




ManagedSystems

Entrepreneurs and Managed IT:

Putting 'Big Company' Strategies to Work for Small and Mid-Sized Businesses





In a recent survey of small and mid-sized business (SMB) executives in the New York metropolitan area, the majority said the U.S. economy was their chief worry, with 94% saying they were “extremely” or “somewhat” concerned about the continued downturn.

According to Gartner, a leading technology industry analyst firm, large companies such as Google and Microsoft plan to increase their IT spending with external service providers this year.

What do big companies know?

No matter the size of the business, technology plays a critical role in its financial success. At the most basic level, companies have to deal with desktop and laptop computers for all their employees, e-mail, access to the Internet, Blackberries, and other kinds of on-site and remote devices.

Add networking issues like viruses, spam and bandwidth utilization, and suddenly, this effort becomes a major challenge to anyone operating a small or mid-sized business (SMBs) with limited resources and a limited budget.

In today's economy, small businesses' primary differentiator is service. If systems are down, then customer service levels are down too, ultimately hurting the business, the company's reputation and its bottom line.

This can make giving up control over critical information technology (IT) systems daunting. SMBs can learn from the Fortune 500 when it comes to letting someone else manage their technology infrastructure.

At its essence, “managed services” means subcontracting a process to a third party who handles all elements of the initiative, from strategy to execution and managing it all along the way. This differs in a significant way from outsourcing, which in many cases leaves it to the business owner to manage the project or issue.

A recent Gartner report issued in June 2008 in conjunction with the analyst firm's Outsourcing & IT Services Summit cited IT managed service as a high-growth market, regardless of the economy. In fact, in a survey focused on large companies such as Google and Microsoft, more than half (55 percent) said they plan to increase their IT spending with external service providers this year.

So, what do large companies know about managed services that smaller companies don't?

Where Does it Hurt?

The threats facing SMBs are everywhere, from the economy to larger competitors, to hiring and retaining the right employees, to finding and keeping the best customers.

When it comes to IT infrastructure, though, there are three big pains:

First, how does system downtime impact your company's productivity? Industry analyst firm IDC estimates that server downtime alone cost organizations roughly \$140 billion worldwide in lost worker productivity and revenue in 2007. How often is e-mail down? How many times do employees have to re-boot to fix a problem? Can remote workers reliably and quickly access critical information on the home server? How much of the workday do employees spend surfing the Web for non-work-related activities?

Second, how do business disruptions impact your ability to service your clients? Do you have the capabilities – and the bandwidth – to proactively monitor and manage your IT systems? Are your systems safe and protected? Can you look for signs of trouble before a breakdown that could negatively impact your customers?

And lastly, how much does IT really end up costing you? Do you have a full-time employee who handles everything? Or perhaps you use a contractor or small firm on an hourly basis. Is that cost predictable over time? Are you able to foresee and plan for upgrades and new equipment as new people join your firm or your company's needs change?

IT Managed Services: Benefits to Small and Mid-Sized Businesses

While there are no doubt many ways to quantify outsourcing IT, there are four key takeaways that are unique for SMBs:

Company Performance Improvements


One business axiom making the rounds is “Fake it ‘til you make it.” For an SMB, your customers expect – and demand – a professional interface, whether it's e-mail, e-commerce transactions, data-sharing between partners, or even Web sites and invoicing. All this boils down to having the right technology infrastructure to make SMBs look like bigger companies while maintaining the benefits of being a boutique or small organization, with a stronger focus on customer care and client relationship-building.

Take, for example, New York-based Iron Bridge Consulting. Iron Bridge professionals handle every aspect of the design, development and execution of opening a new top-notch restaurant, commercial building or high-end residence. From the moment a project is initiated, Iron Bridge handles lease negotiations, hiring architects and civil engineers as well as enlisting a solid design team ensuring success for aspiring business owners.

With clients like Sushi Samba, Charlie Palmer Group, David Burke and other star-studded locations, Iron Bridge must look, feel and act like the professional organizations it services.

Iron Bridge's commitment to client satisfaction means it must deliver on its promises, while improving employee productivity, minimizing IT costs and maintaining system availability.

“Our business is about making development projects run smoother,” according to Steven Magnus, principal for Iron Bridge Consulting. “Our IT system needs to be sophisticated, reliable and most importantly, non-disruptive. Quite simply, downtime is a nightmare for our daily business.”



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Reliability and Scalability of Service

A typical IT consultant comes in after there's a problem; a true managed IT service provider prevents problems from happening in the first place with proactive monitoring, 24/7 service/support .

SMBs can't afford to wait until there is a problem before acting. A reliable partner will be the IT brain helping to look ahead and plan for not only future IT needs, but future business needs.

Consider mobile workers and the impact they – and their devices like Blackberrys and smartphones – have on security and access issues.

A June 2008 survey of IT managers by InformationWeek found that 78 percent say the number of employees using mobile devices has increased over the past year. Yet, 77 percent say they don't have a mobile device management system, and more than half (51 percent) don't even have a management strategy for managing mobile devices.

Employee Productivity

According to the December 2007 National Technology Readiness Survey, conducted by the University of Maryland's Robert H. Smith School of Business and Rockbridge Associates, people with Internet access at home still spent an average of nearly four hours per week using the Internet at work for personal purposes. If they don't have Internet access at home, that rises to 6.5 hours per week – more than one hour per work day.

With a managed service provider, SMBs can monitor user behaviors, from Internet use to how much they're using the applications intended to make their job easier and them more effective. A managed services partner can then put in place the appropriate procedures and controls to ensure that employees are using the best tools to do their jobs better, for the good of the business.

Basic Cost Management and Control

First and foremost, there are obvious hard-cost controls that outsourcing provides.

There is a predictable monthly spend, with clear costs associated with adding employees during a growth period. Software license issues and upgrades become automatic, done "off the clock" to ensure that systems are available for employees with no interruptions.

In essence, managed services provides clear control over expenses associated with a well-managed, high-functioning IT infrastructure, giving business owners the ability to add employees quickly during times of growth and to have a predictable spend during other periods.



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Common Concerns with Managed Services

The single most pressing issue facing business owners today is the U.S. economy. According to a recent survey of New York entrepreneurs conducted by Managed Systems, Inc. (<http://www.managedsystems.com>), 94 percent of respondents said they were “extremely” or “somewhat” concerned about the continued downturn. This has created a fear of commitment about outsourcing in general.

What SMB executives are starting to realize is that using a managed service provider for their IT is actually recession-proofing. They don't have to outlay unplanned capital to scale. This frees them to develop a cash reserve for when it's truly needed vs. spending hard-earned cash on new computers or a server upgrade.

As discussed earlier, there is also a sizeable benefit in outsourcing over hiring or replacing an internal IT professional.

Take, for example, Barclay Investments Inc., a New York-based fixed income investment securities firm with 11 employees.

Initially, Barclay Investments had one person responsible for managing the firm's technology infrastructure and all IT issues. This employee was the go-to-person for troubleshooting and maintaining security passwords for system access and relevant financial software programs.

“We worried that having all critical technical information resting in one person was not in the firm's best interest,” says Beate Bolen, CFO and Chief Compliance Officer. “If he was sick one day, we would literally be scrambling to track down a password – not the most productive or cost-effective use of the company's valuable resources.”

Since outsourcing its IT, Barclay Investments has experienced 100 percent IT uptime, enabling sales executives and traders to be fully functional and productive every single day. And, they now pay less for IT every month than when they had an on-site resource.

The second most critical concern facing SMBs is their ability to support their customers and sales operations. More than 81 percent of executives who responded to the Managed Systems study said that customer service (50 percent) and sales (31.3 percent) were the most critical things needed to achieve their overall business objectives.

With this commitment, however, comes a fear of losing control.

Many entrepreneurs have built their IT systems along with their company and fear that no one “gets their business” or can do it better than they can themselves. Effective managed service providers have a ramp-up methodology that enables them to work hand-in-hand with entrepreneurs to identify the hot buttons in their business and IT environments.

Considering how many SMBs already outsource critical pieces of their businesses like payroll, HR or accounting, managed IT is an obvious next step to gain more effective and efficient business management.



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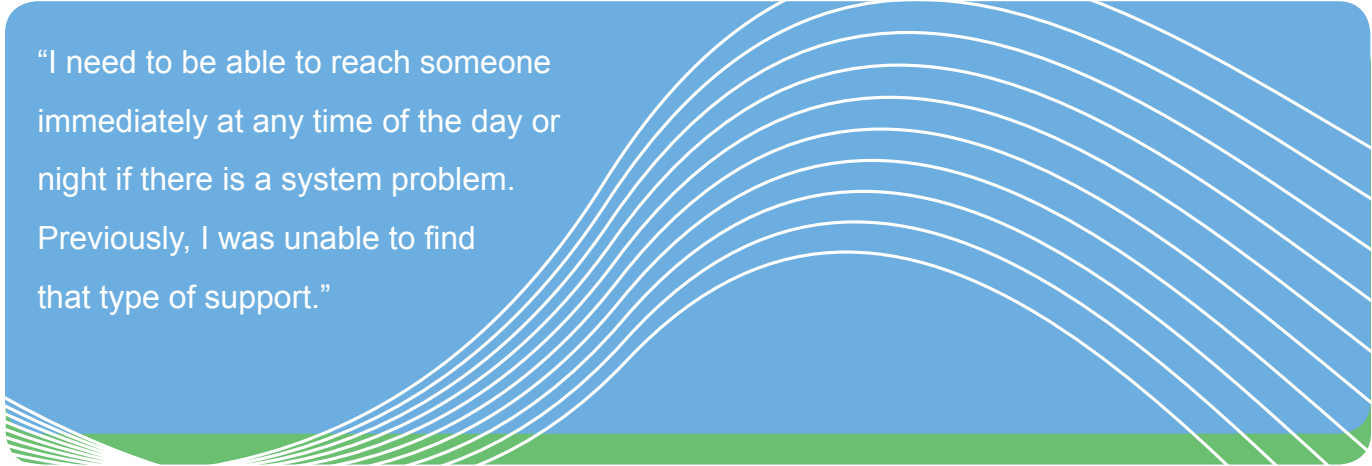
Third, many SMBs may simply not recognize how letting a qualified partner manage their IT could fundamentally change their business. After all, doing nothing is cheaper than making improvements.

When New York-based Iron Bridge Consulting reached more than 50 people, it simply couldn't make do as it had done before, according to Steven Magnus, one of the firm's principals.

After deciding that a full-time IT person would be a distraction from both a time and financial perspective, Iron Bridge chose to outsource to a managed services provider. Since making the change in 2007, Iron Bridge has been able to deliver on its promises to customers while improving employee productivity, minimizing IT costs and maintaining 100 percent system uptime.

"We are constantly on the road traveling or on-site at one of our projects," Magnus says. "I need to be able to reach someone immediately at any time of the day or night if there is a system problem. Previously, I was unable to find that type of support."

The consulting firm now has a stable, standardized and easy-to-use IT system at a lower cost. And, Iron Bridge can now focus on fulfilling the dreams of aspiring business owners by facilitating and accelerating the opening of an establishment.



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Tangible Benefits to Outsourcing

SMBs typically handle IT through various ways, including using a limited consultant with emergency-only support and no long-term strategy; hiring an expensive full-time employee, which adds considerable costs and constrains expansion; or doing it themselves, which diverts precious time that could be focused on revenue-generating activities.

Using a managed services provider, however, provides three key tangible benefits:

- **Increased Worker and Executive Productivity:** By outsourcing IT, business owners and employees are free to focus on the core aspects of their business that is most important to them: Their customers and prospects.
- **A Simplified Working Environment:** Automated IT upgrades coupled with the right security solutions ensure that the entire IT infrastructure is optimized for performance, producing dramatically increased uptime.
- **More Control Over Their IT Spend:** With growth or downsizing, SMB managers can have a predictable monthly expenditure to handle every aspect of their technology, from e-mail and secure remote access to Blackberry management and 24/7 support.

You wouldn't think about not locking the doors to your facility at night. Why would you leave the business wide open through under performing IT systems, unprotected data, and a poorly maintained infrastructure with no backups?

Small-business owners need to recognize that they must do something now to mitigate the very real risks that exist in today's data-dependent world.