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Mitigating Costly New Technology Risks For Continued Stability and Profitability



Contrary to what you may read, IT costs don't necessarily have to skyrocket as your business grows. Small and medium-sized businesses (SMBs) just have to be more cognizant of where their technology investments are going and what they're truly getting as return on their investment.

As businesses rely more than ever on technology for day-to-day functions, managers realize that they simply cannot afford the lost productivity, lost revenue and the negative impact on business reputation that comes with a downed system or network.

At the same time, many businesses can't justify the costs of employing any full or part-time IT support given today's economy. In fact, many small-to-medium sized businesses choose to pay for on-site support on an as- needed basis as opposed to having one or several dedicated IT employees on payroll.

With the recent buzz about the potential benefits and cost savings of virtualization software and cloud computing, many SMB executive teams are rethinking how their technology investments are currently allocated.

Two things you'll find many technology dependent peers focusing on today are a greater return on investment (ROI) and a lower total cost of ownership (TCO).

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Executive Perspectives to Tech ROI and TCO

ROI is calculated by dividing the cost reduction and avoidance realized over a period of time by the total amount invested over that same time span.

Total Cost of Ownership (TCO) is most commonly related with four categories in the business/tech world.

- **Downtime** – Smart executives ask themselves "What does it cost my business when my employees, extended teams and/or our customers can't get to the data they need." Downtime includes ALL costs linked to server downtime – both planned and unplanned – along with mostly hidden soft costs that aren't necessarily easy to quantify such as lost employee productivity and business as a result of downtime.

- **Hardware and Software** – The price of the server, hardware and software purchases, contracted tech support and maintenance, training services, upgrades, and backup and virus protection software.

- **IT Operations** – Network and storage infrastructure, server deployment and configuration, data center power and cooling, and other system-related administrative tasks.

- **Business Administration** – All costs related to business processes like labor costs, purchase approvals, vendor contract negotiation and procurement process tracking.

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Re-evaluate Your "Status Quo" Approach to IT

As referenced earlier, small-to-medium size companies can be severely understaffed when it comes to IT support. With so many technology changes emerging in recent years, this puts your businesses at an increased risk for network failure, data loss and security threats – all of which can be enough to put an ill-prepared company out of business.

The first instinct of many CFOs and/or CIOs is to hire more in-house IT staff to address technology challenges. This may actually be the right move in some instances but let's consider a few potential, and common, issues with this. First, beyond budget restraints, it has become increasingly frustrating for many businesses to successfully manage their internal IT operations on their own. Turnover is generally high because many IT professionals view smaller companies as a stepping stone or training ground prior to moving on to larger employers. The result is a cycle of recruiting, training, and ultimately replacing IT technicians that becomes a royal hassle for many businesses.

Additionally, limited IT resources often lead to an increase in human errors made by techs juggling too many responsibilities. A multitude of recent industry studies have estimated that up to 40% of today's outages stem from human error made by in-house IT staff. And, your internal staff will spend anywhere from 25 to 50% of their time identifying and addressing these issues.

The industry term for this is a "break/fix mentality" – this is essentially pulling an alarm and having an on-call IT technician rush in to put out a fire. This approach comes with substantial direct costs to your business or organization in the form of high hourly rates, trip fees, surcharges, and hardware/software service or replacement fees. Losses from downtime must also be considered since it can take 24-48 hours for many IT consultants to

even get on-site to address an issue, and resolving these issues aren't always a same day fix.

Both scenarios hardly seem like a way to improve ROI and decrease TCO.



Reduce TCO with Virtualization and a "NEW" Managed Services Approach

Your peers are finding new technology innovations like virtualization and the cloud as a way to save money. Virtualization and cloud computing are a cost-effective means to move the contents of entire servers into one offsite virtual server or software bundle – this includes all applications, data, operating systems and patches. The need for fewer physical servers reduces hardware and energy costs, data size requirements and makes overall IT management and backup/recovery easier.

According to series of studies compiled by VMWare (a US-based cloud and virtualization software and services company), businesses that have implemented virtualization have reduced total cost of ownership in IT operations by up to 67%.

While there has been much attention called to the positives of these new innovations, SMBs owners and managers have little to no visibility to the new set of risks and the incremental costs that accompany this new technology.

This new technology, while highly productive, also has the potential to be disruptive given the increased risk for security breaches in the cloud and the learning curve of team members adapting to new technology and software applications. The life of a system administrator also becomes more complex given the demands of always-on employees/customers and the greater need to backup data and recover immediately in the event of an unplanned outage.

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The reality is many of the headaches that come with new technology aren't fully realized until months, if not years, into their implementation – and this may be too late.

Management today needs more visibility to the real risks at hand, along with new solutions and methodologies. Partnering with a managed services provider (MSP) is one new approach being used by many of your peers today. Experienced MSPs have access to newer tools that reduce costs by automating many routine in-house labor intensive processes. Break-fix is labor intensive, and labor is one of the most expensive operating costs within your IT infrastructure. These innovative tools generate real productivity increases and mitigate the risk of network failure, downtime or data loss from human error.

MSPs deliver a trusted foundation for your team and your customers – some of the services and tasks offered include:

- **Remote Desktop Management and Support**
- **Predictable Management of Critical Patches and Software Updates**
- **Fractional Resource Availability of Best-In-Class Expertise – scaled to your needs**
- **Implementing and Testing Backup and Disaster Recovery Processes**
- **Performance of Inventory and Audits of Computer/Network/Software**
- **Enforcement of Network/Security Policy**
- **Mobile Data Management and Monitoring**
- **Monitoring of Network/Operating System and Alerts**
- **Updating Anti-Virus Software and Detecting Spyware**

Examples of MSP-generated savings cited by Wipro Limited, an India-based IT consulting company:

- **Alert Monitoring** – MSP automation of this task has led to an 80% reduction of in-house monitoring that delivers visibility to risks that were previously unidentifiable.

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- **Service Tasks/Help Desk Requests or Ticketing** – MSP automation of these tasks have led to a 30% reduction of in-house support ticket- related efforts – saving countless hours of paying for employees and team members to stand idle

- **Reporting** – MSP service-level management tools and dynamic dashboards have led to complete automation of reporting and business communication efforts. Network trust increased and fear of unknown risks reduced so management can sleep at night?

Erase any misconception that MSPs are nothing more than "outsourced" tech help priced to displace your in-house IT technician or team. The new MSP has defined effective processes; methodologies and technology partnerships to offer valuable preventive services that proactively identify and eliminate threats before a bigger problem arises.

Whether an MSP assumes full responsibility for IT operations or acts as an ally to an in-house IT technician or team, the toolsets and education they provide to SMBs are invaluable. An MSP's expertise and availability is what sets them apart from the "fireman-like" break-fix provider.

By enlisting an MSP, management teams are making a technology investment in proactive risk management rather than any one individual's technical skills.

MSPs put considerable effort into understanding the operational and business needs of SMBs to develop and deliver a set of specific services that align technology with the SMBs business objectives. This is the reason you hear managed services often referred to as "partners."

In an increasingly competitive environment where technology evolves at a rapid pace, businesses must fully leverage innovation to better meet the needs of their employees and the expectations of their customers. Much of this hinges on an organization's ability to increase system reliability for their business continuity, team productivity and customer satisfaction.

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This can be achieved with the expertise of a trusted MSP. A present- day MSP offers quantifiable economic value, greater ROI and decreased TCO by streamlining costs, eliminating unnecessary lost productivity and revenue, and avoidable on-site IT consultant fees and hardware/software repairs or replacement.

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