The Mid-Market Movement Towards IT Outsourcing

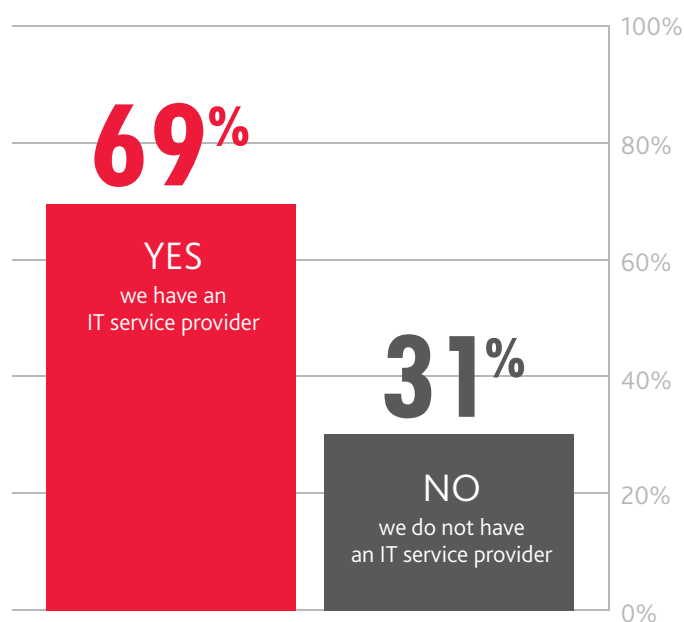WHY THE DEMAND FOR MANAGED IT SERVICES HAS REACHED ITS TIPPING POINT

As technology continues to make a greater impact on how companies conduct business, organizations are finding it increasingly difficult to manage their complex and ever-changing IT systems and the users who engage with them. To maintain a competitive edge, forward-thinking organizations are examining how they approach IT management, as well as the strategic focus needed to drive innovation and profitability.

By leveraging a Managed IT Service Provider (MSP), organizations are able to enhance capabilities, expand coverage and benefit from the collective expertise and experience of their MSP. By partnering with a MSP, these organizations are able to focus on strategic IT initiatives that can enable their businesses to grow. With 69% of small and mid-size companies already utilizing Managed Services in 2016,[i] the shift towards outsourcing IT has finally reached critical mass.

In this whitepaper, we'll explore today's technology landscape and the elements that led to this shift, as well as how managed IT services have evolved to address some of today's mid-market businesses' biggest challenges – and opportunities.

DOES YOUR COMPANY HIRE ANY OUTSIDE SERVICE PROVIDERS FOR IT NEEDS?

69%

YES
we have an
IT service provider

31%

NO
we do not have
an IT service provider

100%

80%

60%

40%

20%

0%

Source: Clutch; study includes 402 businesses

IT ORGANIZATIONS IN THE MID-MARKET ARE UNDERSTAFFED

In-house IT is generally difficult for mid-size businesses to support. Not only are today's IT departments overworked and understaffed, but they are now expected to be subject matter experts in a seemingly infinite number of ever-changing advanced technologies.

61%

of the 2,300 chief information officers say it is somewhat or very challenging to find skilled IT professionals.[iii]

Difficult to Attract and Retain the Right Talent

Today's mid-size companies are in an especially difficult position as they cope with limited budgets and increased competition for specialized IT talent. As a result, the majority of mid-sized companies are transitioning away from traditional staffing models to realizing the benefits of strategic outsourcing through Managed Services.

In order to keep pace with the advancements in technology, businesses need access to subject matter experts in a broad range of areas. Cloud strategy and execution, next generation security solutions, and other emerging technologies are adding new layers to an already complex system. As the velocity of change quickens and IT becomes more and more granular, the number of specialty IT roles grows.

Many mid-size organizations are finding it financially prohibitive to staff a comprehensive team of IT experts and they struggle to attract and retain top talent in a highly competitive market. For the CEOs and business leaders who recognize IT's role as a vital and integral part of their business, they often run into road-blocks in finding and retaining the right talent, and doing so in a cost-effective manner.

> " In a survey conducted by Robert Half Technology, CIOs said their companies' technical support teams are, on average, 42% smaller than what they would consider ideal.[ii] "

Gap in Specialized Skills and Expertise

In the past, IT professionals in mid-market businesses had capacity to learn and stay up to date with the systems that are critical to run the business. However, the diversity of skills required, the need for real-time expertise and the acceleration in the deployment of new solutions has made the traditional "jack-of-all-trades, master of none" model unsustainable for today's businesses. Organizations need access to highly specialized expertise to properly design, deploy and support business-enabling technologies.

One of the biggest hiring crises facing mid-market organizations today is the shortage of information security specialists. According to Cisco's Annual Security Report, there was an estimated 500,000 to 1,000,000 person global shortage in the number of IT security professionals last year[iv] – a troubling statistic considering that the number of security incidents impacting mid-market companies has increased 64% over last year, and continues to grow exponentially.[v]

The constant evolution of technology means a relentless revolving door of new hiring demands. Specialized IT skillsets are scarce in the marketplace and mid-market businesses may only need fractional access to these individuals. Often the most qualified candidates are lured to opportunities in the tech industry or to larger businesses who can provide the compensation, career growth and professional opportunities these highly sought-after candidates desire. To further complicate the issue, it is increasingly difficult for mid-market businesses to vet specialized skills without in-house experts who can assess their applicants.

THE IDEAL IT TEAM FOR A 300 EMPLOYEE ORGANIZATION

1/2 CHIEF INFORMATION OFFICER	**1/2** CHIEF TECHNOLOGY OFFICER	**1/2** CHIEF SECURITY OFFICER	**1** IT DIRECTOR/ MANAGER
2 PROJECT MANAGER	**1** HELP DESK MANAGER	**1** TECHNICAL SOLUTION ARCHITECT	**2** INFRASTRUCTURE ENGINEER
1 INFORMATION SECURITY TECHNICIAN	**4** HELP DESK TECHNICIAN	**1** END-USER TRAINER	**1** BUSINESS ANALYST

The Need for Business Context and Capacity to be Strategic

While this paradigm is shifting, historically IT has not had a seat at the table for strategic business decisions. As technology continues to play a greater role in impacting every aspect of business, IT can no longer be disconnected from the business. Now, more than ever, CIOs are earning their rightful spot in the C-suite, with enormous opportunity to become innovators and drive revenue for their companies. Often, these progressive CIOs are the first to encourage their organization to explore the efficiency and effectiveness of a Managed Services model.

> **We strongly agree [that IT is strategic], but fail to have the expertise or vision in that department internally**
>
> – C-level executive[vi]

The challenge is not convincing business executives that IT can be strategic, it is bridging the gap between what has historically been a highly technical role with today's modern business demands. Often this comes in the form of communicating and demonstrating business value for enhanced technology solutions. Business executives are searching for IT advisors who can give them the whole package: understanding business goals and marrying them to a strategic roadmap that fuels innovation and growth through technology.

THE MID-MARKET MOVEMENT TOWARDS

For many years, organizations preferred to keep their IT exclusively in-house so they could build institutional knowledge. However, as the demand for IT expertise reaches its tipping point, companies are being challenged to change the way they think about IT outsourcing. By partnering with a Managed Service provider instead of short-term, project-based outsourcing or staff augmentation, organizations can benefit from having a team who knows their environment and can scale up and down efficiently to address projects and changing business needs in an economically feasible manner.

It is difficult to cost-effectively build an internal IT team with the same capabilities and coverage that an outside IT service provider offers. As a result, the majority (69%) of small and mid-size organizations have chosen to utilize managed IT services to some degree.[i]

Evolutions in Technologies Drive the Move to Managed Services

Emerging technologies are also providing new opportunities for the move to Managed Services. One of the most prominent examples is cloud computing, where management becomes less about hardware maintenance and support and more about usage analysis and driving business value through IT strategy.
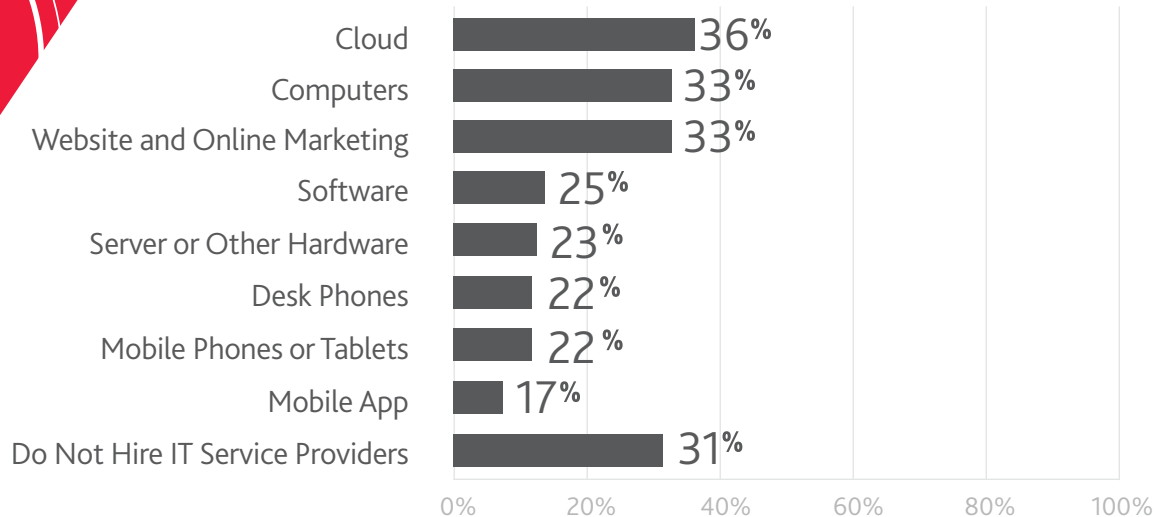
The movement from on-premises towards the cloud requires IT to embrace new sets of skills that expand beyond troubleshooting and deployment into services such as Office 365, Infrastructure as a Service (IaaS), Disaster Recovery and Managed Security. For many organizations, this means outsourcing their cloud management to a partner who has the expertise to develop the strategy and provide support across their entire environment, whether on-premises or in the public and/or private cloud.[i]

Cloud computing is now the most popular outsourced IT service, outranking more conventional support needs. Today, more than 1/3 of small and mid-size companies are using a professional service firm to manage their cloud.

And it is not just the cloud that is encouraging organizations to enhance their internal teams with outside expertise. A study by Savvis, a CenturyLink company and global leader in cloud infrastructure and hosted IT solutions, found that 70% of all IT infrastructure will be outsourced by 2018.[vii]

DOES YOUR BUSINESS HIRE A SERVICE PROVIDER FOR ANY OF THE FOLLOWING IT NEEDS?

Cloud	36%
Computers	33%
Website and Online Marketing	33%
Software	25%
Server or Other Hardware	23%
Desk Phones	22%
Mobile Phones or Tablets	22%
Mobile App	17%
Do Not Hire IT Service Providers	31%

0%   20%   40%   60%   80%   100%

The Increased Responsibility of User Enablement

New technology brings new capabilities, and while the tools to execute these capabilities are becoming more powerful and customizable, they are also becoming more complex. Deploying the solution is no longer the last step to a successful IT project. Ensuring the users are leveraging new solutions to their potential and the business is getting a return on their technology investment is the new measurement of success. Often, these soft skills are not part of the typical internal IT job description. A good Managed Service partner who approaches projects from a business perspective first can help an organization develop a user enablement framework, report back on ROI and provide ongoing support to ensure the success of business technology.

Finding the Right Service Provider

As technology becomes more complex, so do the service offerings that help organizations address these new challenges. The emergence of strategic IT has created new distinctions between various types of outsourced IT support. In order for organizations to ensure they partner with the most strategic partner, it's important to understand these distinctions.

Over the next year, small and mid-size businesses plan on spending 39% MORE ON IT SERVICES,

however the same group indicated a less-than-satisfactory rating of their current provider compared to other B2B industry benchmarks.[i] The disconnect between mid-market businesses wanting to invest in Managed IT Services, while at the same time rating these services as unsatisfactory, is commonly due to the lack of strategic support they are receiving from their provider.

The most mature and high performing Managed Service providers will approach your needs from a business value perspective, providing you with the expertise and experience that comes from delivering services across many environments without a one-size-fits-all strategy. They will also learn your business challenges, provide best practices and, not only answer your questions, but advise you on the questions you should be asking next.

RIGHT-SIZING YOUR IT

Technology is not slowing down, nor is the demand for a knowledgeable and experienced IT service provider. Companies need an IT partner who can evolve and adapt with them to deliver top-level, strategic recommendations. BDO Digital's award-winning Managed Services team can help organizations develop cost-effective, flexible support options right-sized to fit their IT needs. Backed by a team of ITIL-certified subject matter experts, our customized solutions can provide fully outsourced IT services, or complement existing internal teams by filling the skill gaps and coverage required to keep up with the business demands of IT in today's modern workplace.

Sources:

[i] Clutch 2016 Small Business IT Survey https://clutch.co/it-services#survey

[ii] Robert Half Technology Special Report: The Demand for Skilled Talent: https://www.roberthalf.com/sites/default/files/Media_Root/images/rh-pdfs/rh_demandforskilledtalent_vol_10_q32015_us_0.pdf

[iii] Robert Half Technology IT Hiring Forecast and Local Trend Report: http://rht.mediaroom.com/2014-06-25-U-S-CIOs-Reveal-Hiring-Plans-For-Next-Six-Months

[iv] Cisco Annual Security Report: http://www.cisco.com/web/offers/lp/2014-annual-security-report/preview.html

[v] PwC The Global State of Information Security® Survey 2016

[vi] BDO Digital Midmarket Survey 2016

[vii] Savvis, a CenturyLink company http://www.centurylink.com/business/enterprise/home/