ◆ Operation of the system to the business services levels required – including ownership of the risk of non or poor delivery.

A true software service is where all components of the system are remote to the consumer and outside their reach in terms of ownership and control. The only element that remains under the control of the client is their data.

Hosted, managed and outsourced systems usually go part of the way, but the client has direct influence in some manner over how this service is delivered. In a true service, this is completely remote – most users of web applications have no idea where or how the applications they are using are provided.

The software can be licensed to the service provider, with allowance for them to provide a client service. Alternatively, the software licence can remain with the client. This is a legal rather than a technological distinction.

### Business area

In any organisation, the client for a software service should be the business area using it – ie, the finance function – not the IT department. It is important that the service closely matches the needs of the business area. IT just provide the supporting communication infrastructure and desktop access.

Service delivery metrics should define those quality and performance criteria which are important to ensure the business area operates properly and efficiently. These service metrics must also be measurable – eg, hours of access to the service, speed of performance, availability and so on. The risk of any failure of delivery of these targets is owned by the service provider.

As with choosing anything in life, you need to know your requirements. In this scenario, whether you are choosing software or a service, the process is the same. A statement of requirements need not be a weighty tome, but it should contain the cardinal points describing your needs. This should be prepared from a 'zero base' and be used as a checklist when evaluating your options.

There are also other factors which will influence your choice of service provider – the size of the organisation, the types of clients it serves, its reference clients, its financial standing are all important factors.

Another key factor is the service provider's own accreditations and standards of service. The Office of Government Commerce (OGC) IT Infrastructure Library document on 'Service Level Management' is the industry standard for the delivery of technical support. It is an important aspect that any potential service provider should have adopted these principles.

### Your responsibilities

Buying into a service-based model of software provision doesn't mean that as the client, you are freed of all responsibilities.

For this model to be successful you must retain responsibility for:

- ◆ The finance/business data and all processes by which it is maintained.
- ◆ The maintenance of a reliable local technical infrastructure.
- ◆ Testing to ensure the software performs correctly and has been understood correctly – no service can think for you!

Who bears the technical risk will depend on the contract in place, but the service may be paid for by either on a per-transaction basis or via specific service key performance indicators. These may include 'credits' (penalties) for non-compliance.

In other words, you pay for the service you require while the risk of technical failure can rest with the provider. This does not, however, protect your business delivery risk, so it is essential to select a provider with a good record of delivery with demonstrable built-in resilience.

## So where do you look for the right supplier?

The obvious start point is the internet or alternatively a user group or convention if you're looking for an organisation that can provide a specific application.

There are more and more specialist niche providers in the market who have high levels of expertise and are building internal technical economies of scale as they support an increasing number of clients. This means you can concentrate on what you do best and rely on a competent partner to handle the integration of the technical components which make up your system.

The length of the contract will depend on the complexity of the system and processes being provided. For a mainstream financial enterprise system, for example, a five-year contract is likely to be the minimum term.