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Foundation News &

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Is There an ASP in Your Future?

by *Martin B. Schneiderman*

Back in the days of B.C. (before computers), an asp commonly referred to a small venomous snake. Nowadays it's an Application Service Provider (pronounced A-S-P, of course)—a company that hosts your application software and data. This is sometimes called an "App on Tap." The underlying principle goes back to the days of dumb terminals when all software and data were centralized.

Under the ASP business model, the company typically rents software to clients for a fixed fee or one that is based on usage or transactions. The ASP owns and manages the servers and data center and hires staff to monitor and maintain the client's applications and data. Clients then access the data over a dedicated line or via a secure Internet connection. The ASP is responsible for ongoing system operation and maintenance, hardware and software upgrades, problem resolution, security, backup, and disaster recovery.



Reasons for ASP Outsourcing

Some philanthropic organizations are finding ASP services preferable to installing and supporting application software on in-house computers.

This approach is particularly advantageous for those who need to access applications remotely, want systems that are survivable and accessible in the event of disaster, don't have in-house IT expertise, or want to minimize IT administration. ASPs can provide a high level of network security, and they can allow you to implement new applications quickly. There are financial benefits, too: ASPs reduce capital expenditures with pay-as-you-go operational expenses and reduce investment risk in a rapidly changing IT environment.

ASPs must deliver superior customer service to succeed. Clients demand systems that are reliable, available and scalable, plus staff who are expert at doing it all. Profitable ASPs need to simplify and standardize inherently complex operations and provide a common system to as many clients as possible.

ASPs in Philanthropy

Among the most common example of ASPs in philanthropy is off-site Web

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hosting. Organizations that contract for these services don't need to maintain and secure their Web sites or provide dedicated high-speed data lines. This can be a very cost-effective solution and sacrifices very little in the manageability of the site.

Today more than 160 corporate grantmakers outsource their matching-gift and workplace giving programs to ASPs that offer secure Internet access to personal and institutional giving information. Vendors in this sector include AmeriGives, JK Group, CoreMatter and CreateHope. Some of these providers offer additional services such as data entry, nonprofit status verification, Web-based grant-application forms, online access to giving history, credit-card donations, and employee technical support via e-mail and telephone.

All of the major vendors of commercial grants management software now offer ASP services. Bromelkamp is hosting its Pearl software using Microsoft's Windows Terminal Server technology. CyberGrants and Digital Footbridge have developed all Web-based solutions. MicroEdge offers its GIFTS and MyGIFTS clients multiple options to host its products using Citrix and fully Web-based technologies. NPO Solutions hosts both its Foundation Power and FIMS software for community foundations online via Web and Citrix, too. NPO and MicroEdge also offer a service for clients running in-house systems—they can store client backup data on remote servers so that it can be accessed via the Web in an emergency.

Concerns

In the last two years, there's been lots of hype in the computer industry about ASPs. The Gartner Group, an IT research firm based in Stamford, Connecticut, estimated that 60 percent of ASPs that were in business at the beginning of 2001 would close their doors or would be acquired by year's end.

Barbara Gomolski, Gartner's research director, recommends that organizations consider the feasibility of each ASP's business model. It's much easier to assess this for public companies that must disclose their financials. "If the ASP is a privately held company, find out exactly how many customers and [employees] they have. Ask about pricing models, and then do the math," Gomolski says. Is it a viable business? This is very important, since fledgling ASPs have been known to overstate the actual number of clients they have.

Grantmakers and IT specialists have voiced concerns about loss of control, potential lack of access to key information if there are data communications problems, system security and data confidentiality. Will software upgrades and data migrations really go smoothly? They're also worried about turnover of ASP management and technical staff, and some lack trust in the ASP provider to deliver on promises. But a first-rate service provider can address all of these concerns.

How can you take advantage of ASPs and not get bitten? There's nothing that can take the place of doing your homework and conducting a cost-benefit analysis. See the accompanying guidelines for a run-down of questions to ask and issues to consider.

In the end, it's best to anticipate and plan for a possible divorce before going to the altar in this mutually dependent relationship. You'll need to develop a "prenuptial" agreement and a realistic contingency plan to cover

an ASP's failure to meet its obligations or its possible bankruptcy.

Features to look for in an ASP

It's best to select an ASP that offers a standard full-featured system that provides the flexibility to let your system administrator or a user personalize the application to meet your needs, instead of buying a fully customized package. Think about these questions and conduct an audit when you select an ASP.

Comparability. Are the ASP's system features comparable to those of your existing and commercially available applications software? Today it's difficult for a Web application to compete with mature, full-featured Windows programs. This is sure to change in the future.

Access. Can the ASP implement redundant systems to minimize the chances of losing access to your applications software?

Financials. Beware of any service provider that is overly eager to please to gain market share or that doesn't disclose its complete client list with references you can check.

Security. Is there a written security policy? Which identification, authorization and encryption technologies are used?

Record. Does the company have a solid track record with the philanthropic community?

Hidden Costs. What will the ASP charge for reports, customizations, enhancements, documentation and training?

Customization. Don't end up with a customized, one-of-a-kind system that might be hard to support in the future.

Instruction. ASPs typically haven't done this very well. How good is the ASP's documentation and training?

Up-Time. What is guaranteed up-time? Consider that 99 percent up-time means 3.7 full days of unscheduled down-time a year.

What to Include in an Agreement with an ASP

You'll need a formal document called a Service-Level Agreement (SLA) when contracting for ASP services. Your SLA should have teeth, but be realistic—you're with a foundation, not air-traffic control or an ambulance dispatcher. An ASP can't assume complete responsibility for your systems and be the single point of contact for all of your support issues. Your SLA should explain or include:

- | details of all services to be provided
- | whether your applications and data will be running on a server

- dedicated to you or on one shared by others
- | procedures to ensure system and data backup, security and confidentiality
- | system redundancy
- | the proximity of high-speed data communications to the Internet backbone
- | service-delivery standards, such as application availability or up-time, a threshold for down-time (for example, what if a system slows down so much that it's not usable, is that considered down-time?), guaranteed response time to calls, system performance, scalability, redundancy, provisions for outages and restoration, and customer support
- | how far in advance notification of scheduled interruptions of service for maintenance will occur and that the company will provide prompt notification of unplanned outages
- | quantifiable performance metrics, plus the methods and tools to be used for measurement and reporting
- | procedures for ad hoc service requests and how they will be handled
- | when the service will be fully operational
- | penalties and remedies if service falls below contract levels
- | terms for early termination.

The SLA should be reviewed by your financial department and your legal counsel. Be sure to flesh out the vagaries that can come back and bite you.

—M.B.S.

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