

Managed services vs. communications outsourcing: Which is right for you?



As more large and midsize businesses turn over some or all of their communications services to managed service providers (MSPs), they realize that not all MSPs — or the services provided — are created equal.

For example, many communications MSPs only support a limited number of technologies — especially if they are the manufacturer of that technology. Or they may limit the geographic scope of the systems they will manage because they are unable or unwilling to assume responsibility for service levels in foreign countries.

However, some larger companies, especially those with a global footprint, decentralized structures, and extended IT and communications networks, may need broader, more extensive services in order to provide their internal stakeholders with quality communications service. Under what circumstances, then, might full communications outsourcing be warranted, and what types of benefits might be derived from such an approach?

George Humphrey is director of Global Strategy and Product Line Management in Avaya Operations Services (AOS). He specializes in helping IT departments and their executives maintain a balanced and forward-thinking approach to their organizations' communications needs. In this discussion, George shares insights on recent trends in communications outsourcing services.

George, what types of companies are likely to benefit from a customized approach to communications outsourcing?

We look for a number of signs that a company might need more than a standard outsourcing arrangement. For example, if a company hasn't made many new technology purchases in the past three to five years, it is likely to need help. This is particularly true of larger companies, such as those with 5,000 or more

communications ports and 500 or more contact center seats. It really doesn't matter what industry they're in, companies in this situation typically have been focused on cost containment and cash flow since the recession. Because there is still so much economic uncertainty, they may want to make investments in their IT and communications infrastructures, but cost and capital expense pressures often prevent it.



Organizational change is another common factor behind a company's decision to outsource. Whether it's downsizing, expansion, reorganization, merger or acquisition, when companies undertake major changes, their IT functions may struggle to provide appropriate unified communications and contact center resources to the business units. This often happens when the corporate transformation involves cost-cutting and other resource reductions – there simply aren't enough resources to go around.

Conversely, in the case of aggressive business growth, IT departments are often compelled to expand their capabilities without corresponding budget and capital allocation increases. The business units they serve still need responsive IT and communications capabilities, but the resources necessary to provide them may be constrained.

Another common barrier is multivendor environments. As businesses grow, especially through M&A, we often see a wide variety of technologies that are, at best, cobbled together. Managing such a diverse environment, especially as companies migrate from time division multiplexing (TDM) systems toward modern standards, such as Session Initiation Protocol (SIP)-enabled environments, there simply may be too many gaps and complexities to overcome. This issue is often compounded as companies expand, because a growing internal user base often demands higher performance and higher availability. Delivering those improvements may simply not be possible in an environment that already struggles with interoperability issues.

What benefits can companies gain from communications outsourcing?

Cost savings, performance improvements, faster migration to new technologies and customized service level agreements are a few of the benefits that companies enjoy when they outsource.

An operating expense model gives clients significantly greater flexibility in how they structure, deploy and pay for their communications services, as well as the confidence of having a predictable cost per month.

From a cost perspective, we look at it several ways. Today, most large businesses typically see a reduction in operating costs of between 20 and 35 percent¹ when they outsource. The reduction in total cost of ownership (TCO) can be between 15 and 20 percent. These reductions are achieved by moving from a capital expenditure model to a “utility pricing” or operating expense model whereby all costs are built into a per-seat or per-port formula. Such a model gives clients significantly greater flexibility in how they structure, deploy and pay for their communications services, as well as the confidence of having a predictable cost per month.

Outsourcing also offers clients significantly improved performance across their communications infrastructure. As with other IT outsourcing environments, a leading outsourcing service provider should be making continual investments in the latest technologies, especially in automated, remote system diagnostics and monitoring. Even many larger businesses have trouble making ongoing investments in these types of technologies. By leveraging the investment of the service provider, clients gain access to those capabilities without incurring the brunt of the investment.

Along the same lines, when companies are focused on cost-avoidance, as is often the case in today’s turbulent economy, they may miss out on opportunities to be first-adopters of new technologies — technologies that may give them a competitive advantage over latecomers. A leading outsourcing service provider should be making those investments as part of its business strategy. So when the client pursues a communications outsourcing arrangement, one important objective should be to leverage those new technologies and make faster progress to “the next level.”

Finally, a leading practice in communications outsourcing arrangements is giving clients flexible, global service level agreements with remediation. This means that the service provider is so confident of the quality of service it can provide that it is willing to guarantee service levels. If the service provider is willing to offer such arrangements, clients should consider it a very good sign.

¹“Explosive Growth Predicted in IT Managed Service Industry,” [globalservicesmedia](http://globalservicesmedia.com/rimbeta/show.article.asp?5D115D565C115E), 2010, <http://globalservicesmedia.com/rimbeta/show.article.asp?5D115D565C115E>.



What are other factors to consider for a communications outsourcing arrangement?

First, you want to look for a communications outsourcing provider that is focused on more than the network. A leading practice going forward will be taking a more holistic view of enterprise communications that includes the applications that sit on top of the network. The network continues to be important, of course, but the applications are what carry a business into the future, enabling the workforce to create value and continually improve operational performance. Under a communications outsourcing arrangement, the service provider should be willing to sit with you on a regular basis and identify new opportunities for unified communications and contact center applications to support the business. The provider should understand those applications and how they work in your business setting. And it should be able to quickly devise a road map that shows you how to get from your current environment to the “to-be” state.

Which brings up another issue — multivendor environments. Service providers that only address part of your problem actually become part of the problem. Your communications service provider should be able to assume responsibility for whatever solutions are in place, and within a reasonable time frame move you onto the platform and individual capabilities that you envision for the future of your organization. The provider should be able to provide ITIL-compliant services globally, regardless of the technologies involved. And it should support advanced performance management by using best-in-class processes and tools, such as advanced diagnostics, monitoring and ticketing.

Your communications service provider should be able to walk you through a proactive methodology that it uses to ensure continuous service improvement, performance optimization and employee productivity improvements. Your outsourcing arrangement should include customized help desk services, e-bonding, change management and overall client process integration. If the provider hesitates on any of these — or has a blank look when you ask about them — it should be a red flag.

Bottom line, when you move to a communications outsourcing arrangement, the solution should adapt itself to your organization — not the other way around. You should be confident that you’ll have a predictable cost and reliable levels of service in the future and, at the same time, the flexibility to upgrade to new technologies and new capabilities when they become available.

About Avaya

Avaya is a global provider of business collaboration and communications solutions, providing unified communications, contact centers, data solutions and related services to companies of all sizes around the world. For more information, please visit www.avaya.com.

About the author

George Humphrey is director of Global Strategy and Product Line Management in Avaya Operations Services (AOS). In this role, he helps IT departments and their executives maintain a balanced and forward-thinking approach to their organizations' communications needs.

About Avaya Communications Outsourcing Services (COS)

Through Avaya COS, we support the day-to-day operations of a client's existing communications infrastructure and manage what is currently in place. We help design, plan and upgrade the client's communications environment to meet their future needs with a solution specifically designed for them. In COS arrangements, Avaya guarantees customer service levels and price points with remediation.

Learn more

To learn more about Avaya Communications Outsourcing Services, please contact your Avaya Account Manager or Authorized Partner or visit us at www.avaya.com.

© 2011 Avaya Inc. All rights reserved.

Avaya and the Avaya logo are trademarks of Avaya Inc. and are registered in the United States and other countries. All trademarks identified by ®, ™ or SM are registered marks, trademarks and service marks, respectively, of Avaya Inc. All other trademarks are the property of their respective owners. Avaya may also have trademark rights in other terms used herein. References to Avaya include the Nortel Enterprise business, which was acquired as of December 18, 2009.

09/11 • SVC4805