White Paper

Why should a professional services company outsource IT?

The benefits to the services sector of outsourcing IT in the age of cloud computing

Swimming against the tide

Over a career of more than 50 years James Brian Quinn became an acknowledged authority in the areas of strategic planning, entrepreneurial innovation, and the management of technological change.

In 1992 in the seminal work 'Intelligent Enterprise', Professor Quinn set out a new paradigm for product as well as services based businesses. The key parts of this theory were:

- Concentrate on core competencies
- Aim to be the best
- Maximise the potential of human capital

An intrinsic part of this model was the case for outsourcing. The rest, as they say, is history.

Over two decades later, many businesses are still trying to swim against the tide. For some companies, such as a leading consulting business perhaps, it might make sense to maintain a non-core capability such as an internal legal department. However, in the age of cloud computing, for the vast majority of businesses, it simply makes little or no sense to retain extensive IT capability in-house.

In the late 1980s and early 90s computer technology broke out on to the desktop of mainstream office workers to digitally enable productivity. Fast forward to today, and it is almost impossible to imagine a professional services or knowledge business operating without computer-based technology. It is now interwoven throughout the fabric of our businesses and society in general.

In this paper we discuss how SME-sized service sector businesses are able to leverage outsourced cloud technology as a strategic tool to improve efficiency and maximise the value in-house IT delivers to the business.

A numbers game: People and expertise

An in-house IT department in an SME of say 50 - 100 people has many things to contend with.

Typically, IT staffing ratios may be anything from 1:25 to 1:50; and there has always been a need for SME IT personnel to be flexible and highly knowledgeable across the many different aspects of technology; if hardware and software is one area of distinction, server and desktop is another. It's not just setting up, configuring and making sure routine maintenance such as patching and updating happens.

Wait! There's more! What about planning and the road map for system development? What about end user application support; and making sure the Big Boss has everything required for those inevitable 'big opportunity' presentations that pop up every so often... sometimes the list seems endless. And what happens when there's a holiday or sickness? It's the fingers-crossed school of management!

In the absence of IT superheroes, the fundamental logic of outsourcing IT was established a long time ago: It is simply impossible for a one or two person IT team to be completely pro-active and on top all the time. Technology goes wrong; things may interact in unexpected ways. Software has bugs; hardware fails. The need for fire-fighting is often immediate and it is an obstacle to a proactive approach that impedes strategic progress.

Winning the numbers game: Outsourcing, people and expertise

Outsourcing to an appropriate service provider enables an SME to access expertise in any area of business technology. It's simply economy of scale combined with the right skills and expertise and the competency that only comes with problem solving on a continual basis. Issues are resolved more quickly and professional services and knowledge workers are simply more productive.

A numbers game: Cost and value

In the early noughties, the forerunners of today's cloud applications businesses were known as ASPs or Application Service Providers.

Essentially, the definition of ASP means software is located on a server in a data centre remote from the user who interacts with the application over a network. Typically, this is achieved using a web browser over an internet connection. It may also mean a custom client application connecting with the remote server software. Many will recognise this as a description of today's familiar practice of using browsers or apps to access computing resources in the cloud.

Like many 1st generation technologies, ASP was an expensive option. Physical servers needed huge hardware budgets to ensure failover systems were in place to ensure high availability. X86 server ('Microsoft Windows Server') virtualization, the technological enabler of ASP services, became commercially available in 2001, at a premium price. Connectivity to provide the necessary bandwidth between the users offices and the remote servers and applications could cost many £thousands.

Winning the numbers game: Outsourcing, cost and value

Since then, economy of scale has seen the mass proliferation of data centres and a whole new family of technology acronyms has grown up. SaaS (Software-as-a-Service) is the iteration of the cloud that most people understand and interact with. However, for software companies that want to outsource hosting of their cloud apps, PaaS (Platform-a-a-Service) and IaaS (Infrastructure-as-a-Service) are both part of the nomenclature as well.

Microsoft, Amazon, Oracle, IBM and HP may be the big ones that spring to mind. For SMEs a whole host of other smaller, right-sized, but equally (perhaps even more?) competent data centre service providers has emerged. The Great Recession coupled to the SaaS business model helped to make the cloud the biggest computing trend of the last decade.

To all intents and purposes the SaaS model means a cloud software vendor lets a company rent part of its application on a monthly basis and provides a complete service including software upgrades, maintenance and support for a fixed monthly subscription, usually costed per user. There's no messy and expensive on-premise server hardware and software, desktop software, upgrades, licensing and support to worry about, or data backup and disaster recovery to provision.

A good cloud service provider is able to provide all the office suite desktop productivity tools required, as well as the server-side support for those applications, from remotely located cloud data centres. Meanwhile data security, sovereignty, backup and disaster recovery are all enabled with an efficiency and proficiency which is quite simply beyond the limited resources of a small in-house IT team working in isolation.

The future for in-house IT personnel

For many, outsourcing has become synonymous with two things: TUPE and redundancy.

Consequently, it is understandable why this causes many IT workers to respond negatively to the prospect of outsourcing. However, TUPE, 'Transfer of Undertakings (Protection of Employment) Regulations 1981', essentially, the process of transferring contracts of employment to another employer, is not necessarily a bad thing. It often enables IT personnel to escape from the trap of being 'jack of all trades and master of none' by letting them become more focused in a specific area that they better understand or enjoy.

It follows that this may allow them to eliminate involvement in areas for which they do not have an aptitude or that they do not enjoy. IT workers may be able to improve their formal qualifications in specific technologies from the likes of Microsoft or Cisco, or major in a set of technologies, such as virtualization.

Redundancy is never easy. Failing to find alternative employment immediately may cause financial problems and is likely to mean difficult times for some. Nonetheless, for some redundancy may actually be a good thing. It can be the critical push that gets them out of a rut, providing the breathing space to re-evaluate career options and make better life choices.

Releasing value through 'the Third Way'

There is a Third Way for in-house IT personnel, and it's one that really enables SME services businesses to take much better control of the technology function. Outsourcing time consuming, routine IT responsibilities, such as support and administration, paves the way for in-house IT personnel to return more value to the business by allowing them to assume a more strategic role.

Many IT managers find that they are unable to advance their careers because of the limitations of working alone or in a small team. Often, the primary requirement is to be reactive, with 'all hands to the pump' being the order of the day, every day. Such a working practice prevents the development of the strategic side of the role.

For SME businesses where routine IT has been outsourced, the Third Way enables technology managers to return far more value to the business by executing a higher level strategic role. This could include researching, formulating and directing the strategic development of technology within the business. It could also include reviewing the quality of an outsourced service to ensure it delivers true value to the business. Yet another aspect is to assume a more customer facing role, by developing or delivering client-side services.

Ultimately, the Third Way provides the opportunity for many IT managers to migrate their role from firefighter to strategist by advancing their career pathway to CIO (Chief Information Officer) or CTO (Chief Technology Officer).

Summary

Best advice for service sector businessess

When it comes to the question of outsourcing the best advice seems to be:

- Consider how in-house IT is best able to fit in with the needs of the business
    - Outsourcing everything lock, stock and barrel is often not the right choice
    - However, trying to do everything in-house is seldom the right choice either
- Consider partially outsourcing the low value, difficult or troublesome parts of IT
- Work out the best role for in-house IT resource
- Weigh up the relative merits of strategic and high-level, junior and low-level, or a mix

Why is HTL Support a preferred technology service provider to the service sector?

HTL Support is a specialist provider of cloud technology solutions to the service sector. HTL Support has the expertise and experience to help professional services firms meet their regulatory obligations or follow guidelines on the use of technology.

It is our confirmed belief the cloud offers outstanding opportunities for service sector firms to leverage technology so it returns more value to their businesses. Private cloud solutions enable businesses to enjoy operational benefits of the cloud computing architecture while retaining 100% control of data and meet regulatory guidance.

HTL Support works with in-house compliance experts or external consultants to ensure any solution exceeds interpretation of the applicable regulatory codes. Serviced Cloud is able to provide the appropriate level of services required by the majority of professional services businesses.

About HTL Support

HTL Support is a close knit and highly professional team of technology professionals that are evangelists for cloud solutions. This is because we believe the benefits are unrivalled by equivalent on-premise approaches to provisioning business technology.

The business benefits of the cloud are regularly highlighted in the press and deliberated in boardrooms. Cloud technology is a topic about which the vast majority of business leaders are likely to have more than a passing interest.

Based in the heart of London in Canary Wharf, HTL Support was incorporated in 2009 with a clear and simple vision. We are dedicated to helping business leaders in financial service organisations find the best way of successfully adopting cloud technology in their businesses.

We offer best of breed Hosted Cloud Services in our ISO27001 London data centres, and help clients to create their own Private Cloud systems in their own offices or data centres.

Our friendly and professional engineers and consultants have extensive experience, proven track records and 'can-do' attitudes. We offer independent advice but partner with the leading cloud technology companies to ensure seamless support. We are serviced focused; our client's satisfaction is paramount.