

OUTSOURCE IT OR HIRE?

This white paper covers an unbiased review of pros and cons of both.



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Outsource IT or Hire?

Making the decision to hire or outsource is a complicated one which has major ramifications for the business. The right decision today is unlikely to be the right decision forever – as your business grows and evolves, your requirements change.



The following components are vital to deliver an IT service to an organisation – big or small:



Strategic

Someone needs to define the IT strategy. This may simply be to keep things working or may be far more sophisticated; ensuring the IT functions support the business goals. For instance the IT strategy may focus on helping a company perform M&A activities, reduce their risk profile or become compliant with GDPR.

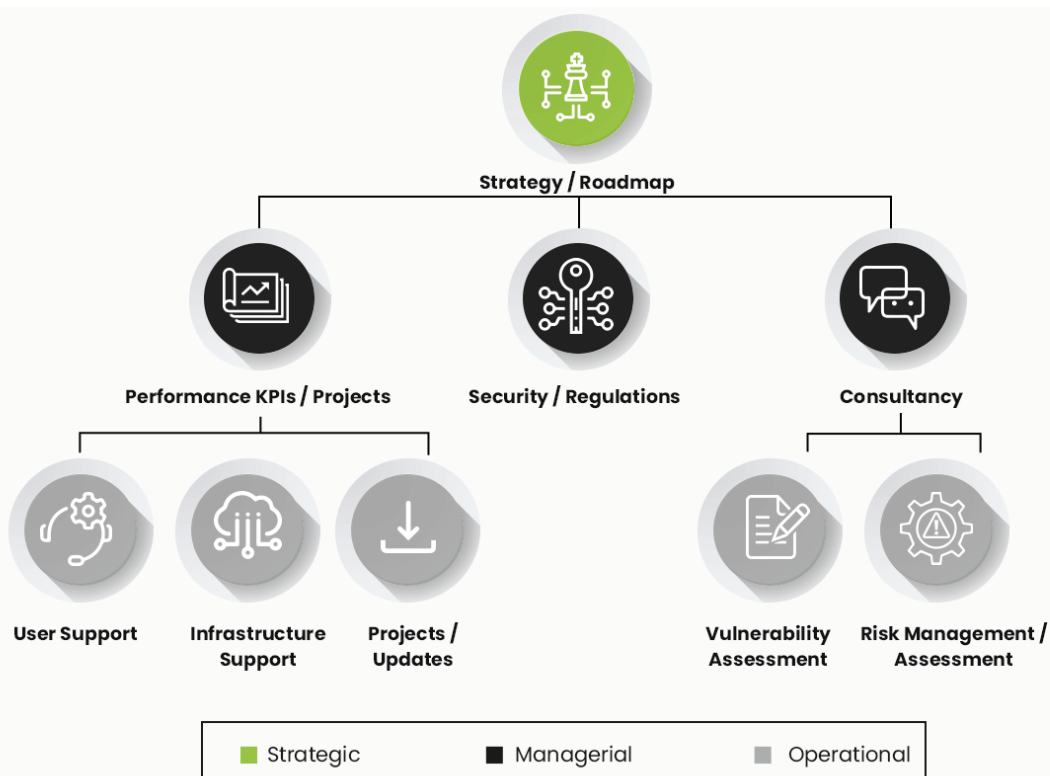
Managerial

Someone needs to be responsible for IT within the business. This does not necessarily mean a business needs an IT expert – but someone who can provide the appropriate approvals when decisions need to be made.



Operational

This represents the functions that deliver the actual IT service. End-user support, infrastructure support and project delivery are just three of the typical services which are required to maintain and manage any IT system, whether it be on-premise or in the cloud.



No single person can competently perform all of the above functions therefore businesses either hire multiple people to deliver the service or outsource, often finding an MSP (managed service provider) that can deliver the components they are unable to deliver themselves.

When a company reaches 500+ users it is common for it to look at building an internal IT department because the volume, complexity and bespoke nature of the work warrants full-time IT staff. However, even larger organisations struggle finding all the necessary skills so will often outsource specific service components or projects. In other words, for the majority of businesses the decision tends to be around what should they outsource as opposed to when?

Taking a look at a typical range of clients of varying sizes:

STAFF	0-40	41-200	201-500	501+
It Strategy	Break / Fix	Aligned to business objectives	Aligned to business objectives	Complex, aligned to specific business goals.
Internal It Stakeholder	Owner	FD or Exec	IT Manager	IT Director
It Support	Outsourced	Outsourced	Part-Outsourced	In-sourced
Projects	Outsourced	Outsourced	Part-Outsourced	Part-Outsourced
It Team Size	3	6	20	40

Table 1 Typical successful models for different sizes of business



Skills

Because even a simple infrastructure built entirely on Office 365 requires a range of skills for support and management (networking, security, active directory, and desktop technologies) the majority of businesses with less than 500 users will typically outsource their IT in its entirety. This provides them access to a wide-range of skills without the need to pay full-time staff.



IT Outsourcing Recruitment Pitfalls

Some smaller businesses attempt to find an individual that can perform multiple functions internally – be that an IT manager, desktop support engineer, infrastructure specialist, or a security expert.

The first challenge occurs within the recruitment process. Smaller businesses often lack the necessary in-house IT skills to assess the strengths of the IT candidates. This makes it more likely the successful candidate will have insufficient knowledge and experience.

Note: The old adage “you don’t know what you don’t know” is very true for junior engineers who are far more likely to believe that their skillset covers a much larger proportion of a technology or service. To an unskilled interviewer this often leads to engineers being hired who believe they have the requisite knowledge when in fact there are important omissions. This normally manifests itself with the engineer pushing for the business technology to align with their skillset irrespective of its strategic relevance.

The second challenge for smaller businesses is related to the on-going maintenance of the systems. Due to lack of IT training and appropriate internal IT management processes, systems are rarely setup or managed using best-practise principals (change management, capacity planning, and risk assessments, to name a few), leading to instability and security risks; the net result being increasing numbers of issues and a subsequent pressure to recruit more IT staff. The end result is often an internal IT function bigger than necessary and IT systems that need to be re-built.



Systems

Many modern IT functions require technology to ensure the service is well managed. Those typically found are:

System	Business Benefit
Server Monitoring	Rapid indication of problems
Service Management	Manage support incidents, report on performance to help capacity planning and deliver quality services
Infrastructure Management / Remote Control	Providing an easy way to manage desktops/servers/patch management
Configuration Management Database (CMDB)	Infrastructure auditing/reporting/planning
Vulnerability scanning	Risk and security assessments

The majority of IT providers will do some or all of the above. An in-house team may not require all of the above systems but will require some to ensure problems do not occur. Without these systems IT operates with little governance.



IT Outsourcing Costs

One area that often concerns businesses about outsourcing is that the outsourcer asks for expensive investments to be made in technology whilst the business lacks the necessary skills or experience to validate such requests.

The solution is to have a robust strategy roadmap – this is where the IT provider manages a 12/24 month IT roadmap presenting the various activities that are necessary to maintain IT. Ideally this should be costed so businesses can review their overall IT spend and objectives, pushing back on costs or delaying activities so the plan aligns to their budget.

Taking a closer look at the typical costs for an in-house IT department for a 50 user organisation:

	In-house	Outsource
IT Manager	IT Manager £50,000pa	Service Delivery / Account Management
IT Support	Desktop Support Engineer £38,000pa	Service-Desk
Total	£88,000*	£24,000-£40,000*

* excluding overheads

** depends on service-levels, advisory services and proactivity



In-house Overheads

Few businesses factor in holidays, overtime or weekend cover in the cost comparisons.

With around 250 working days/year, in-house staff spend 14% (around 30-35 days) on holiday and/or sick during which time they are delivering no value to the business.

In addition to this in-house staff have pensions, require office space, equipment and require management and training (or they leave).

In general, the true cost of in-house IT staff is often double the basic salary cost.



Hidden Extras

Another concern with outsourcing is the “hidden extras”. Although the initial price may be attractive, businesses may worry whether they will be held to ransom for additional costs. The main source of extra charges are projects. For instance, upgrading all your desktops would normally represent an additional cost (however, this activity also reduces a business’s risks).

A 50 user organisation is likely to spend around £50,000pa on project activity. However, if a business is going through a lot of change (international expansion, moving location, growing quickly) there will always be additional costs associated with this change.



Overview

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So to summarise some of the key differences with internal teams and outsourcing:

	Internal IT	Outsource
Skills	Limited to individuals hired	More skills (assuming suitable size IT provider)
Relationship	Stronger due to person permanently in office however if relationships erode difficult to change.	Normally managed through account management regular visits and working on-site. If relationship erodes a different account manager can be supplied.
IT Governance (i.e. Change Management)	For smaller IT teams this rarely happens risking downtime. (IT staff operating without appropriate controls will often take the quickest approach when making changes)	Change management, approval lists, schedule of authority, security reviews, and audits should be performed.
Holidays / Sickness	Not covered, service diminishes	Service quality maintained
Reports / Performance	Smaller IT teams rarely have sophisticated IT management systems – therefore visibility around performance is poor or non-existent.	Provider often has systems to help show IT trends, performance, helping businesses develop
Proactive Monitoring	Smaller IT teams rarely have sophisticated IT monitoring solutions so downtime more likely	Normally IT providers have invested in proactive systems to reduce client downtime in order to keep their costs down
Innovation / Flexibility	Internal departments are often scaled to deal with IT support issues – rarely have time to pursue innovative projects.	Innovation continually driven by market competition and internal initiatives. (automation, dashboards etc.)
Training	Additional cost, rarely aligns to business needs normally aligned to IT staff to keep them happy.	Part of internal management framework
Board IT engagement	For smaller IT teams, rarely occurs. IT staff normally focused on support, rarely have strategic experience so IT is neglected at board-level.	Senior execs from IT provider meet business execs



Conclusion

In conclusion there are a range of positives and negatives with both models. If money is no constraint then businesses can hire all the relevant skills they need. However, since few businesses want to become IT companies and money is unfortunately often a “constraint”, outsourcing provides an excellent alternative, providing the best of both worlds – good service at an economical price.

However, it does not need to be in-house or outsource; many businesses successfully operate a hybrid model where some IT skills are retained in-house and others are outsourced. This model can provide the best of both worlds as long as the overall service is considered holistically with appropriate responsibilities clearly published and a good degree of collaboration.

As businesses grow towards the 500+ user mark, their internal systems often become more complex and that complexity is unique to their own business. Then the need increases to hire specialist IT teams who can be trained around that business’s unique systems and processes. This often justifies the argument for running the IT function internally.



About the Author

Gavin Russell is the CEO & founder of Wavex Technology Limited, a London based managed IT services provider and Microsoft Gold partner. Having spent over 30 years in the IT industry Gavin started his career as a software developer then moved to an IT infrastructure role in AT&T, responsible for IT operations across EMEA.

After gaining experience of how large businesses manage technology, he decided to form Wavex with a focus on delivering the best possible end-user experience when it comes to IT support, security and cloud for small to mid-sized businesses.

Wavex has now been going for 20 years, has won countless awards, and supports many thousands of users, counting amongst them are a number of prestigious company's. Despite his CEO responsibilities, Gavin continues to maintain close working relationships with the executives of his clients; helping them to solve a range of challenges and use technology to realise their business goals.

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Multiple Awards Winner



Affiliations & Certifications

Microsoft Partner

Gold Cloud Platform

Microsoft Partner

Gold Cloud Productivity

Microsoft Partner

Gold Datacenter



Microsoft Partner

Silver Application Development

Microsoft Partner

Silver Small and Midmarket Cloud Solutions

Microsoft Partner

Silver Collaboration and Content

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