

Meeting SMB Needs with Managed Services

White Paper
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EXECUTIVE SUMMARY

Small and mid-size businesses (SMBs) are seeking ways to cut costs, increase agility, and focus their resources on core competencies. They often don't have time or the budget to support today's complex IT environments effectively. Managed IT services, where a provider assumes the responsibility for some or all of the customer's technology management tasks, are growing in popularity.

A recent Ziff Davis Enterprise survey shows that managed services deliver substantial benefits to SMB customers, including predictable and recurring cost structures, increased reliability and availability, higher levels of service, and lower costs. The results also show that SMBs currently using or considering managed services are less concerned about routine, day-to-day operations and more focused on productivity, agility, and strategic growth.

SMBs ready to embrace managed services should aim to partner with managed services providers that deliver comprehensive and powerful IT automation, which will enable them to automate routine IT management tasks and devote more resources to their fundamental business operations.

INTRODUCTION

Small and mid-size businesses (SMBs) are faced with the same competitive pressures and operational concerns as large enterprises. They must stay ahead of the pack by differentiating their offerings, but they're also always concerned about keeping costs down. Smaller companies can be flexible, agile, and responsive to customers, but only because their employees work hard and wear many hats. It's not unusual to have one busy entrepreneur engaging in sales, customer service, project management, and business development simultaneously. These busy entrepreneurs rely on technology to facilitate their communications, tasks, and business management, and the systems they use must be as versatile and reliable as they are.

SMBs can thrive when they fill a particular need or niche uniquely well, but they often sink significant resources into mundane, day-to-day operations. Large enterprises have IT and facilities departments, on-call technicians, helpdesk representatives, and a vast support system for end users. SMBs aren't as successful in fielding such a comprehensive staff. The network administrator may be in charge of troubleshooting for end-user devices and managing server security, and the company may rely on a reseller channel partner or systems integrator for technology products and pay per-incident for on-site support.

As competitive and regulatory pressure grow, and systems management increases in complexity, the haphazard and uneven nature of SMB operational support creates inefficiencies and diverts key personnel and resources from business efforts. For this reason, managed services—especially for IT functions—have been growing steadily in popularity among companies of all sizes. Offloading administrative tasks to expert managed service providers (MSPs) enables a company to focus on innovation, improved communications and workflow, and more efficient business activities. The MSP delivers a guaranteed level of performance and support for some or all day-to-day IT management tasks, and the SMB realizes significant benefits from the relationship.

Analyst firms across the IT spectrum have noted significant increases in managed service uptake and revenue growth:

- In a February 2008 report, AMI-Partners cites remote managed services as a “top trend” for this year. Over 52 percent of channel partners in the United States currently offer managed IT services, according to the report, and they will become a “must-have” offering this year as more and more SMBs recognize the benefits of a solid MSP partnership.
- In June 2007, AMI-Partners released a market demand study estimating that U.S. SMBs will spend over \$30 billion on managed IT services and voice/data convergence technologies. Furthermore, this market will grow at a compound annual growth rate of 15.6 percent through 2010.
- In a February 2007 survey report of global companies from research firm In-Stat, analyst Jeff Jernigan says, “Within two years, [managed network services] adoption rates will roughly double for security, storage, and hosting, with nearly one-third of respondents indicating these functions will be out-tasked.” In-Stat found that the need to access state-of-the-art technology is a main adoption driver for managed services, and that 84 percent of global firms that have adopted managed services are more likely to buy additional services as complexity increases in the future.

When an SMB partners with a managed service provider, it trades unpredictable, reactive, and often costly IT services for a single, predictable subscription cost. It trades frantic in-house troubleshooting for proactive, high-quality, expert support and best-of-breed management tools as well. Even more important, the MSP monitors network performance continually and can help prevent

problems and service interruptions. And if issues arise, the MSP has the dedicated expertise to address them quickly. This leads to increased availability and uptime for the customer's applications and infrastructure, and thus more efficient and reliable operations.

To gain deeper insight into the benefits realized by SMBs that have adopted managed services, Ziff Davis Enterprise conducted a survey of managers at 221 small to midsize organizations. A portion of the respondents had already adopted or are planning to adopt managed services; the remainder reported no plans.

In this paper, we'll explore the results of the survey, comparing the responses of SMBs that use managed services against those that don't, and determining what concerns both groups have and what benefits they can realize from partnering with an MSP.

SURVEY FINDINGS

Common IT management tasks

To get a clear understanding of the common IT management tasks on our respondents' to-do lists, we asked which activities they engage in routinely.

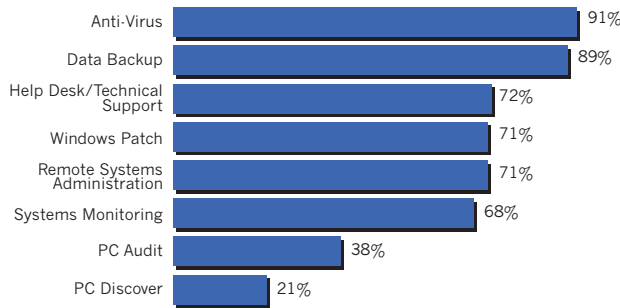


Figure 1: Common IT systems management tasks.

The vast majority of the companies perform antivirus and backup tasks, indicating the importance of security, business continuity, and data loss prevention—even among smaller organizations. Helpdesk and tech support, Windows patching, remote administration, and monitoring all scored around 70 percent, which indicates that most companies have staff dedicated to routine network management. It's worth noting that these activities can be time-consuming and labor-intensive, and most MSPs offer them as part of a comprehensive service agreement.

Audit and discovery tasks scored significantly lower, at 38 percent and 21 percent, respectively. These activities are associated more with larger companies that have distributed environments, multiple locations, and substantial fleets of deployed devices. Smaller organizations may overlook audit and discovery services, but it's likely that even when they could benefit from a clear understanding of their devices under management, they don't have the time or resources to follow up. MSPs often run an initial audit on a customer environment when setting up a service contract, but ongoing device monitoring is usually not included in the SLA.

In fact, network and device audits represent a positive side effect of managed services, because the service provider's initial rollout involves a thorough inventory of the customer's devices. This can reveal unauthorized equipment, identify outdated or un-

necessary hardware, and help streamline application licensing efforts—benefits that can help even smaller operations reduce costs and boost efficiency. We'll discuss these benefits in more detail later on.

Who's Embracing Managed Services?

Of the 221 businesses surveyed, approximately one-third are using or planning to use managed services.

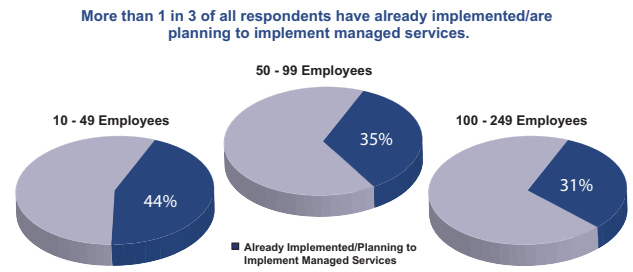


Figure 2: Breakdown of managed service adoption based on company size.

It's interesting to note that the number hovers around one-third among companies with 50-249 employees, and grows to 44 percent for the smallest bracket in the survey: businesses with 10-49 employees. It stands to reason that these are the companies most concerned about maximizing the productivity and efficiency of each worker, and that they have the least amount of resources to spare for routine maintenance.

Positive Results for MSP Customers

We now move to results that illustrate clearly the differences between companies that have already adopted managed services versus those that have not. We asked the respondents to rate their level of concern about 2008: Do they think their computers and systems will be up to the challenge of meeting business requirements this year?



Figure 3: Partnering with a managed services provider allays concerns.

Among companies that are considering managed services, nearly 80 percent said they were very or somewhat concerned. Among companies that already adopted managed services, that number falls to 53 percent. In other words, once an SMB partners with a managed services provider, it's less worried about system capabilities and business readiness. The MSP shoulders day-to-day management tasks and ensures that the customer's infrastructure is running smoothly and efficiently, thus alleviating fears about IT overload. In fact, the survey found SMBs that use managed services are twice as likely to report that the overall

quality of their systems environment exceeds expectations. We'll discuss that more later.

Conversely, SMBs that are not working with managed services providers are legitimately concerned about their equipment and its ability to sustain the business. With limited staff and budget resources, the continuous and smooth operation of an SMB network is partly a matter of skill and partly a matter of luck. Malware attacks, application incompatibilities, human error, and end-user device malfunctions can strike at any time, and they can bring a small company's operations to a screeching halt if they're not detected, contained, and remediated quickly.

How Do Concerns Differ?

Delving even deeper into the differences between companies that have or are considering MSP agreements and those that are not, we see several interesting gaps in the answers to more detailed questions about IT performance issues and how critical they are to the company's goals.

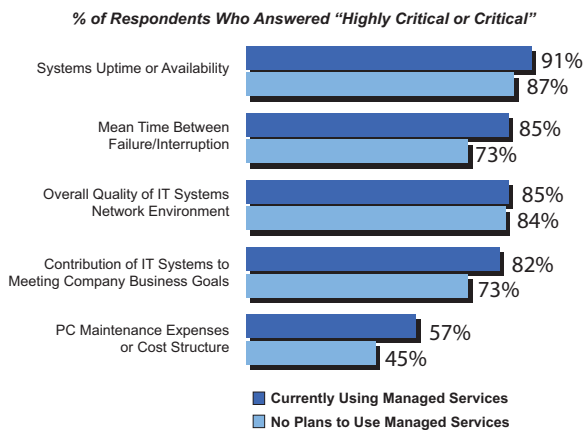


Figure 4: How critical are these performance aspects?

For example, while both sets of respondents agree that systems availability and overall quality are critical for smooth operations, there is a significant gap when considering the frequency of failures and service interruptions. Companies that partner with MSPs have realized that fewer failures and greater uptime lead directly to increased customer confidence and more business, whereas companies that are managing their IT systems in-house are less likely to view service interruptions as critical factors.

It's also interesting to note the almost ten-point gap in "Contribution of IT systems to meeting company business goals." This addresses an increasingly important trend among companies—business/IT alignment. Across the corporate world, it's becoming clear that successful and forward-thinking organizations are moving from the IT-as-maintenance-silo mentality and mapping specific IT services and performance requirements to the business units and activities they support. When companies realize that faster networks contribute directly to faster customer responses and more nimble deal executions, for example, they're more likely to invest in their IT infrastructures.

The gap in response shows SMBs that are adopting managed services to be more in tune with this growing trend.

Another important result here is the relative level of importance ascribed to costs. This leads to two conclusions: First, across the board, SMBs are less interested in saving money than they are in making sure that the business is running smoothly and that IT costs are fixed. Companies will spend more to ensure uptime—either through in-house IT expertise or outsourcing. Bargain-basement equipment and service providers—which seek to compete almost entirely based on cost—will not fare well among growth-oriented SMBs.

Second, SMBs already using managed services are more likely to consider costs a critical factor to their operations. Why? Because they've discovered the benefits of predictable, recurring costs over the haphazard spikes that come from incident-based IT spending. Monthly or annual service provider fees can be calculated and incorporated into budgets, forecasts, and analyses easily, amortized over time, and measured against performance metrics. Thus, SMBs that work with MSPs have a better understanding of their IT maintenance costs and how they relate to their other operational expenses and revenue streams.

What's On Your Mind?

In addition to gauging the criticalness level of various IT issues, we attempted to determine what factors are discussed, and how often, among the respondent groups. This helps provide a picture of what's "top of mind" among SMB managers today. Again, some interesting gaps appeared.

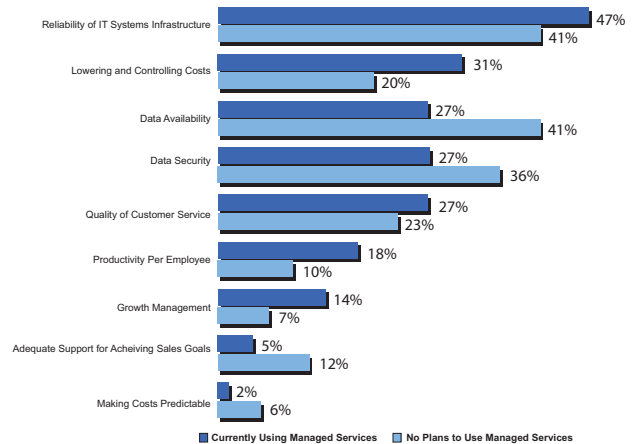


Figure 5: IT issues most frequently discussed.

The first notable split is with "Lowering and controlling costs." Companies using managed services are more likely to discuss cost-control measures, mainly because they can. They're not as concerned with day-to-day maintenance. Their IT expenditures are predictable and under control, and they have a better picture, as we explained, of their overall financial well-being. Only 20 percent of companies not using managed services are thinking about cost control regularly.

The "because they can" factor comes into play when we look at the gaps in productivity and growth management, as well. SMBs that use managed services can focus on 'big-picture' business issues like employee productivity—because they have a solid picture of their IT and computing activities—and growth, because they have a dependable

provider that can help them manage and scale their infrastructure.

Another set of gaps appears with the results for availability and security. SMBs that don't use managed services are significantly more likely to be discussing these mission-critical issues, while organizations that do use managed services can rest assured that their MSP agreement guarantees service levels, network protection, and uptime.

Benefits of Managed Services

The increased sense of security and confidence, coupled with an increased focus on long-term growth and operational efficiency, sets SMBs that use managed services apart from their peers. But managed services bring many more benefits to the table, as well.

Companies that are using or plan to use managed services are more likely to agree that managed services:

- Provide a more predictable cost structure
- Are more reliable
- Provide higher levels of service
- Are less expensive
- In general
- And especially when compared to in-house IT management.

These companies are also more likely to agree that managed services are difficult to acquire from traditional service providers, which would indicate that VARs and systems integrators should move quickly to offer managed services as part of their customer service packages.

Another survey result that helps showcase the benefits of managed services came from the question, "How well did the systems environment at your company meet or exceed expectations?"

Once again, companies that use managed services are significantly more likely to report that their system availability and low interruption rates exceed expectations, and they are twice as likely to report that the overall quality of their systems environment exceeds expectations.

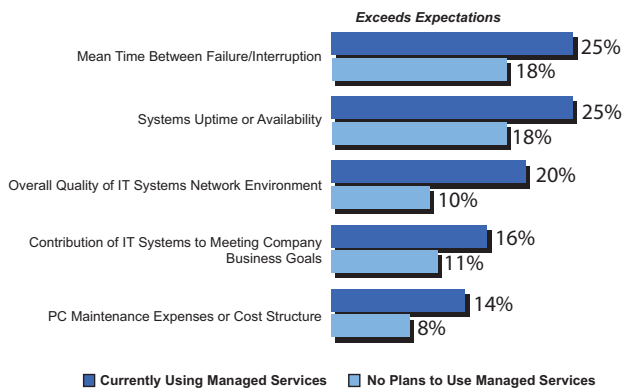


Figure 6: Exceeding expectations.

The overall message coming from these results is clear: Keeping systems running and avoiding downtime are the most critical issues facing SMB managers today, and those who partner with MSPs have a far higher success rate at both.

MANAGED IT AUTOMATION IS THE RIGHT CHOICE FOR SMBs

When your SMB is ready to embrace managed services, you should look for a provider that delivers a wide selection of services. MSPs that work with Kaseya are the best choice for powerful IT management and automation solutions.

Kaseya delivers a comprehensive management suite that helps MSPs and IT managers run entire networks smoothly from one central location. Kaseya's powerful, Web-based IT Automation Framework includes:

- Remote desktop management and support
- Patch management
- User State Management
- Power Management
- Network monitoring and alerts
- Windows event monitoring and alerts
- Software deployment and updates
- Helpdesk
- Network policy enforcement
- Backup and disaster recovery
- Anti-virus and spyware detection
- Computer inventory / audit
- Integrated reports
- Fast and easy deployment
- Cross Platform Support (PC and Mac)

In addition, using Kaseya tools to automate routine IT tasks helps companies reduce their energy consumption—which conforms with 'green computing' initiatives and adds money to the bottom line. Kaseya User State Management (KUSM) enables IT professionals to implement out of band power management centrally—limiting the electricity flowing to non-essential or idle computing resources, for example—without compromising system management. By automating IT processes and delivering comprehensive remote support capabilities, Kaseya lets companies reduce their carbon footprints by avoiding unnecessary travel, as well.

To learn more about Kaseya's complete IT Automation Framework and start realizing the benefits of a solid MSP partnership, visit www.kaseya.com.

A note on methodology

The aim of this survey was to poll SMBs that are using managed services, that are considering managed services, and that are not using or considering them at this time. We surveyed companies with 10-249 employees. One-third of the respondents are using or planning to use managed services; the rest are not. One of the goals set forth was to identify differences in operational efficiency and outlook among the two groups, and to pinpoint their concerns and expectations.