

THE 6 BIGGEST MISTAKES SMALL BUSINESSES MAKE WHEN THEY OUTSOURCE IT

a White Paper

by

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Tim McDonald has been an Information Technology consultant for over 20 years. During this time he has had the opportunity to meet hundreds of small business owners and managers. Through these relationships, he has learned about numerous successes and failure related to their IT outsourcing experiences. This is the basis for this white paper, "The 6 Biggest Mistakes Small Businesses Make When They Outsource IT." Tim is a widely read IT author, with his books having been published worldwide in 6 languages. He is also the founder of Infassure, North Texas' leader in IT services for small and mid-size offices (www.infassure.com).

INTRODUCTION

Over the last 20 years, Information Technology has transformed the landscape of American business. Nowhere has its impact been more noticeable than on small business. The advent of the personal computer, followed by local area networks, multi-tasking operating systems (aka Windows), and the Internet has provided an enormous boost to employee efficiency and productivity. This has also resulted in a steady increase in complexity, support requirements, and therefore costs.

There are several available options that the small business owner has for supporting IT. They can hire a full time IT professional, but many businesses don't require 40 hours/week of IT services. They can try to identify someone already on staff that has decent computer skills and add this to their workload. But the quality of support can suffer and that employee may find it challenging to do the job for which they were hired. For these reasons, the increasingly popular choice is to outsource.

Properly done, IT outsourcing can provide a company with a well designed, stable, fast and reliable IT environment. It can mean that the right resources are always available when needed, but costs are contained and reasonable. There are, however, significant potential pitfalls. This paper addresses six of these.

MISTAKE # 1: MICRO MANAGING YOUR IT VENDOR.

Face it, if IT was a core competency for your business, you probably wouldn't outsource. Any time you choose to outsource, the assumption should be that you will select a firm with expertise, skills, systems and tools that will deliver a better result and value. So why make the decision to outsource only to feel that you have to manage every step, approve every decision, and follow-up on every action? The number one reason that this occurs is that businesses don't select the right IT vendor to begin with.

In any outsource relationship, trust is important. In the case of IT, it is absolutely critical. Most businesses today have become very dependant on IT. When the computer network is down, processes grind to a halt, employees go idle, client needs are unfulfilled...and you lose money. It's no wonder so many small business managers worry about IT uptime, network security, loss of data, and runaway IT expense. That worry leads them to micro manage IT, taking them away from more important duties.

Avoid a micro managed relationship with your IT vendor by selecting one that:

- Is well established. You can't evaluate their track record if it isn't a long one.
- Has experienced and certified staff. You outsource to get better results.
- Can demonstrate that they operate on well established "best practices." You outsource to draw on a wealth of experience.
- Can demonstrate that they have effective systems. You outsource with an expectation that the vendor will have better tools than you have in-house.
- Is committed to containing costs. When IT expenses get out of hand, you get drawn back into the micro managed mode.

MISTAKE # 2: MAINTAINING TOO MANY VENDOR RELATIONSHIPS.

When outsourcing IT support, it is vital that the vendor be willing and able to accept responsibility. In its simplest form, this means that if the network is down, it is the vendor's responsibility to get it back up. Unfortunately, many business managers can find themselves caught in situations that aren't so clear cut.

Imagine a situation where you suddenly find yourself not receiving e-mail.

An e-mail outage can result from a variety of problems that could potentially involve a variety of vendors:

- Internet outage—call the ISP
- Spam service problems—call your anti-spam service provider
- Desk PC problems—call the manufacturer
- Network problems—call your IT support vendor
- Network cabling faults—call the cabling company

Avoiding the "blame game" is crucial in successful IT outsourcing. It wastes time and money and contributes to prolonged downtime. One of the most effective ways to do this is to limit the number of IT vendors involved. Ideally, select one that can provide all of your current and projected needs. Having a single vendor greatly simplifies outsource relationship.

To avoid multiple IT vendors, try to find one that:

- Has experience supporting all of the elements of your IT environment
- Can provide Internet services (connections, hosting, web design, etc.)
- Can provide help desk support
- Sells a wide selection of hardware and software
- Installs and supports network cabling
- Employs programmers that can support and customize your applications

MISTAKE # 3: OVER-RELYING ON REMOTE SUPPORT.

Now that the Internet is ubiquitous throughout the business landscape, new options have arisen for IT support. Vendors can remotely monitor, administrate, and support clients' computer systems. Properly delivered, this approach can provide proactive service, faster response to critical situations, and reduced costs. But not all services can or should be delivered via a remote model. In some cases, it can actually lead to a slower time to repair, more downtime, and user frustration.

Remote support began as a way to deliver a better experience to the client. But some IT support vendors have begun to view it as a way to enhance profitability. It is true that dispatching service personnel is more costly than keeping them in-house remotely supporting clients, where they may be able to complete more service tickets per day. But this type of service often has a user on the phone for prolonged periods while the technician tries to walk them through various diagnostic and repair measures. Many problems require repeated phone calls. Meanwhile, the user is unproductive.

In one recent service model, the vendor charges a flat monthly rate, using remote service to contain their expense. In fact, some vendors divert calls to off-shore call centers where hourly costs are substantially lower than the US labor force. The quality of the support combined with language challenges means that the vendor saves but the client suffers. In order to maintain profit margins, these vendors must use on-site service only as a last resort.

Important points to remember when evaluating remote services:

- Remote support is ideal for verifying daily backups, administration on a server, and monitoring for problems.

- On-site support is preferred for critical situations such as down systems.
- When a user needs help, expecting them to troubleshoot their own problem while being phone supported leads to frustration and lost productivity.
- Be wary of flat rate plans where the vendor is more profitable by delivering less on-site service.
- Be wary of vendors that use off-shore call centers to support their clients.

MISTAKE # 4: LONG CONTRACTS AND “BLOCK TIME.”

In addition to offering their services on an as-needed hourly rate basis, most vendors have some sort of service programs, plans or packages. In many cases, these offer the client special rates, priority service, waived trip fees and other perks. But some of these offerings are clearly designed to benefit the vendor more than the client.

In general, there is no need in the IT support of small businesses to require a long term contract. A client that signs a one year agreement will often find that the quality of service drops off after the contract is signed and doesn't pick back up for 10-11 months, shortly before the renewal. The client is typically better served by a vendor that “ties them down” with good service, not a long contract. There are such vendors out there that work under month to month contracts and are committed to non-stop client satisfaction.

A somewhat different arrangement with a similar downside is the widely promoted “block time” approach. This usually has the client pre-paying the vendor for some number of service hours. While the client may get a price break, the vendor has the upper hand once they have collected the money. Carefully evaluate the service plans from potential IT vendors and select one that provides good rates without long term commitments or prepayment.

What to look for in an IT support contract:

- Short term cancellation. This keeps the vendor committed to keeping you happy. Ideally, look for a month to month arrangement.
- Avoid pre-payment, or “block time” requirements.
- A decent rate. These days, you shouldn't have to commit for a year or pay up front to get a reasonable hourly rate.

- Be wary of really low rates. Vendors that quote below-market rates are doing so for a reason. They are often lacking the experience, skills, or depth to properly service your needs.

MISTAKE # 5: ABANDONING INDUSTRY STANDARDS IN FAVOR OF “FRINGE SOLUTIONS.”

For every IT need there are many possible solutions. But most times only one or two of them can be considered proven industry standards. What’s so important about adhering to standards? Everything! Standardized solutions are widely supported, easily integrated with other technologies, widely compatible with other products, have proven reliability and usually have a wealth of experience-based knowledge about their use that is readily available.

To be an industry standard solution, a given product or technology does not necessarily have to be the top seller, but it is usually in the top 3 or 4. “Fringe solutions” are typically outsiders trying to gain market share from the better known players. In doing so, they often manage to bring to market new features, better performance, and other innovations. They almost always come with a lower price tag. But the total cost of ownership is another story.

Hidden costs that you should consider before accepting a non-standard solution:

- Difficulty integrating into existing (and future) systems. The manufacturers of standard solutions tend to work together to ensure compatibility.
- On-going supports costs are higher. This is largely due to a lack of substantial knowledge base.
- Down time (or loss of data) due to unproven reliability. These are usually first generation products with more potential bugs and less available support staff to correct them.
- Uncertain “roadmap” for the future of the technology. Fringe technologies are often abandoned by the manufacturer, or they go bankrupt, leaving you with an orphaned solution.

In truth, this is not a mistake associated only with outsourcing. In fact, very often companies with in-house IT staff can find themselves taken down the same path. Products are chosen because they are cheap, or promise great new capability, or simply are “cool!” IT infrastructures built with such vision are prone to costly failures. One of the advantages of

outsourcing should be that your selected vendor ensures that your systems are built with industry standards. It's your job to verify up front that they have a commitment to this approach.

MISTAKE # 6: ASSUMING THAT YOUR DATA IS SECURE

It may seem reasonable to assume that if you entrust your Information Technology support to a professional firm, you can stop worrying about the security of your data. Sadly, this is often not the case. Virtually any IT support vendor expresses in their warranty significant limits of liability--specifically, they cannot be held responsible for loss of data. This means that ultimately, the client has to take responsibility. But how can you know that your systems are adequately protected?

Commons threats to your data include:

- Lack of virus protection, which can lead to loss of data or enable data theft
- Ineffective firewall protection, which can lead to data theft, modification, or destruction
- Insufficient data backup procedures which, combined with a system failure, can result in large scale data loss

So, how can you protect yourself? First, it is true that if your IT support vendor is well established and qualified, they should adhere to best practices that alleviate these threats. But they should also be able to produce regular reporting to provide you the peace of mind of knowing that data backups are complete, viruses are held at bay, and your Internet connection is secure.

Finding an IT vendor that you can trust with your data security can be a challenge, but it can be done. For instance, any vendor can create compelling marketing materials. But if they don't deliver on their promises, they won't survive. Therefore, length of time in business can be a powerful consideration in choosing a vendor. Also, any vendor should be able to provide some references of companies that will say good things about them. But the local Better Business Bureau can alert you to any companies that haven't been so impressed!

Considerations in choosing a trustworthy IT vendor:

- How long have they been in business? Long-term survival in this industry requires proper care of the client.
- How experienced is their staff?

- What certifications do they have?
- What does the BBB have to say?
- Can they show you documented best practices that show a dedication to protecting your data?
- Do they provide reports that reassure you that your data is safe?
- Do they have testing procedures to ensure that your Internet connection is safe?

IN CONCLUSION

I hope that this paper has provided a framework to assist in evaluating your options for outsourcing the support of your firm's information technology. While outsourcing tends to be the most viable option for offices with less than a few dozen computer users, traditional IT support vendors present a number of shortcomings and pitfalls. Although the purpose of this document is to provide unbiased information, I do encourage you to consider learning more about the technology and systems that my firm has created in order to address the special challenges of IT support for small and mid-sized offices. Infassure can be reached at www.infassure.com or (972) 680-7800.