i7 Solutions

Trust, Technology, Partnership

Calculate Your Outsourcing IT Costs Savings & ROI

INTRODUCTION

Outsourcing your IT to a qualified managed services provider instead of building a full in-house IT team can provide your business with multiple advantages. Major benefits include an enhanced level of expertise, a reduction in long term costs, and an increase in time and resources to concentrate on your core business. When calculating the Return on Investment (ROI) of outsourcing your IT department vs. building a full IT team, consider both long term savings, time and resources saved, and value added to your company.

It can be very challenging to identify the right service and timing when considering managed IT.

- Does your business need managed IT to complete a project?
- Does your business need to outsource your IT to free up time for your existing IT staff?
- Does your business need help make scaling easier?
- Does your business need to hire IT staff, but cost and qualification are your concerns?

If any of these apply to your business, or if your business continuity requires high quality IT support with quick turnaround times at lower cost, then it is time to outsource.

But, once you decide to pursue managed IT, make sure you get it done right.

The Benefits of Outsourcing Your IT

1. Reduced Monthly IT Cost

Your business will see more consistent monthly costs. In general, your cost is fixed for IT support. No matter how much support you require.

With internal IT, if you need more support than usual due to an issue, your business will end up having to pay for overtime or hire new resources. This also makes it much easier for you to budget unless you decide you want to get more services or upgrades.

2. Lower Upfront IT Cost

One important financial benefit of outsourcing to a managed service provider is that you automatically save on upfront costs that are associated with purchasing both hardware and software.

A reputable Managed IT service firm will be able to provide you with a monthly plan suited to your business needs rather than having to purchase a range of costly equipment.

3. Scale IT Services with Real-Time Capacity Needs

With the right managed IT services company, it would be easy to scale up or down as your business evolves. You will not need to be concerned with training and hiring new staff.

In addition, you will be completely flexible with the software you use from your provider. If you find your business no longer needs a specific piece of software, you can just ask to remove it.

All of this means that when you are growing your business, you do not need to pay unnecessary costs.

4. More Time & Resources for Your Core Business

A major advantage of outsourcing your IT is the time and resources you get back to spend on your company's business processes and strategic initiatives. When attempting to manage IT yourself, you and your employees will be addressing technical issues that distract from primary responsibilities. Outsourcing all these responsibilities to a qualified team of IT professionals keeps you from wasting time and company output and enables you to concentrate on making your business as successful as possible.

5. Simplifying Risk Management and Compliance

In heavily regulated industries, such as finance, smaller businesses lack the internal resources for keeping up with their cyber security and compliance needs. So, they will outsource to partners that already have the necessary expertise and infrastructure.

6. Boosting Your Bottom Line

Managed IT services providers give business owners access to a slew of senior IT experts without the cost of paying multiple high-level IT salaries. Recruiting, staffing, and training a full team to cover all the technological functions a successful business should cover is a significant and often unachievable investment. Outsourcing IT to the right managed services provider solves that problem, ensuring that your business has access to the quality IT services you need to thrive without the price tag of a full-time team on staff.

Calculate the ROI of Outsourcing IT

It is generally understood that outsourcing IT will reduce costs, but business management and investors want a clear picture of the benefits that such change will bring. By calculating ROI, we can demonstrate the value of outsourcing IT.

But calculating ROI is not always a straightforward process.

First, there are some situations where ROI cannot accurately measure IT projects. Below is a list of examples where calculating ROI may not be appropriate.

- Expenditure on IT consumables and mandatory activities such as repairing or replacing PCs.
- Short maintenance projects that can be completed in under 1 month.
- Projects that do not produce inherent cost savings or revenue.
- Projects that are required for regulatory and compliance reasons.
- Projects that involve life or death. (e.g. Healthcare solutions)
- Projects that only have intangible benefits and no measurable financial benefits

For projects that fall outside of these limitations, You may calculate ROI with the following formula.

ROI % = (Return – Investment Cost)/Investment Cost x 100

However, even if the project you are considering has an accurate ROI calculation, there are still many pitfalls to be wary of.

Some examples of issues you should be concerned about include:

- ROI calculations that can be manipulated through incorrect evaluations of the project benefits.
- Project savings, income, and costs need to be both measurable and realistic. However, accuracy is not guaranteed.
- Project utility may not be solely attributed to one improvement. As a result, you must take care when measuring to avoid double counting.
- It is not always possible to accurately anticipate the costs and benefits associated with a project.

IT Outsourcing Benefits that ROI Does NOT Account For

Additionally, there are factors to be considered that are not considered in the ROI calculation.

For instance, there are non-financial benefits that a project might bring that outweigh direct costs, such as customer satisfaction.

This cannot be factored into the ROI of a project, but it is still a critical piece of information when considering the implementation of new ventures.

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