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Changing Perceptions about Managed Services:
The Managed Service Provider (MSP) as a Partner

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White Paper

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ABSTRACT

Information technology (IT) management is often an all-or-nothing proposition. Among small businesses, network assets and services are frequently self-managed. Larger organizations with complex networks may outsource their IT infrastructure, applications and support services to a managed services provider (MSP). But, as today's network technology and applications become ever more complex, where organizational performance, and budgetary and security issues remain top of mind, forward-looking businesses, large or small, are considering an IT strategy that includes working with an MSP.

The movement toward managed IT is being driven by two critical operational imperatives: 1) achieve IT cost improvements, and 2) ensure business continuity. A managed services IT strategy provides the capacity for businesses to meet these imperatives.

PERCEPTIONS REGARDING ADOPTION OF MANAGED SERVICES

The rising cost of IT infrastructure deployment, scalability and maintenance, along with the need to ensure business continuity and skilled resources, are the reasons businesses partner with an MSP.

Among businesses utilizing the IBM AS/400 and iSeries platform, these considerations are paramount when contemplating partnering with an MSP. The popularity of this platform is well established, but bridging and adapting its strengths to the 21st century IT environment has been a challenge; often these skills are limited in today's workforce and internal company resources are focused on new infrastructure/server initiatives. Partnering with an MSP can alleviate these concerns and other perceptions causing hesitation or deterring some companies from adopting a managed services strategy.

Frost & Sullivan's Stratecast division has identified that roughly 15 percent of U.S. businesses have moved IT workloads to an MSP, and further, that 40 percent of businesses resist the move entirely.[i]

The perceptions among many businesses regarding a managed services approach are varied, but they tend to pivot around themes of network cost, control and security.[ii] Figure 1 below highlights the top three[iii] reasons why companies have expressed resistance to a managed services approach.

Figure 1: Important Challenges to a Managed Services Deployment
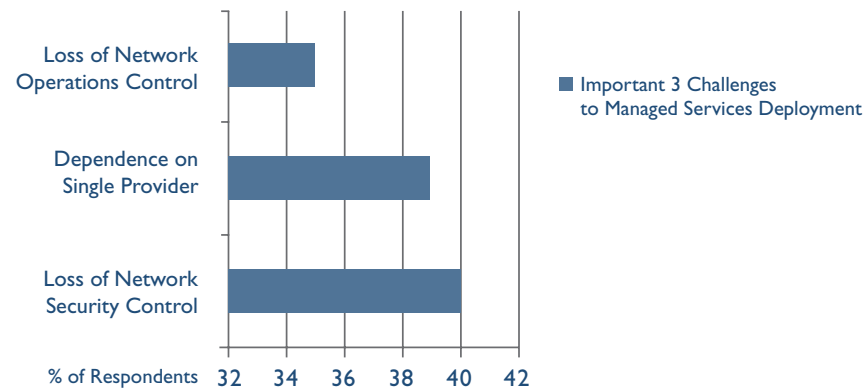
Source: Frost & Sullivan

Loss of Network Security Control. Approximately 40 percent of businesses cite the loss of network security control as the primary deterrent to the adoption of managed services. Various entities, such as communication services providers or financial institutions, have strict regulatory-based proprietary data protection rules, and they are right to be concerned about security. The concern is not just over the loss of data, but also over the cost to their business when data records are comprised. Regulatory penalties for data breaches can be onerous and cyber attacks targeting data records can cost a business up to $214 per comprised record in the effort to repair the damage.[iv]

Dependence on Single Provider. Thirty-nine percent of businesses note that dependence on a single service provider deters their move to an MSP. The concern is that such dependency may financially tether the company to a single MSP, with the prospect of continuous cost increases due to a perceived captive position. Moving toward a single-vendor strategy, however, can impart significant cost (capital expenditures) and operational (labor and training) savings. MSP discounts for multiple types of services can be significant, and where flat-rate pricing is available, so, too, are predictable monthly costs. And, when there is a problem, the client company has just "one throat to choke," not several MSPs and/or its internal IT staff.

Loss of Network Operations Control. Thirty-five percent of companies consider the loss of operational control as a managed services deterrent. Foregoing control is a question of trusting a third party with a business's essential operational asset—IT infrastructure. The potential impact to business and revenue stability during a services transition, confidence in the MSP's business applications and devices management capabilities and its disaster recovery procedure are of notable concerns.

It is the priority and objective for an MSP to develop trust with potential partners and demonstrate the benefits of managed services. The leading drivers of adoption, however, by the 15 percent of adopting companies directly address the main concerns of those who are hesitant. These drivers include the need for a disaster recovery and business continuity plan, the requirement for stable and predictable network costs, and the ability to scale infrastructure resources cost-efficiently. For companies still unconvinced of the need to examine a managed services approach, consider a call to PCM.

WHY PCM IS DIFFERENT

PCM's capabilities and offerings are worth examination by every chief information officer (CIO) seeking to improve the cost structure and performance of their networks and staff. What makes PCM different from other MSPs includes such attributes as:

- **iSeries Specialists:** PCM's team of IT-certified professionals are a unique combination of AS/400 (iSeries) specialists. The team understands the requirements of the IBM platform and the cloud. The dedication to this platform and remote management technologies assures clients that the applications and hardware managed by PCM will save them time and the expense of hiring or training IT staff to maintain current hardware and applications, or integrate future resources.

- **Proactive Monitoring and Administration:** PCM services provides 24/7 proactive monitoring of clients' IT resources (including servers, desktops, mobile, storage, bandwidth, security). Problems are anticipated in real time and fixed before they affect service quality. System patches and upgrades are automatically applied; bandwidth and storage requirements are scaled to assure high resource availability. This approach increases budget savings as capital expenditures for a self-maintained infrastructure can be deferred, generating overall IT expense savings.

- **Business Continuity and Predictable Costs:** Disaster recovery as a service (DRaaS) is an PCM core competency. Businesses need their IT assets available, even if fire, flood or cyber attack should occur. For many businesses, the complexity and capital expense of a business continuity plan is prohibitive. PCM makes recovery from disaster easy and affordable. For a regular monthly fee, customers gain assurance of their systems availability, while budgeting for the stable and expected costs of that assurance.

- **Breadth of Services:** PCM provides, in addition to device management, fully managed business services such as e-mail, Web portals, ecommerce applications and enterprise resource planning (ERP) solutions. For customers looking to the cloud, infrastructure-as-a service (IaaS) and software-as-a service (SaaS) solutions are available. PCMs Tier 1 help desk also provides operations service support for network users and their clients' IT staff.

PCM can orchestrate a managed service strategy for your business that is fit to purpose. It can assist the CIO with the engineering, implementation and support for a strategy that meets the imperative of business success.

MEETING THE IMPERATIVE OF SUCCESS

The need for a high-performance, highly available and cost-effective IT system is critical to any business delivering on its operational imperatives and achieving business success. The rapidly changing nature of IT technology, costs and complexity requires a new commitment to IT as part of meeting these imperatives. This commitment requires that company CIOs:

- **Critically examine IT capabilities versus needs** and discern if their current technology roadmap can be fully supported in house. Is the current IT staff and budget, for instance, able to address ongoing security and maintenance needs for its iSeries (AS/400) platform, or to integrate wireless access protocols and support new devices such as tablets?

- **Embrace managed services** and think differently about MSPs. Leveraging the skill sets of an MSP like PCM enables the alignment of IT capacity with the business objectives of limiting IT infrastructure and application expenses, while ensuring business continuity. The benefits of predictable and reduced IT operating and capital costs, scalable resources, expert security maintenance and a disaster-proof business continuity plan are reasons to consider an MSP.

Ultimately, the decision to move toward a managed services IT strategy requires hesitant companies to think differently about the role of an MSP in their business's strategy. An MSP can aid the achievement of a client's success and in meeting its operating imperatives, but in order to do that, it requires companies to see an MSP as a partner, an extension of their organization, and as important to success as the IT infrastructure and applications that it will manage.

REFERENCES

i Stratecast, "2012 Cloud User Survey: How Understanding Market Perceptions Can Help Providers Turn Cloud Skeptics into Adopters" (June 2012).

ii Frost & Sullivan, "2012 U.S. Business Connectivity Services User Survey: Managed Services Trends" (July 2012). Note there are nine key challenges to managed services adoption; the top three are identified in Figure 1.

iii Frost & Sullivan, "2012 U.S. Business Connectivity Services User Survey: Managed Services Trends" (July 2012).

iv Ponemon Institute, LLC. "2010 Annual Study: Global Cost of a Data Breach" (May 2012).

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