THE BUSINESS CASE FOR MANAGED IT SERVICES

Today's technology landscape is growing increasingly complex, yet the opportunities to drive greater business productivity utilizing technology are substantial. This environment has created numerous challenges for businesses of all sizes, but particularly for small and medium sized organizations who may not have access to the level of expertise they require.

Many are turning to Managed Service Providers (MSP) for help. MSPs are third party IT service providers that assume the responsibility of managing crucial IT infrastructure, offloading the responsibility from businesses who may not have the time or talent to do it themselves. These services are delivered by highly trained professionals and are typically billed on a subscription basis.

According to a Business Solutions Magazine survey, 50% of organizations use some form of managed IT services. This trend is expected to continue, with MarketsandMarkets forecasting that the managed service market will reach $242 billion by 2021.

Businesses that shift to managed services are enjoying a number of measurable benefits. This paper will look at the quantifiable strategic and financial benefits of moving IT management to a third party managed service provider.

Reduced IT Costs

Organizations that have switched to managed IT services have seen dramatic savings in their direct IT spending. According to a survey conducted by CompTIA, 46% of respondents cut their IT budget by 25% or more with 13% of respondents cutting their budget by more than 50%. Half of the respondents realized savings that were less than 25%. Only 4% realized no savings. While IT budget reduction is still an important driver in adoption of managed services, it is no longer the primary benefit.

> **Almost half of businesses cut their IT budget by 25% or more using an MSP**

Improved Efficiency of IT Operations

The most often cited reason small businesses move to managed services is to improve the efficiency of IT operations. Whether your business has a dedicated IT professional or just a technically savvy employee that looks after your IT infrastructure, they are most likely overwhelmed.

Not only do they have to field coworker requests to support any number of new consumer grade

apps and devices, but they need to ensure company data is secure and software updates are current. These individuals become a Jack of all trades yet a master of none. Every new request or technology requires a significant amount of research and self-education to deliver effectively.
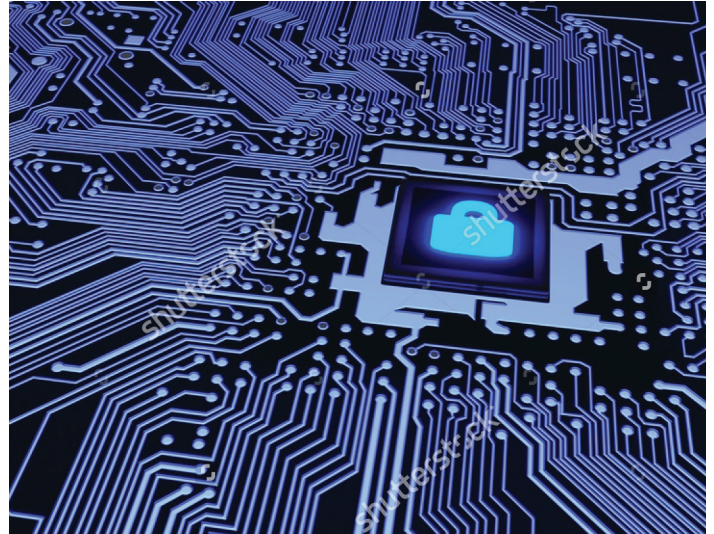
Businesses that are shifting IT responsibilities to a managed service provider are seeing 40%-50% improvements in IT operational efficiencies. Managed service providers are very proficient at executing routine tasks such a patching software, backing up data and monitoring systems. They have completed these chores many times across their client base, resulting in efficiencies they can pass on to each individual client, leveraging automation techniques where applicable.

Another reason MSPs improve operational efficiencies is because they are always available. No need to wait for the "IT" guy to get back from vacation or recover from the bug that's spreading around the office. With a team of IT experts managing your infrastructure, IT responsibilities do not fall on one person and tasks don't get relegated at the end of a long to-do list.

Better Allocation of IT Resources

While directing more cash to the bottom line is always a great thing for any business, when we dig deeper into the value of managed services, additional economic and strategic benefits emerge.

Managed IT services enable organizations to allocate their IT resources more effectively, unlocking greater value. How resources can be allocated better will depend on whether you employ a full-time IT manager, or IT responsibilities are only part of a full-time employee's job

> **Businesses that shift IT responsibilities to an MSP are seeing 40%-50% improvement in IT operational efficiencies**

description.

If you are employing a full-time IT manager, you need to consider whether you are getting the most out of that employee. Desktop technicians or other lower level IT workers generally command a salary of $25K to $50k a year. The primary role of these workers is to update and maintain hardware and software and trouble shoot issues.

IT managers on the other hand are paid $80k-$130k to take responsibility for IT systems and ensure that they are aligned with the business strategy. If you are tasking your IT leader to load and update software, you are not getting the greatest benefit from your IT investment. By outsourcing these maintenance chores to a third party, you can unlock this value.

> **Managed IT services enable organizations to allocate their IT resources more effectively, unlocking greater value**

Freeing up your IT manager enables them to refocus on creating strategies that empower your employees to be more productive, and assure systems are aligned with company goals. IT leaders should be exploring ways that mobile

apps, collaboration technologies and the cloud can be leveraged to drive greater productivity and profitability.

If IT leaders are not bogged down updating software, they could also be devising ways to automate repetitive tasks to streamline operations. Asking these experienced professionals to do remedial tasks does not contribute to job satisfaction. It is difficult enough as it is to keep good IT people, and the risk of losing them is high if the work is not challenging.

If you are paying your IT manager $80k a year and they are spending a quarter of their time doing the work of a $40k a year employee, you are paying double what you should be for that work. By outsourcing this work, you could unlock $10k in value.

Conversely, employees that are tasked with managing IT systems in addition to their primary responsibilities distracts them from the very activities that can drive the delivery of your core value proposition. Expecting an employee with limited training and expertise in best practices to efficiently manage your computer system is asking a lot.

Reduced Downtime Costs

Data loss and system downtime is a huge issue for any company, but can be catastrophic for a small business. IDC research conducted a survey that found each system failure cost small businesses between $82k and $256k.

Additional studies found that between

> **If you are tasking your IT leader to do routine tasks, you are not getting the greatest benefit from your investment**

> **A study conducted by CompTIA found that proactive monitoring can reduce the cost of downtime by 50%**

73% and 80% of small businesses experience some downtime. While there are an endless number of reasons that systems go down, 80% of network outages are due to some change in the system. This could be from software updates, application of security patches, hardware upgrades or other.

If best practices are not followed when these changes occur, the risk of downtime is much greater. Consistently monitoring and backing up networks and data can reduce the costs of outages or data breaches. A study conducted by CompTIA found that proactive monitoring can reduce the cost of downtime by 50%.

By doing some simple math using the statistics above, let's assume the average cost of an outage is $169k and the probability of an outage is 77%, we can expect to incur a $130k hit from a network outage or data breach. By reducing this cost by 50%, we save $65k which could mean the death or survival of a small business!

> **The break/fix model, where you pay to fix IT infrastructure when it breaks, can be a real anchor on business growth**

More Consistent Fee Structure

The subscription-based fee structure of managed services can not only be a cost saver, but a benefit to strategic planning and growth. Things always seem to break at the worst time, and making changes to your network as you prepare to expand your business is no exception. The break/fix model, where you pay to fix IT infrastructure when it breaks, can be a real anchor on growth, as receiving significant unexpected IT bills can kill any other

> **Businesses must continuously invest in technology to not only remain competitive but attract great employees**

investment plans. This also can create big cash flow issues and high borrowing costs.

Increased Opportunity Costs

While less measurable, lost opportunity costs created by distracted employees and owners is real. If owners are worried about whether their business is at risk of catastrophic failure or employees are pulled from their revenue producing activities, the effect on the bottom line can be significant.

Do the latest stories of high profile data breaches trigger panicked software updates, or do slow systems or connectivity issues keep employees from focusing on their work? Small businesses already have a lot of hats to wear, and simplifying IT operations enables them to concentrate on their core competencies so they don't miss out on growth opportunities. If the distraction caused by managing technology outweighs the benefit, it can become a detriment. MSPs can reduce this distraction.

The rapid evolution of technology, including the cloud and mobile apps, has made companies much more nimble and productive. Employees have become accustomed to cutting edge technology and understand how it makes their jobs easier. Businesses must continuously invest in technology to not only remain competitive but also to attract great employees.

Bottom Line Benefits of MSPs

Improved IT Efficiency - Lower costs, lower risk and improved use of internal resources.

Reduced Outages – Downtime, even for short periods, can be extremely painful.

Increased Productivity - Happier, more engaged and productive employees.

Consistent OpEx – Subscription-based fees enable improved budgetary planning.

Business Success – The right technology choices drive business growth and profitability.

ABOUT NTIVA

The value of shifting IT responsibility to a third-party MSP is significant and quantifiable, but to get the most out of your investment, working with the right partner is key. By hiring a managed service provider, you begin a relationship made up of equal parts technology and trust.

Founded in 2004, Ntiva has grown almost solely by referral. Our CEO Steven Freidkin has kept Ntiva focused on a singular mission - to provide the expertise, accountability and personal responsiveness that are often lacking in the IT services industry.

As a full-service IT provider with over 120 full-time employees, Ntiva can take on some, much or all of the challenges and responsibilities of maintaining your IT infrastructure, including computers, peripherals, storage, systems and applications and all network elements, both on premise and in the cloud.

To find out more about how Ntiva can help you grow your business with the right technology and keep it running at peak proficiency, you can check us out at www.ntiva.com or email us at info@ntiva.com.