



Exceed Together

# Using managed services to reduce costs and sustain growth in mid-sized organisations

With businesses still reeling from the effects of the global recession, this paper will argue that the advantages to be gained by turning to providers of robust managed services – utilising shared platforms and Opex-based cost structures – can help reduce costs and provide an important competitive edge.

## Introduction

This paper will show how the use of managed IT services can help businesses to evolve in the midst of difficult economic conditions, giving them access to cutting-edge technologies and management expertise – without requiring high initial Capex, or ongoing investments in technology upgrades.

Not only are these technologies easy to deploy, they are also designed to meet the constraints of limited IT resources and budgets in the face of the current downturn. However, we will also argue that organisations should keep an eye on the future, beyond the global turndown.

“While economic and business conditions are the major concern in most regions, owners of these companies must also be looking ahead to when the global economy rebounds,” says John Roberts, research manager for global SMB research at IDC. (1)

“Greater use of cutting-edge technologies and employing new methods to reach customers and increase sales will be key to taking advantage of an improving business climate.”

## Challenges faced by mid-sized organisations

The heat is on for Europe’s mid-sized organisations. Their collective ►

Industry analyst IDC predicts that the worldwide economic recession will have a dramatic impact on the IT spending growth of mid-sized organisations.

Compared with 2008 levels, the growth in 2009 will be just over half, 3.2 percent, according to IDC. That noted, there will be a number of new technology areas that will generate strong interest among mid-sized businesses.

“Small and mid-sized businesses (SMBs) around the world will be increasingly interested in the productivity gains made possible by advanced technology, although the economy will keep them focused on immediate bottom-line impact,” said Raymond Boggs, vice president of SMB research at IDC.

“New mobile communications solutions, videoconferencing, and online resources will be especially attractive, as will alternative approaches to technology acquisition and deployment. SMBs should be more open to new ideas in 2009 than ever before.” (3)



**Greater use of cutting-edge technologies and employing new methods to reach customers and increase sales will be key to taking advantage of an improving business climate**



importance to the European economy is huge, employing 88 million people and accounting for two-thirds of total private-sector employment. And the role they play is growing in importance, according to industry experts:

“As big companies send jobs overseas in an effort to reduce costs, smaller firms are becoming increasingly important as domestic employers,” says the Economist in a recent article. (2)

But in contrast to their larger rivals, they have fewer assets and smaller cushions of retained earnings. The same Economist report notes: “[Mid-sized firms] often depend on a small number of customers, and they are unable to spread business risk by operating across several product lines and geographies. Along with falling demand, they face an unprecedented shortage of bank credit.”

In short, companies have to look to get more from their IT budgets – more now than ever before.

They also face the challenge of keeping up to speed with the latest technologies, which is in itself a time-consuming and expensive activity. All smart-thinking organisations know that every new development in business and communications technology creates the potential for their business to work more efficiently. But it’s hard to keep up with the rapid pace of innovation, let alone analyse what new technologies can be applied to the business with maximum return.

What’s more, limited budgets mean organisations are reluctant to invest in technologies that require considerable effort to customise, install and operate. Instead, they are looking for a supplier that can work alongside them to support the unique business processes that are specific to their industry, from finance and media to law and retail.

They are also wary of dealing with multiple suppliers and don’t want to deal with the complications that often arise when they buy different services from different sources.

Crucially they also require low up-front and predictable ongoing costs, in addition to straightforward comprehensive support from their supplier.



**In a bid to contain costs, smart-thinking mid-sized businesses are turning to managed IT services, allowing them to align their IT requirements with their business needs**



### Taking the wrong turn

An obvious way for mid-sized organisations to respond to the current economic climate is to take an axe to costs. But while such an approach may work in the short term, what happens in the long term when the economy picks up?

According to industry experts, mid-sized organisations are actually less likely to make this kind of mistake than their larger counterparts.

Although smaller organisations are always more vulnerable to downturns than big firms, argues Ludo Van der

Heyden, a professor at INSEAD, the French business school, they are also much better at managing through them.

To start with, they are usually more efficient and flexible. They “tend not to make the kind of stupid responses that big companies make, such as cutting costs deeply and indiscriminately, so they recover faster”, he says. Smaller firms, he argues, are much closer to their customers and there is often more trust between managers and workers, meaning greater labour flexibility. (4)

In fact some mid-sized organisations are actually predicted to benefit from an economic downturn, including those offering investment advice and tax preparation services, health practitioners, and food and consumer staples companies. (5)

### Getting IT right

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. In so doing organisations pay for actual IT use as opposed to maximum IT use.

Managed services potentially offer smaller organisations access to affordable best-of-breed technologies, which can be deployed quickly and cost-effectively, and can solve staff recruitment and retention issues. ▶



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In particular, companies are looking for a supplier that can talk to them on their own terms, and demonstrate an in-depth knowledge of their sector, rather than technical verbiage. A recent IDC report found that when searching for new solutions to run their businesses, smaller organisations especially “will tend to seek those that have the non-technical user in mind, require no training, and provide immediate value.” (6)

For example, smaller organisations that don't employ dedicated IT staff, can still take advantage of the

latest developments in security, backup, messaging and business communications by turning to managed services providers.

Such a move can help companies boost their in-house IT effectiveness by enabling key employees to spend less time tackling day-to-day IT issues such as email, viruses and spam and instead focus their skills on projects that will deliver real results.

For organisations looking to grow their business and add new employees, relocate offices or add new office locations, managed services can also help by eliminating the need to duplicate resources or spend money on expensive one-off upgrades.

High levels of security and reliability can also be achieved by hosting IT services across multiple specialist data centres rather than locally within an office environment.

Companies can boost the productivity of their in-house staff by eliminating downtime and introducing infrastructure and systems that enable better collaboration and flexible working.

Crucially managed services potentially offer organisations a means of avoiding the need to raise precious capital 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 summary, organisations are increasingly turning to suppliers of managed services because they potentially offer the following benefits:

- Reduction in costs, including service call fees, hardware, operations, and network transport
- The ability to focus on core business competencies
- Align IT with business needs
- Make IT and telecoms budget more stable and predictable
- Ensure immediate adoption of new technology-enabled business processes
- Increase levels of support and network availability, without the requirement of additional staff
- Provide access to the latest technology, with limited risk
- Make it easier to adapt to changing business conditions ▶



**Mid-sized organisations are turning to vendors that can provide a network of expert partners offering local, industry-specific guidance on their IT, whatever their line of business**



A classic example of how managed services can help organisations contain costs and work smarter is in the field of voice and data convergence. Internet, email and voice are integral to the way we all do business, but companies don't want to waste valuable time managing them all.

By turning to a managed services provider, companies can save both time and money through an intelligent combination of telephony, business-grade internet access and email services. Because the service is designed to work with existing voice and internet equipment, there's no need for investment in additional hardware.

Organisations can also benefit from savings in valuable administrative time. With a single bill detailing all internet and voice usage, companies no longer have to gather a complex set of figures which further enhances the efficiency of in-house employees. Additional costs can be saved through features such as free calls between offices.

Offloading internet, email and voice to a managed services provider also potentially allows organisations to increase or decrease capacity as business needs change – all without the need for additional capital investment.



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**Choosing the right provider of managed services can help businesses ascertain secure and scalable IT services platforms**

- Provide access to an enhanced technical skills base
- Improve the ability to meet compliance and audit requirements
- Monitor and manage IT services 24 hours a day, 7 days a week, 365 days a year
- The ability to build in security and control



**Conclusion**

In the midst of the economic downturn, mid-sized organisations are looking for enterprise-calibre managed services to help them contain costs and achieve a competitive edge.

More than ever, they need to be more effective in their operations. They not only compete with companies of their size but also with larger organisations that have greater resources.

However, they are less likely to take an aggressive approach to costs than their larger rivals. Many are taking action now to ensure their business is ready when the upturn comes.

Mid-sized organisations are turning to vendors that can provide a network of expert partners offering local, industry-specific guidance on their IT, whatever their field of business.

Choosing the right provider of managed services can help businesses ascertain secure and scalable IT services platforms. A provider of managed services will take responsibility and accountability for the availability, performance, and reliability of a business's IT processes and computing capabilities, helping the business to manage risk and focus on its core business.

Managed services potentially offer mid-sized organisations a means of avoiding the need to raise precious capital by making use of services that charge them on a per-user or per-service basis rather than having to purchase hardware or software. ■

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**Can your managed services provider offer the following?**

- Fully owned and integrated data centre and network infrastructure
- Extensive geographic coverage in Europe
- Industry leading customer service
- Full portfolio of managed services integrated with data centres and network infrastructure
- Standardised offerings on dedicated and shared platforms
- Security – ISO/IEC 27001 certified
- Integrated service level agreements across network and IT infrastructure
- IT services that are not tied to specific hardware
- Rapidly deployable and scalable services
- Industry leading consultancy and advice
- Predictable costs

- (1) Taking the Temperature of SMBs Worldwide: Regional Attitudes and Technology Interests, Midyear 2008 Aug 2008
- (2) Small businesses in Europe: humble but nimble The Economist 21st May 2009
- (3) Worldwide SMB 2009 Top 10 Predictions: Challenging Economy Will Sharpen Technology Focus on Near-Term Productivity Gains (IDC January 2009)
- (4) Small businesses in Europe: humble but nimble The Economist 21st May 2009
- (5) Predictions of growth source: Growing Pains: Managing a Sudden Boom in Your Midsize Business Profit Online, November 2008 [http://www.oracle.com/profit/features/111008\\_growthcrisis.html?msgid=7115333](http://www.oracle.com/profit/features/111008_growthcrisis.html?msgid=7115333)
- (6) Worldwide Small and Medium-Sized Business Enterprise Applications 2008–2012 Forecast (IDC June 2008)