

DEBUNKING SIX **MANAGED** SERVICES **MYTHS**

SOITRON*

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Whether an organisation is growing rapidly or consolidating, there's little escaping the need to use internal or external experts to help manage certain parts of the business. Although the ability to outsource certain IT functions to external providers has been around for a long time, adoption of outsourced managed services is still by and large reserved for enterprises and public sector organisations.



However things are changing, according to research from IT industry trade association CompTIA. In late 2014 only 30 per cent of organisations had used a managed services provider. Fast-forward a year on and two-thirds of businesses have embraced managed services.

Despite this, there remain many myths around managed services. The aim of this white paper is to demystify managed services, and provide the insight needed for organisations to better understand whether managed services is right for them.



What is managed services?

Businesses of all sizes depend on technology in some form. However, the bigger the business, the more complex the IT sprawl becomes. For example, a company with 1,000 employees typically has dozens of systems to provision email, desktops, HR and finance – to name a few. Often these systems require experts to manage. Managed services removes the headache of provisioning IT systems – or indeed the whole IT infrastructure – by outsourcing the management to an external partner.

Gartner defines these managed services providers as a company that “*delivers network, application, system and e-management services across a network to multiple enterprises, using a ‘pay as you go’ pricing model*”.

Evaluate the starting position

It's important for businesses to understand their starting point. Companies in the process of exploring whether a managed services model is right for them typically fall into one of two categories:

- * Companies that use external experts to manage their in-house IT systems (HR, Payroll, desktops) are typically in a tactical situation, where external resources are used to solve immediate IT problems. Or external staff are being used to simply keep the IT network up and running. Often the organisation understands that no more savings can be made, and that a longer-term solution is needed.
- * Businesses that are starting with a greenfield operation, where there's very little resource to manage the existing (and planned) network infrastructure.

In both situations a managed services model provides the long-term strategy required to keep IT costs down, while also offering the network stability needed.

Hewlett Packard (HP) case study:

In 2003 HP decided to build a new European IT operations centre for infrastructure and applications management in Slovakia. Rather than hire and train thousands of IT staff to oversee and manage the project, the company chose Soitron as one of its partners. Soitron recruited staff, and subsequently leased them to HP. After the initial phase, when the centre employed several hundred people, HP moved to a managed services strategy where it paid for the number of servers managed by Soitron – rather than the people.

Benefits include an increase in productivity for HP's IT managers who were relieved from working on low-level tasks. Instead, they were able to work on more strategic projects. The on-going relationship ultimately delivered a reduction in managing servers by up to 15 per cent.

Debunking six managed services myths

For organisations evaluating whether managed services is right for them, below are six common myths that have misled the industry.

1. Ability to innovate will be stifled

Handing over the network management to an outside company can lead many businesses to think their ability to innovate will be reduced. This is simply not correct. A managed services partner should understand its customer's business inside and out, and where it wants to be in one, three or five years' time. In fact a managed services partner will innovate with its customer - optimising the IT infrastructure to help develop and launch new products and services. A good partner will also have the resources to start new projects right away. Whereas handling the same project in-house might involve weeks or months to hire the right people, train them, and provide the support they need. Managed services providers should also be motivated to help customers innovate. It gives them the opportunity to lower their own costs and increase profits by delivering efficiencies throughout the relationship.

2. Loss of control

Many businesses fear a loss of control if they

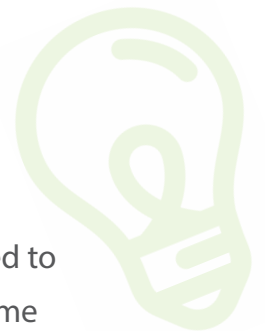
move to a managed services model.

This is incorrect. Instead it's a psychological loss of control. The managed services approach gives far more control of resources than if IT resources are handled internally. It offers a 'pay per use' model, allowing organisations to switch services on and off as and when required.

In addition, businesses that move to a managed services model gain additional planning capabilities to better understand current and future IT requirements that support business goals.

3. Lack of insight

Businesses have become accustomed to receiving the same reports at the same time each day/week, providing insight into internal staff activities. As a result, many fear a loss of reporting structure, leading to a lack of insight into future networking demands. This is wrong. The right managed services partner will provide deeper reporting capabilities, alongside planning and forecasting to ensure an optimised network. They must be motivated to ensure the right KPIs and reporting tools are established.



4. Caught in a rigid contract

Some suppliers insist on long contracts that leave little room for negotiation down the line. Many also offer no exit strategy if the relationship doesn't work. Unfortunately this is the case with some suppliers, but not all. Businesses should insist on transparent contracts with suppliers that include an exit strategy. In fact it's better to have a 2-3 year contract, with regular reviews to ensure the relationship remains on track. Any managed services supplier should also be motivated to provide contract flexibility.

5. Over-dependency on one provider

Many companies fear a dependency on one managed services provider for all their networking needs. Given all the

technologies now available, any supplier must allow customers to partner with other complementary vendors to ensure they have the optimal network - entirely designed to support current and future ambitions. Any supplier that insists on a single contract should be questioned.

6. Losing control of data

A loss of critical information can bring a business to its knees. With data security top of many boardroom agendas, it's no big surprise that many fear a loss of control over their data. However with the right partner that has the correct security credentials, organisations will have complete, unrestricted access to their information - 24/7. In fact, information is more secure in a managed services environment - where experts are at hand to ensure the very best security measures are in place.



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While the existing model was suitable for the early stages of the relationship it shortly showed to be suboptimal to meet HP's needs, as it did not stimulate the environment of continuous productivity and quality improvements. As Soitron gained the deeper knowledge of the HP environment, tools and processes, and become knowledgeable of HP's needs, we decided to move out of the staff augmentation model towards service-based delivery.”

Miloš Horvát Enterprise Services Manager at HP

Benefits

Choosing the right managed services partner can deliver substantial benefits to a business, including:

* **A more strategic IT team**

It is estimated that as much as 30 per cent of an IT manager's time is spent on maintaining low-level networking and administration tasks. By handing over network management to a managed services provider, IT teams can be left to focus on more strategic projects that have a direct impact on the bottom line.

* **Access to experts in their field**

The right managed services provider will have a large team of qualified experts across all business functions. Rather than throw all internal IT resources to solve a pressing issue, a partner's pool of experts can fix problems quicker. A partner should also help to anticipate issues earlier, while giving greater visibility of future networking capabilities required to support the business' short and long-term objectives.

* **Greater control and flexibility**

Any ambitious business needs the flexibility to respond to changing market conditions, along with the ability to control costs. The right partner will be motivated to work closely with customers to reduce costs at all points – it's in their own interest too. When it comes to seasonal fluctuations, having the right partner in place will also allow companies to scale up and down as and when required. The pay per use model allows businesses to better control and plan what they need and use today, along with what is required down the line.

Conclusion

Regardless of industry, organisations today face similar challenges. They constantly need to evolve their business through new products and services, while always streamlining costs. A managed services model helps to tackle both of these issues – but only if the partner invests in its customer's success. The right partner will be motivated to work with customers to help overcome current and future challenges, while also ensuring they have the right IT foundations in place to keep them focused on where they need to be.