

Managed Services

Using Managed Service Bundles to Reduce Costs and Sustain Growth in Small and Medium Sized Businesses

While the effects of the global recession still looming, business are making strides in efficiencies. This paper will argue advantages to managed service providers with robust service bundles that are both strategic and intuitive. These robust service bundles utilize shared platforms and OPEX-based cost structuring, which will reduce overall IT costs and greatly reinforce an important competitive edge.

Introduction

This paper will show how the use managed IT service bundles can help businesses to move forward in the midst of sluggish economic conditions, giving them access to cutting-edge technologies and professional management expertise – without requiring high initial CAPEX, or ongoing investments in technology upgrades.

Not only are these technologies simple to implement, they are also designed to bridge the gap between limited IT resources and budgets for them, regardless of economic conditions. Additionally, we will argue that organizations should keep an eye on the future, beyond the global turndown.

Necessity Has Another Child.... Innovation

The pressure is palpable for North Americas' mid-sized organizations. Their collective economic effect underscores their importance to the American economy, however individually they are limited much more so than the larger counterpart, the Enterprise market. These companies have to get more form budgets because they can't afford the shortfalls in service level, which is an undeniable hindrance to overall business efficiency.

With the speed of technological innovation, just trying to keep up is a feat in itself. This is not only due diligence time frames, but costs are another major factor as well. The intuitive organization can see the exponential benefits in each new innovation in business productivity and communication. They can also access the underlying value that can be added to bottom line. They key is to be able to keep a bead on the rapid pace of innovation while simultaneously analyzing what additional technologies will bring the optimal return for the budget spent, despite the opportunity costs.

Additionally, organizations are very reluctant to invest in proprietary or highly customized technologies. Rather than betting the farm, they are looking to a partnership with an outside firm that is familiar with their vertical space. This also makes them not comfortable with a multiple partner arrangement. In this arrangement too much time is spent managing each relationship, and the overall effect it has on the business is detracting from what the organization is in business for in the first place. By allowing for one partner, that partner can bundle a wide array of services into a single more customizable agreement by taking a general set of services and leveraging it across a vertical market. The result is predictable budgeting and more service per budget dollar, all focused on the main goal of IT, leveraging technology to add value.

Service Level. Budget. Pick both.

In tight economic times an organization might arbitrarily go on a cost cutting binge. This strategy will work in the short term, but will hinder growth when the economy picks up. The Enterprise market is the guiltiest of all the markets—which is one of the reasons they move so slow in adapting to new technologies and innovations. Instead analyze your operations by running two tests:

- 1. Is our approach to IT accomplishing the goal we set out for?**
- 2. Regardless of your answer to question 1, what are the opportunity costs of the capital used in this approach? Are they optimal?**

Then, take a more intuitive approach:

- 1. Access where your service level--** Is it where it needs to be? Too high? Too low?
- 2. Shop your Managed Services contract or the opportunity for one** - you can either get a higher service level for the budget dollar spent, or have the same service level for 10-30% less. In tough economic times, your company is not the only one looking for organic growth. Also, by bundling your IT needs (i.e. management and support, project implantation, telecom contract brokering, etc.) you can save more in the long run with fewer headaches.

Get the Water without the Water Tower.

In a bid to contain costs, large numbers of businesses are turning to managed IT services, allowing them to align their IT requirements with their business needs. By matching business needs with IT deliverables, large numbers of businesses are containing and reducing costs by utilizing managed IT services. What this allows them to do is to only pay for what they use. By doing so, these businesses gain an important strategic advantage... the ability to scale with ease and more flexibility. Additionally they are more able to take advantage of the best-of-breed technologies by not tying up budgets in equipment, software, maintenance contracts, and staffing complications caused by recruiting and retention. By doing so, they bear unnecessary risks, including but not limited to:

1. **End of Cycle Hardware**-- Average cost of maintenance increases at the end of the manufacturer's production cycle and even more so when it has gone out of production. Whatever savings you get by "buying in bulk" and "shelving what you don't use" will most likely be offset by higher maintenance costs.
2. **End of Cycle Software**-- See risk #1.
3. **Throttling Usage**—Just because you fully utilize a datacenter some of the times, does not mean you should pay for full capacity all the time.

Make it my IT.

Taking the discussion one step further, companies are looking for a partner that can talk to them on their own terms, and demonstrate an in-depth knowledge of their sector, rather than technical jargon. A proprietor of a small business understands that everyone has to wear several hats and is looking for turnkey, bundled service solutions that require no training, easy to use by employees, and provide immediate value.

For example, smaller organizations that have anyone on staff specifically responsible for IT, can still reap the rewards of the latest innovations in security, backup, messaging and business communications by utilizing managed services providers.

This decision will help companies leverage their in-house IT effectiveness by enabling those key employees to waste less time tackling the typical day-to-day issues such as email, virus protection, spam filtering, content filtering, reallocate their efforts on analyzing new projects that will drive real results.

For growing businesses looking to add new employees, relocate offices or add new office locations, managed service bundling can also help by eliminating the need to duplicate resources or spend money on expensive one-off upgrades.

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High levels of security and reliability can also be achieved by hosting IT services across multiple specialist datacenters rather than in localities within an office environment. Significant productivity gains of their in-house staff will be realized by eradicating idle human resource hours and introducing an optimal mix of infrastructure components and systems that facilitate better collaboration and flexible working environments.

In the clutch, managed service bundling offers companies the means to avoid raising precious capital, and the complications that come with doing so, by making use of services that charge them on a per-user or per-service basis rather than having to purchase hardware or software.

In conclusion, by tuning to a managed service provider, companies can enjoy the following benefits:

- Cost Reduction-- decreased service call fees, hardware, operations, and network transport
- Reallocation of Human Resources-- The ability to focus on core business competencies
- Teamwork-- Put IT environments and business needs on the same page.
- Clear, Dependable Budgets-- Make IT and telecoms budget more stable and predictable
- Nimble and Flexible—Ability to automate and streamline business processes with the latest technology innovations with ease.
- Stretch Your Budget-- Attain a greater level of support and network reliability without additional expenses
- Mitigate Risk--Gain access to the latest technology, by having a partner who has already seen the benefits and pitfalls, and can advise accordingly
- Stay ahead of the Curve—It's cost effective to be proactive

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