

SOLVING THE SMB IT INFRASTRUCTURE MANAGEMENT DILEMMA

Increasing IT Requirements and Complexity Drive the Need for
Managed IT Services

Sanjeev Aggarwal, Partner
Laurie McCabe, Partner



**HURWITZ
& ASSOCIATES**
Insight to Action

Sponsored by Dell



CONTENTS

Introduction 3

Section 1: The SMB IT Dilemma..... 3

Section 2: The Managed Services Value Proposition 4

Figure 1: Managed Services Provide Remote and On-site IT Management Services 5

Section 3: Evaluating Managed Services 6

Figure 2: Assessing Your Need for Managed Services..... 6

Section 4: Choosing a Managed Services Provider 7

Figure 3: Guidelines for Evaluating Managed Service Providers and Offerings 8

Figure 4: Dell Managed Services—How it Works..... 9

Section 5: Getting Results 9

Figure 5: Mapping Dell Managed Services to SMB IT Infrastructure Management Requirements 10

Summary and Hurwitz Perspective 10

This is the first of two reports that highlight key findings from research with small and medium business (SMB) customers using Dell Managed Services; conducted by Hurwitz & Associates and sponsored by Dell. This first report draws from in-depth qualitative customer discussions and examines their business and technology challenges, why they selected managed services, and how their business and IT benefits as a result. The second report, based on results of quantitative research, compares and quantifies their cost, time and resource benefits. In tandem, the two reports provide small and medium business decision makers a better understanding of the benefits of managed services and how those benefits may be realized within their own organizations.



Introduction

Just like larger companies, small and medium businesses (SMBs) and organizations depend on information technology (IT) to help them succeed in an ever-changing world. Whether you're running a small legal firm or a midsize construction company, you know that business performance is increasingly tied to your ability to keep IT systems operating at peak efficiency.

But for organizations with limited or no full-time IT personnel, IT management and maintenance can be a difficult job to do right. Routine system monitoring and maintenance can eat up time and resources that could be better used to help run the business more efficiently and make it more competitive. And when something does go wrong, it can be a nightmare—employees can't get their jobs done, customers can't get service, orders can't be processed and supplies can't be ordered.

Managed services let you off load routine, yet vital IT infrastructure monitoring and management functions so you can concentrate on the business. Managed service providers can function as an extension of your business, providing proactive services that help prevent problems before they happen, and fix them quickly and effectively when they do happen—minimizing the impact on business operations.

In this paper, we examine the dilemma that businesses and organizations face as reliance on IT grows, but staffing, budgets and resources can't keep pace.

We discuss why a growing number of companies are turning to managed services providers to help them monitor, manage and maintain their IT environments. Throughout the paper, we discuss the experiences of four specific customers, why they've chosen managed services, and how Dell Managed Services has provided them with a better IT environment that helps them run their businesses more efficiently.

"Probably 25% to 35% of my time was spent managing the server rack, and keeping up with maintenance on it. I also spent too much time putting fires out."
— Tom Peters, IT Manager, Salesian Missions

Section 1: The SMB IT Dilemma

Most organizations understand the value of IT, and know that the right IT solutions are critical to streamline operations and processes, improve communication and collaboration, and better serve customers and employees. Especially in tough economic times, SMBs need technology to help compete more effectively against the big guys. Consequently, it's not surprising that most analyst firms forecast that SMB adoption of new IT solutions and services is growing at a faster rate than in large enterprises.

Many SMBs are challenged by the growing complexity of their IT environment. Even a very small business may need to manage several desktops and notebooks, handheld devices, servers, a network and applications the business depends on. However, many small businesses don't have any dedicated IT staff. The same person that takes care of IT also has other responsibilities, and may often need to put these functions ahead of IT on the priority list.

Some small businesses and most midsize businesses have full-time IT staff. In most cases, the IT personnel are generalists. As the business grows in size, you have more employees, devices, servers and software solutions to look after. You're also likely to have multiple locations, and have to support users and systems in these locations—adding to management complexity and hassles. The number of people that work remotely—from telecommuters working at home, to sales and service people working on the road—is growing in businesses of all sizes.

For many SMBs, keeping up with everything that needs to be done—backups, software patches, security—can become problematic. To keep things running smoothly, you need to spend the majority of your time taking care of



**HURWITZ
& ASSOCIATES**
Insight to Action

routine IT monitoring and maintenance, leaving little time for more strategic IT projects to support business initiatives. If you fall behind in these, odds are you'll face an IT outage or another problem down the road.

Tom Peters, IT Manager, Salesian Missions, a non-profit organization, faced this dilemma. Before deploying managed services, Tom said, "I would say that probably 25% to 35% of my time was spent managing the server rack, and keeping up with maintenance on the server rack. I also spent too much time putting fires out. Now, I have the time to look at our spam filter solution, our internet providers, phone system providers, and implement a voice over IP (VoIP) solution—and just a whole range of other things that we can start improving on right now."

"When a server goes down, or there is an issue with the server, it shuts us down... If we lose a day, productivity is shot."

— Aron Fogiel, General Partner and President, HB Meats and Hoffbrau Steaks

When things go wrong, it can be a nightmare. The business and almost everyone in it relies on IT systems to function properly. When a server goes down unexpectedly or a network is unavailable for even a short period of time, it can result in a substantial revenue loss to a business. While it can be hard to quantify, think about the potential loss of productivity, sales and customer satisfaction that can result from having your email system, customer relationship management (CRM) system, financial application or Web site unavailable. The level of risk and the potential business damage increases exponentially the longer these systems are unavailable.

At HB Meats and Hoffbrau Steaks, "If a server goes down, it ruins our day," states Aron Fogiel, general partner and president. The company operates a meat company and five restaurants in the Dallas, Texas area. "When a server goes down, or there is an issue with the server, it shuts us down. It shuts down the company—we can't scan products in the cutting room in and out of inventory. From the standpoint of accounting for both the meat and restaurant groups, we need to input information every day. If we lose a day, productivity is shot. It's important that we keep the hardware and software operating, identify and prevent problems before they cause serious issues, and fix them in a timely fashion."

As requirements for more sophisticated applications and infrastructure grow, SMBs also need to support a more complex mix of different operating systems, servers and desktops. More SMBs are also adopting more advanced technologies such as virtualization to help reduce IT costs. Companies with small or non-existent IT staff struggle to keep up with the management of these increasingly complex systems, leaving the door open to outages, security threats, data loss and the negative impact that these issues can have on the business.

"We wanted an IT services provider that could take on some of the low-level administration duties," says Jones. "But we needed to work with a vendor that could integrate with our staff."

— Charles Strawn, Manager of Information Systems, GetLegal.com.

This is the dilemma that GetLegal.com faced. Managing the IT infrastructure began overwhelming the company's two-man IT team, leaving them little time to concentrate on supporting the company's growth strategy.

"With all the different operating systems, applications, and hardware, it was very difficult to troubleshoot problems," said Charles Strawn, manager of information systems, at GetLegal.com. "We weren't able to monitor the network at a granular level. It was hard to diagnose what was wrong."

Section 2: The Managed Services Value Proposition

A growing number of SMBs are turning to managed service providers (MSPs) instead of using internal resources. MSPs can provide proactive monitoring, management and maintenance services to help you gain a better return on your technology investments, and free up resources to focus on more strategic priorities.



**HURWITZ
& ASSOCIATES**
Insight to Action

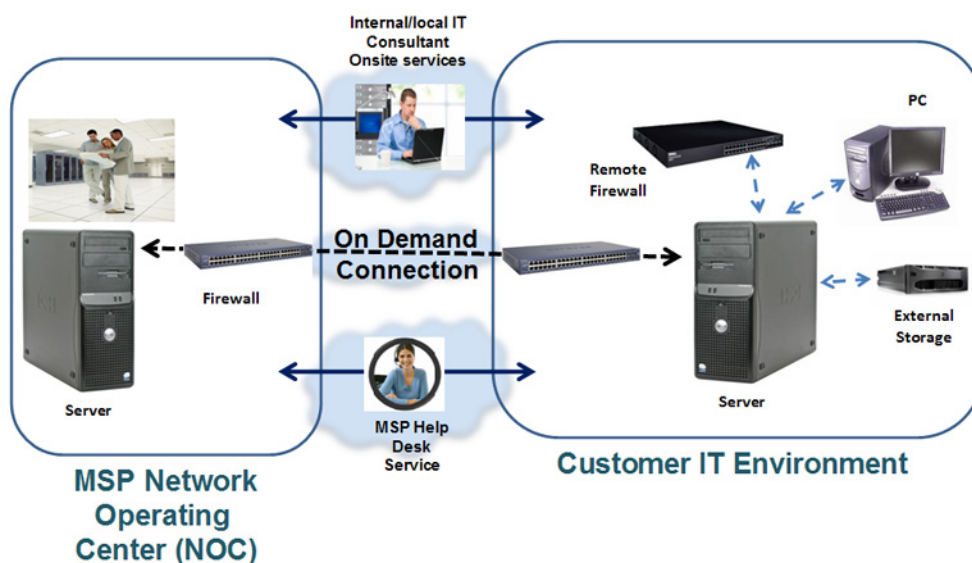
Managed services let you offload specific IT operations to a service provider. MSPs assume ongoing responsibility for monitoring, managing and/or problem resolution for selected IT systems and functions. MSPs usually offer a menu of services such as alerts, security and patch management and backup and recovery for client devices, servers, storage systems, networks and applications.

Managed services supply these services to you remotely from a centralized network operating center (NOC) over the Internet, as shown in **Figure 1**. They often perform an initial assessment of your current IT environment and management requirements to help you decide what services and service levels you need. Some also provide customer support on-site when required.

"The techs are monitoring, seeing things, and picking up things, and initiating things...we're catching things ahead of time."

— Aron Fogiel, General Partner and President, HB Meats and Hoffbrau Steaks

Figure 1: Managed Services Provide Remote and On-site IT Management Services



Unlike traditional outsourcing situations, where you surrender complete control of your IT assets, in a managed services arrangement, you decide what you want the service provider to take care of, and what you want to handle. You retain full visibility into the process and management of your systems.

MSPs usually price their services on a subscription basis. Depending on the services they provide, pricing is based on the number of devices, offering different packages at different levels. Basic services often start with a monitoring service, which notifies you of problems, which you resolve on your own. At the upper end of the spectrum, service providers offer fully managed services that cover everything from alerts through problem resolution.

Because managed service providers perform similar services for many customers, they offer economies of scale and skill that most SMBs could not achieve on their own. A trusted managed services provider can act as an extension of your IT department, giving you access to experienced, specialized IT resources to improve service levels and minimize downtime, helping you to:

- Concentrate on running the business, with fewer business interruptions due to IT issues.
- Focus your IT staff on higher value projects that will yield benefits to your business.
- Reduce business risks by avoiding many technology problems in the first place.



**HURWITZ
& ASSOCIATES**
Insight to Action

- Resolve problems quickly when they do happen.
- Manage IT systems more cost-effectively and predictably.
- Gain more responsive and proactive service.

As you think about these questions, you'll probably realize that the costs of IT infrastructure downtime are more significant than you'd initially estimated.

Section 3: Evaluating Managed Services

The overall case for managed services seems intuitive. But how do you determine if it's a good fit for your company? And where should you start? You can begin your assessment by taking inventory in some key areas, as shown on **Figure 2**.

Figure 2: Assessing Your Need for Managed Services

Considerations	Questions to Ask
Scope of IT infrastructure and business dependency	<ul style="list-style-type: none"> • How many servers, PCs, mobile devices, etc. do you manage today? • How many internal and external IT resources are required to support your IT infrastructure? • How many users rely on the IT infrastructure and the applications that run on it? • How many hours do they use it in an average day?
Time requirements for routine IT infrastructure management	<ul style="list-style-type: none"> • How much time do you and/or your staff spent managing networks, servers and other hardware? • How much time do you spend backing up systems?
Time requirements for IT infrastructure problem resolution	<ul style="list-style-type: none"> • How much time do you spend triaging a problem before you can fix it? • How long does it take to get problems resolved? • When problems occur, how long does it take to failover?
IT infrastructure management capabilities assessment	<ul style="list-style-type: none"> • How well are you able to keep pace with updates, patches and other functions necessary to keep your systems running smoothly and securely? • How often does fixing one problem lead to another issue? • Are some systems not getting backed up frequently enough? • Are you able to spot and fix problems before they happen? • If something goes wrong at 2 a.m., is someone ready to fix it?
Business impact	<ul style="list-style-type: none"> • How many man-hours and dollars do you spend today in this area? • How satisfied you are with the level and quality of support that you have today, relative to the cost of that support? • How much downtime do you experience annually, and how does it affect your business? • Have you identified gaps, pain points and inefficiencies that potentially jeopardize the business? • How much productivity (lost hours) result from downtime, and how much does this cost the business?

If your answers to these questions are similar to the customers we spoke with for this paper, it's likely you've already identified some critical areas that need improvement. While it can be difficult to determine the exact downtime for any given situation, you can approximate length of downtime and the probable business risk and damage with the following calculations:



- The number of users that rely on the application, and the approximate number of hours that they use it in an average day.
- The hourly cost per hour for that group of users.
- The total lost hours of productivity and the direct costs for each downtime period.

For Siter-Neubauer, a network affiliate of Management Recruiters, the calculation is straightforward. The company must provide its placement consultants with fast, reliable access to its candidate tracking database, which “manages just about every single thing we do,” according to Don Neubauer, CFO & managing partner. “The speed with how everything happens is critical—every minute is critical to our business—I’ve got 15 employees, so for every minute I’m down, that’s really 15 minutes. If I’m down for an hour times 15, that’s a day and a half I have lost that I will not recoup.”

“If I’m down for an hour times 15, that’s a day and a half I have lost that I will not recoup.” – Don Neubauer, CFO & Managing Partner, Siter-Neubauer

Depending on the function, you’ll want to factor in other variables as well. For instance, if the server that runs your electronic store goes down, customers can’t shop or purchase on your Web site. You will not only lose sales opportunities at that point in time, but potentially create dissatisfied customers that won’t return to your site. As you think about these scenarios, you’ll probably realize that the true costs of IT infrastructure downtime are more significant than you had initially estimated.

Section 4: Choosing a Managed Services Provider

As market demand for managed services grows, many vendors are getting into the game, creating an abundance of choices for SMBs. But not all managed services offerings and providers are created equal. Some don’t really cater to the needs of SMBs. Others may not have the infrastructure to provide the round the clock monitoring, management and maintenance services that your business needs 365 days a year. They may lack experienced IT staff that can quickly identify and fix the problem, or be unable to offer on-site service when you need it. Some may not be able to provide a consistent account support team, or be as responsive as you need when a problem arises. There may be hidden costs that you find out about only when you’re under duress.

*“I spent hundreds of dollars fixing things that it had to go back two or three times for. So I lost more time and productivity on top of the money I spent.”
— Aron Fogiel, General Partner and President, HB Meats and Hoffbrau Steaks*

SMBs can turn to VARs for help. Depending on the needs of your business, you’ll want to verify they can provide proactive, 24/7 services and expertise across a variety of different applications and devices, and consistent support for customers with multiple locations.

HB Meats, for example, has always relied on external providers for IT infrastructure management. But in some cases, according to Aron Fogiel, providers were “outrageously expensive but they weren’t getting the job done.” The company not only spent hundreds of dollars fixing things, “but lost more time and productivity on top of the money I spent.”

Some of the companies that Salesian Missions considered had a lot of experience, but lacked a 24/7 NOC. If Salesian encountered a problem, “Someone would get an email on their Blackberry, but there was no one actually sitting in a monitoring center watching the networks for alerts,” stated Tom Peters, IT Manager. “True 24/7 service means having technicians watching the screens and checking things out around the clock.”

*“True 24/7 service means having technicians watching the screens and checking things out around the clock.”
— Tom Peters, IT Manager, Salesian Missions*



**HURWITZ
& ASSOCIATES**
Insight to Action

SMBs deserve a managed services solution designed for their specific needs—one that is experienced, proactive, predictable, cost-effective, flexible, and responsive. Some of the key criteria and questions potential managed service providers need to address are indicated in **Figure 3**.

Figure 3: Guidelines for Evaluating Managed Service Providers and Offerings

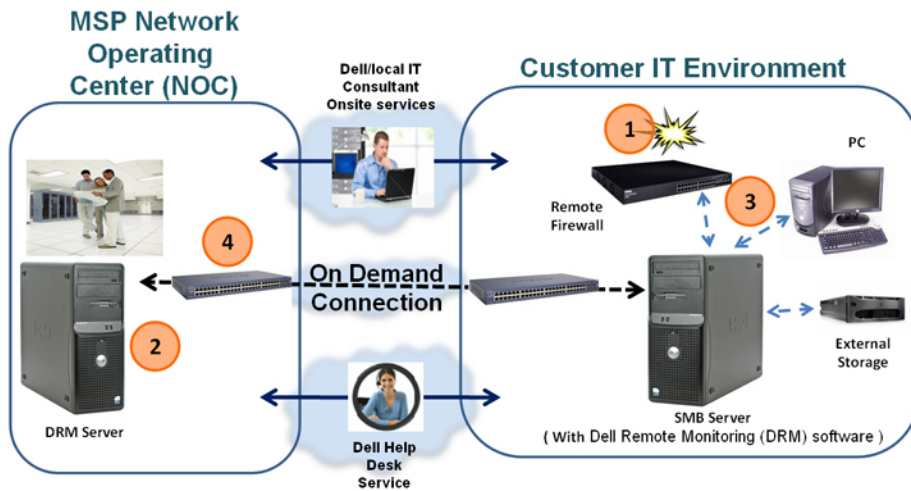
Key Criteria	Questions for Vendors
Initial assessment and implementation	<ul style="list-style-type: none"> • What is the process to assess and correct the existing environment? • Does the vendor have tools and methodology to streamline this? • What is done remotely, and what (if anything) is done on-site? • How long will it take?
Experience with hardware and software environment	<ul style="list-style-type: none"> • What type of expertise and depth of experience does the vendor have to identify and resolve problems on the critical systems in my environment? • Does the vendor have experience managing heterogeneous systems environments? • Do they have any experience with business applications?
Flexibility and scalability	<ul style="list-style-type: none"> • Can you buy just the services you want, and add additional ones as needed? • Does the vendor have the personnel and infrastructure to easily absorb increased service requirements?
Pricing	<ul style="list-style-type: none"> • What does the pricing cover? What doesn't it cover? • Are there different types of subscription plans (for example monthly/annual contracts, premium services)? • Do I need to plan for cost overruns if the vendor needs to spend additional time to identify and/or fix a problem?
Reporting and visibility	<ul style="list-style-type: none"> • What kind of visibility do I have into the services provided? • What types of reports does the vendor provide? How often? • Can the vendor customize the information or frequency of these reports for my needs?
Account resources and responsiveness	<ul style="list-style-type: none"> • Can the vendor provide me with a consistent team, or is service disjointed? • Does the vendor have the personnel and infrastructure to respond to my concerns and keep me informed? • Does the vendor provide 24/7 service, 365 days/year? • What service and response levels does the vendor guarantee?

With the needs of SMBs in mind, Dell developed Managed Services for SMBs from the ground up. The service combines the advantages of remote management services with a scalable network operating center and an experienced team of support professionals around the globe (**Figure 4**). Offered via a subscription-based, proactive 24/7 services model, Dell Managed Services can lift IT monitoring, maintenance and management burdens off SMBs' shoulders so they can focus on running their businesses.

For SMBs who work with a partner, Dell maintains a network of certified Dell partners to enable them to deliver the same services you can purchase directly from Dell. The advantages are that you can work with a partner who is familiar with you and your business, and the partner can deliver Dell Managed Services without the time, costs and expertise required to build out their own infrastructure.



Figure 4: Dell Managed Services—How it Works



Sequence of events when an issue occurs at the SMB site:

1. Event at customer site generates alert at Network Operating Center (NOC) requiring action on a device.
2. NOC agent initiates a tunnel using Dell Remote Monitoring (DRM) server.
3. DRM creates a session to customer device (e.g. PC, Router, etc).
4. 2-Way virtual connection is now available to perform remediation even without direct network connectivity, DRM communicates using HTTPS, so there is no need to create any in-bound holes in corporate firewalls.

The service integrates Dell's data center expertise with an industrial-strength managed services platform, a software-as-a-service (SaaS) desktop management solution, and other Web-based technologies. It offers SMBs a choice of service levels, including alerts, monitoring and management services for a wide range of client, network, servers and applications.

Section 5: Getting Results

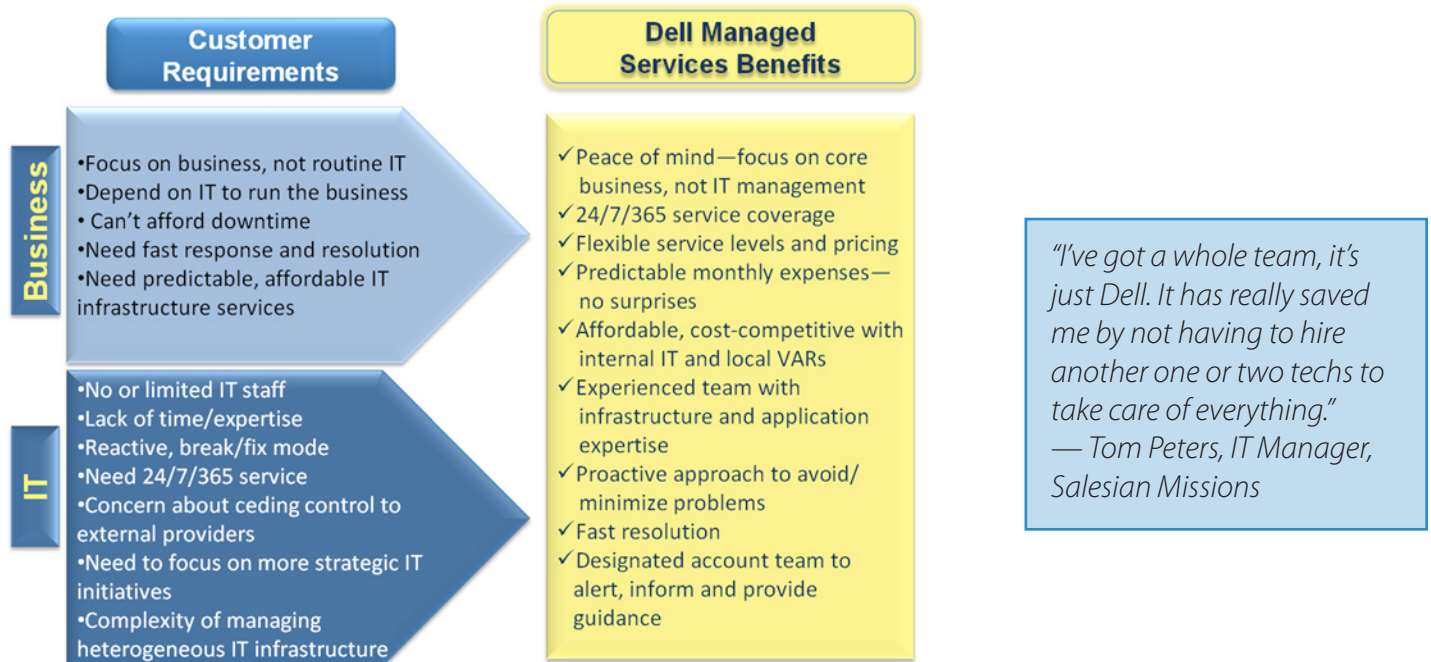
Customers are finding that Dell Managed Services can serve in lieu of or as a cost-effective extension of their IT department, providing both the IT and business value that they need (Figure 5). By off-loading day-to-day IT monitoring and management to Dell, they can save time and money and get a better return on their technology investments. Freed from routine IT monitoring and maintenance, customers can devote more of their time and energy to helping their businesses prosper.

"Are we saving time? Yes. And productivity has definitely gone up. I know the aggravation level has been cut by more than half."
 — Aron Fogiel, General Partner and President, HB Meats and Hoffbrau Steaks



**HURWITZ
& ASSOCIATES**
Insight to Action

Figure 5: Mapping Dell Managed Services to SMB IT Infrastructure Management Requirements



Summary and Hurwitz Perspective

IT is becoming more complex, and SMBs will continue to become more reliant on IT-based solutions to compete effectively in today's demanding business climate. As the market evolves, it's crucial to keep your IT infrastructure up and running. You your business can't afford revenue, profitability, productivity loss, etc. due to unnecessary downtime.

Given limited IT staff and budgets, you need to make wise decisions as to what you can do best yourself, and when experienced, expert third-parties can do a better job. By offloading routine maintenance and IT trouble-shooting solving to a trusted managed services provider, many SMBs can reap more value from their IT investments, and focus on making their businesses more successful.

Dell has designed its managed services solutions specifically to meet the IT, business and budgetary requirements of SMBs and other organizations that don't have large IT staffs. Managed services solutions such as those offered by Dell can give SMBs peace of mind that their IT infrastructure will be up to the job of supporting the goals of the business, both now and into the future. To learn more, visit www.dell.com/managedservices.

About Hurwitz & Associates

Hurwitz & Associates is a consulting, market research and analyst firm that focuses on how technology solutions solve real world business problems. The firm's research concentrates on disruptive technologies, such as Cloud Computing, Service Oriented Architecture and Web 2.0, Service Management, Information Management, and Social and Collaborative Computing. We help our customers understand how these technologies are reshaping the market and how they can apply them to meet business objectives. The team provides direct customer research, competitive analysis, actionable strategic advice, and thought leadership. Additional information on Hurwitz & Associates can be found at www.hurwitz.com.



© Copyright 2010, Hurwitz & Associates

All rights reserved. No part of this publication may be reproduced or stored in a retrieval system or transmitted in any form or by any means, without the prior written permission of the copyright holder. Hurwitz & Associates is the sole copyright owner of this publication. All trademarks herein are the property of their respective owners.

233 Needham Street • Newton, MA 02464 • Tel: 617 454 1030
www.hurwitz.com