



## Managed Services Might Help You Control IT Systems While Maintaining Costs

It's startling to think how dependent we have become on technology, and even more startling when you contemplate the precariousness with which many companies manage their IT systems. As software, hardware and networks grow ever-more sophisticated, so, too, do the risks to these systems—be they external, internal or both. Effective management of these complicated, intertwined systems is a challenge to even the most techno-savvy companies, but it is small- to mid-sized businesses (SMBs) that are really struggling to gain control. Simply put, our technology is getting the better of us. Unfortunately, this trend goes against the grain of why we use technology in the first place: to make us more efficient, productive and, ultimately, contribute to business growth. Sadly, most companies are not getting the return on investment they anticipated from their IT solutions. According to market researcher Gartner, nearly 80 percent of IT spending is dedicated to simply “keeping the lights on.”

SMBs typically lack the depth on their IT bench to address the myriad issues involved in keeping systems running smoothly. In addition to the constant attention required by most applications and

systems, external threats such as Internet viruses, spyware and malware keep most IT departments struggling to keep pace. Compounding this are the budgetary constraints most SMBs currently face. Even when things appear to be running smoothly, how can an SMB be sure that things are running optimally? The question is how can SMBs finally gain the upper hand in the management of their

IT systems while keeping costs in check?

The answer might lie in managed services, a local variation of the traditional outsourcing model. This is when a service provider remotely monitors and maintains a client's network and computers to ensure their continuous availability, optimal

performance and stringent security. The purpose is to anticipate, detect and remedy problems before the computing infrastructure is compromised. Typically, the parties involved are within close enough proximity of one another to facilitate on-site visits—however rare they may be.

This outsourcing model is gaining popularity with many SMBs that see it as a cost-effective way to have an extensive IT team working for them, with all the depth and breadth of skills associated with a

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large IT team. Because managed services providers have multiple clients, the cost of this expertise is shared. And as technology gets evermore complex—and it certainly will—companies using managed services can be assured that “their” IT folks are staying abreast of all the latest trends because their livelihood depends on it. In fact, a recent study by Insight Research predicts that the total U.S. managed services market will grow from \$34.4 billion in 2006 to \$93.9 billion in 2011.

### **Not a New Idea**

The idea of local businesses sharing services is by no means a new one. One example that comes to mind is the restaurant business. You know that stellar seafood restaurant uptown? It gets its bread from the same bakery as the four-star steakhouse downtown. Both establishments know that their core competency does not include baking bread and they therefore decided to outsource this activity to an expert. Every day, the baker delivers fresh bread right to their doors, allowing them to focus on what they do best.

Is this example too simplistic? Not really. The restaurant owners know to keep the customers happy and coming back, they have to focus their energies on sourcing fresh, quality meat and fish and ensuring their chefs develop new and interesting menus periodically.

Bread is ubiquitous in both establishments, but the headache of getting it to every table every day is off-loaded to the baker.

SMBs have similar objectives: To rid themselves of the burden associated with simply keeping their IT

infrastructure up and running and be able to re-channel their energies into building their businesses. After all, technology is supposed to help us do our jobs better and more efficiently; we shouldn't be at its mercy. Ideally, we should all be at the point where we can take it for granted, like the bread on the table at the restaurant.

### **What's Different About It?**

The difference between managed services and traditional IT outsourcing models is the difference between fire prevention and firefighting. While traditional IT outsourcing models are either reactive (break-fix) or product-specific, the primary purpose of managed services is to proactively manage an organization's IT infrastructure on a 24x7x365 basis to prevent system crashes and downtime. A key objective is to identify ways to increase IT efficiency in a manner that responds to changing requirements.

Another difference between managed services and traditional IT outsourcing models is cost. Often, managed services agreements are flat-fee, pay-as-you-go arrangements that can be based on the number of users, devices, etc., or an overall assessment of the complexity of your environment. Traditional maintenance and outsourcing contracts, by contrast, are often long-term and peppered with added fees for change orders (break-fixes), which create fluctuating costs.

Gartner estimates that nearly half of today's traditional outsourcing agreements will fail to achieve their business and service-level objectives. Why?

Typically, traditional IT outsourcing models focus on reducing capital investment in technology and ongoing expenditures, but fail to proactively manage technology operations to mitigate risk. Another problem is that organizations become dependent on the provider because they have taken ownership of their assets and displaced their internal IT staff. Last, but not least, the terms of contracts can be quite restrictive and limit the range of issues a provider will address without additional fees being incurred. But managed services address all three issues.

### How Does It Work?

SMBs can contract with managed services providers to provide as little support (i.e., issue identification) or as much support (i.e., problem resolution) as necessary. Providers often offer their services a la carte; thus, services can be added to contracts on an as-needed basis. A typical menu of services includes remote system monitoring, data management and backup, and vendor management.

Providers use a variety of on- and off-site technologies, including:

- Network- and system-management tools to monitor hardware utilization levels and identify and remedy issues
- Performance-management tools to measure network, system and software performance to determine whether it is appropriate to reconfigure the environment based on the customer's needs

- Software distribution tools to automatically update operating systems

Managed services providers are meant to augment existing IT staff, not replace them. Thus, staff are relieved of the time-consuming duties associated with simply keeping the lights on and can focus their attention on exploring new uses for technology and setting strategic IT direction for the company. For example, the Web sites of SMBs are often neglected because IT staff are too busy trying to keep up with operating system patches, software

updates, antivirus protection and so on.

Imagine the business benefits of having an IT department to research and implement a new customer relationship-management application or build a Web site that could handle high-volume e-commerce.

Managed services also enable SMBs to convert their capital expenditures into operating expenses, and establish a more predictable cost structure for their IT operations. With the kind of tools available today, service providers can monitor, diagnose and resolve most problems without having to make a site visit. Remote management and maintenance of computers and networks ultimately save valuable time and money. And while most contracts include issue resolution, even more money can be saved by choosing to resolve issues using in-house IT staff, although this scenario is probably only viable in smaller companies.

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Finding the right managed services provider depends on your needs. Since most providers offer their services a la carte, you might want to start with 24x7x365 monitoring and later add issue resolution. Do you need help-desk support and someone to manage system patches and antivirus updates, or just the former?

Whatever level of service you choose, make sure you understand what is included in the contract.

Although no one can predict the exact costs associated with IT, a provider should be able to tell you what services it offers and show you what they will cost.

Frankly, whether or not you actually save money by moving to managed services largely depends on the

current state of your network and IT infrastructure. If you haven't kept current with security patches or normal maintenance on your equipment, you will end up spending more in a managed services environment because the provider will have to expend time and energy bringing your infrastructure up to snuff.

Overall, you could choose to continue to gamble with your luck, but with the growing sophistication of systems as well as the threats that lurk to bring them down, your luck is bound to run out. Can you afford the downtime associated with a major failure?

*Howard Fishman,  
Partner  
J.H. Cohn LLP*

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