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# OUTSOURCING IT

Why midmarket companies are  
outsourcing more critical IT

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# WHY MIDMARKET COMPANIES ARE OUTSOURCING MORE CRITICAL IT

It was not too long ago that outsourcing was seen as a way of offloading non-strategic, commoditised business processes – of which ICT was often seen as a key component.

Yet as the pendulum swung the other way and companies focused on rebuilding their ICT organisations, game-changing technologies like virtualisation, cloud computing and mobile devices have forced businesses to once again consider outsourcing. This time however, it's for different, and more pressing, reasons.

## FEELING THE SKILLS CRUNCH

Survey after survey suggests that one of the biggest obstacles ICT executives face in building and maintaining their information infrastructure, comes from their inability to find, hire and keep staff with the right skills – particularly in specialised areas like cloud computing, information security and data analytics.

Australia's Digital Pulse an extensive survey conducted by Deloitte Access Economics and the Australian Computer Society (ACS), found that Australia's total ICT workforce will grow from 605,572 employees in 2014 to 700,483 by 2020 – a 16 percent increase that will require the sourcing, training and hiring of nearly 95,000 new ICT workers.

In line with expectations during a time of technological transition, the strongest demand will be for technical, professional, management and operations staff – high-level positions that will need to be filled by people with strong resumes and years of industry experience.

Many of these qualified staff are already in the market – demand for those four skills segments has accounted for around 70 percent of total growth in the ICT workforce since 2008 – so there will be strong competition for their skills. Yet many others are still undertaking their education: the Deloitte/ACS research suggested that the 851,910 collective qualifications held by ICT workers will increase to 1.04 million by 2020 – an annual growth rate of 3.4 percent overall.

These figures paint a portrait of an Australian ICT industry that is hungry for the skilled staff they need to drive increasingly important transformation throughout their business. The latest Greythorn Job Seeker Market Report suggests that transformation-related jobs such as user experience designers, process and change analysts, and Agile business analysts have joined web application developers, data analytics consultants, mobile application specialists, security consultants, and cloud

and enterprise architects in the top in-demand roles for 2015 and 2016.

## OUTSOURCERS AS TRUSTED PARTNERS

Yet as competition increases, many companies are unable to find the skills they require: service providers have also been recruiting heavily, and many offer positions with higher salaries, better packages, more opportunities for challenges and advancement, and overseas opportunities that individual consumers of IT simply cannot match.

Outsourcers are building centres of excellence in the skills that are related to key transformational areas. This dynamic means that, in recognition of the competitive and challenging market for ICT skills, a growing number of companies are turning to outsourcing – both for its technological benefits and as a way of ensuring that they will always have access to a pool of talented specialists with the ability to help guide that digital transformation over time.

This shift has changed the nature and role of outsourcing providers. The offshoring and whole-of-business outsourcing trends of 15 years ago were based around offloading repetitive, commoditised business processes. Today's outsourcing on the other hand, often involves complex, critical business processes where the outsourcer works alongside their customers' business process experts to ensure that solutions remain aligned with business objectives.

“ At Brennan IT our architects work together with key customer stakeholders to align long term solutions to business strategies through vehicles such as bespoke Technology Roadmaps. ”

Furthermore, thanks to the flexibility of cloud delivery models, those outsourcers may just as easily be managing access to third-party cloud applications, or running them on behalf of the end-user organisation.

Such environments are managed to the customer's business objectives, and are often designed with built-in integration, reporting and monitoring capabilities that ensure they operate in support of business governance objectives. Thanks to continuous improvement programs in place at most cloud providers, many cloud systems achieve a higher level of compliance with corporate controls and regulatory compliance than businesses would be able to implement internally.

Those customers also benefit from the fact that they do not have to be burdened with the day-to-day administration of those systems. And, since cloud applications are run on shared infrastructure that typically offer high levels of scalability during times of surging demand, outsourcers can easily add capacity to deal with peaks in business traffic – with no interruption to business processes.

## MADE FOR THE MIDMARKET

The resurgence of outsourcing has been particularly clear in the midmarket, where businesses are less burdened by inflexible legacy systems and processes than large companies. Such companies are small enough to change their course, but large enough to be able to participate in ongoing relationships with service providers whose outsourced applications and business processes will become critical to the company's survival.

As those outsourced services become increasingly feature-rich, midmarket companies will lean on them more and more as they seek to expand their business into new markets, improve collaboration with supply chain partners, and improve customer service by leveraging new technologies.

Industry surveys confirm the importance of these changes to midmarket companies. Exploring the motivations of businesses in adopting cloud services, the Solarwinds IT Trends Report 2016 found that 76 percent of midmarket businesses rated cloud technologies as important to their long-term business success.

Midmarket companies were keener than small or large businesses to leverage cloud services to migrate applications (81 percent, compared to an average of 71 percent) and databases (38 percent versus an average of 31 percent). They were the most likely to leverage cloud services for storage (44 percent). Some 32 percent of respondents corroborated this with claims that they were particularly attracted to cloud technologies' ability to improve application reliability.

Medium-sized companies were also far more likely to value cloud's integration of the latest technologies and features into their application stack (47 percent, versus 36 percent of small and 32 percent of large businesses). This confirms the idea that midmarket companies see outsourcing as a driver for significant transformation and business process modernisation.

Interestingly, midmarket companies were less concerned than small or big businesses about delivery-related concerns such as building scalable service options, reducing the cost of infrastructure, and eliminating responsibility for underlying infrastructure. This suggests that midmarket companies see outsourcing providers not just as commodity providers of technologies, but more importantly as strategic partners for long-term relationships.

“ It is through partnering with managed service providers, that midmarket companies can dynamically access and leverage those invaluable skills and expertise which would otherwise be uneconomical to maintain in-house. These attributes become especially pivotal to those programs of work that any one organisation will execute once every five years, and managed service providers perform routinely. ”

## CHOOSING THE RIGHT PARTNERS

Selecting the right partners is critical for a business to ensure that their cloud transformation is both relevant to their current needs, and executed in such a way as to support the growth of the business well into the future. The market is awash with service providers all making claims about their capabilities, and businesses need to do extensive due diligence with any potential provider to make sure they are both a good cultural and strategic fit.

This process includes addressing questions such as:

- What technologies and services are critical to the company's forward strategy, and how will the outsourcer provider them?
- Does the outsourcer have enough staff to both support your business on an ongoing basis, and to react to emergencies as they come up? If not, do they have support networks to ramp up capabilities quickly if necessary?
- Do they know the ins and outs of your industry vertical? Who else are they supporting in the industry, and how?
- What type of relationship do you want to have with your provider, and do they have a similar mindset around issues such as staff secondment, 24x7 support, and so on?
- What security, backup, data stewardship and other processes are in place to protect your confidential and business-critical information?
- What kind of ROI can you expect from the relationship, and how and at what point will you review the relationship to measure progress against those goals?

Careful research will ease the process of narrowing down your list of potential providers – and summarising your search in a series of clearly elucidated business benefits that you can take to the executive.

Indeed, executive support can be one of the hardest parts of the cloud transformation, with 59 percent of midmarket respondents to the Solarwinds survey saying that convincing business decision-makers of the need for, and benefit of, cloud services was among their biggest challenges. That compares to 41 percent and 40 percent of those from large and small companies.

Mid-market companies were also more concerned than other-sized companies about security and compliance issues (76 percent versus 69 percent of large and 64 percent of small businesses).

## CONCLUSION

Outsourcing has always had a strong story to tell – but with cloud-based services offering more flexibility and power than ever before, that story has become more interesting than ever. By leveraging the power of strategic outsourcing, companies of any size can both circumvent the challenges of the market's chronic skills shortage and position themselves for a new level of strategic growth.

With support from executives and the strength of a close and effective outsourcer, today's offerings allow outsourcing providers and their customers to spend less time working on strategic tactical business functions – and more time working together on the things that matter most to the business: efficiency, profitability, growth and – most important of all – customer satisfaction.