



Guide to Offshore Outsourcing for IT Managed Service Providers

Managed Service Providers face a unique set of challenges in the post-pandemic economy. Leveraging offshore outsourcing is the best way for MSPs to stand out from the competition, upgrade their service offerings, and deliver greater value to clients.

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The Big Picture

The IT Managed Service Provider (MSP) market has experienced an extended bout of volatility, stemming from pandemic-era instability as well as disruptive technology. Today, although the sector appears to have stabilized, many companies still struggle to succeed in the global market. The best-in-class MSPs continue to dominate the market, while studies indicate that at least 15% of MSPs are operating at a loss.

In order to stay competitive, MSPs need to adapt to changing customer expectations, building out their service offerings to offer a more proactive and tailored product. MSPs can do this by working with carefully selected offshore teams who can take on both IT and administrative tasks, freeing up employees to focus on customer-centric services. Ideally, MSPs should also leverage offshore expertise to automate manual processes, thereby streamlining workflows and reducing costs.

This white paper takes a close look at exactly how offshore outsourcing can transform an MSP's offerings. We'll talk about some of the stand-out benefits of offshore outsourcing and the most effective ways to outsource. We'll also talk about how to avoid some potential pitfalls of offshore outsourcing.



Background

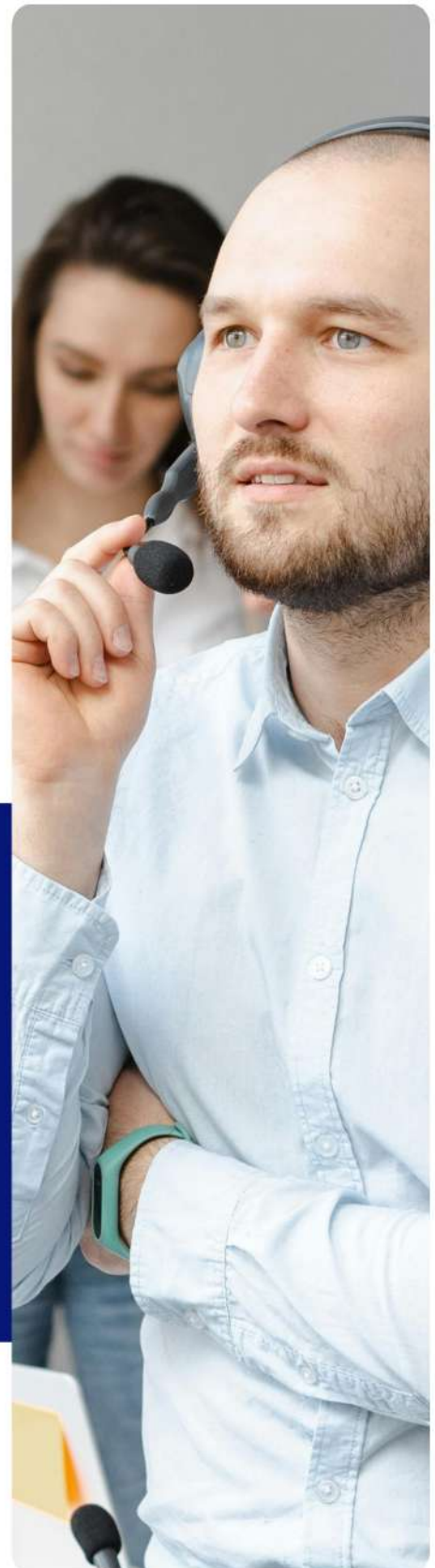
Managed service providers have traditionally acted as an outsourced IT department, serving small and midsize businesses as well as governmental agencies, NGOs, and larger firms whose financial structures made it impractical to hire an in-house IT team.

Until recently, the role of an MSP was straightforward and narrowly defined. MSPs provided basic technical support, kept networks up and running, and offered protection from cyberattacks.

The traditional MSP service offerings can be summarized as:

- ① Help desk and customer support, including troubleshooting, updates and patching, and installation of new software / hardware
- ① Server management, including managing server outages and backups
- ① Network services, including managing LAN / WAN / WLAN
- ① Internet security, including monitoring data privacy, scanning for cyberattacks, and addressing malware and other online threats

That model is gradually changing, however. The current economic landscape has created a number of challenges for MSPs, making it crucial to evolve to meet the new realities. As we'll see, looking overseas for offshore support is one of the best ways to do just that.



What Challenges Do MSPs Face Today?



Here are some of the toughest obstacles to achieving growth as an MSP.

Customer Churn

The average retention rate for MSPs is estimated at 90%. This means there's an average churn rate of 10%. That might sound promising, but it's important to stress that this is only an average; many MSPs are struggling with a much higher churn rate.

Customers leave MSPs for a number of reasons, but issues like poor customer service and inadequate support tend to top the list. Some customers are also reducing their IT budgets as part of a larger belt-tightening regiment. This can spell disaster, at least in the short term, for an MSP whose business relies on providing basic IT services.

Having a full stack of service offerings can help protect MSPs against customer attrition in this areas. Clients who cancel their IT services may still keep their cloud services, for example.

Increased Cyberthreats

Cyberthreats continue to multiply, and most clients are painfully aware of the danger they're in. Failing to adequately protect customers can quickly lead to client attrition.

MSPs need to actively demonstrate that they are able to protect clients against cyberthreats of all kinds. It's worth noting that MSPs themselves are subject to cyberthreats, and it's important for organizations to protect themselves adequately.

Increased Competition

In a globalized, digitalized world, MSPs face constant competition from every corner. Successful companies need to outperform the global competition by delivering a higher level of services and a greater degree of personalization.

Increased competition has also fueled a rise in customer expectations. The increased demand for high-quality, personalized service is the single most significant driver of change in the MSP market.

Addressing the Shift in Client Expectations



Today, successful MSPs offer a far wider array of services than in the past.

Changes in technology, like the shift to cloud-based subscription services, business intelligence, and artificial intelligence, have all resulted in greater expectations for MSPs. The line between managed service providers and related business models – like VAR's, ISV's, and Si's – has blurred, and many customers expect MSPs to act as a one-stop-shop for all of their networking and computing needs.

Given all these expectations, it's no wonder that many MSPs report that their resources are being overstrained and they are not achieving the growth levels they hoped for. Reports on profitability vary: data from Service Leadership, for example, shows that 28% of MSPs are failing to turn a profit, while other sources suggest that the figure is more like 16%. The bottom line, of course, is that both figures are too high, and most MSPs have good reason to feel concerned.

With the constant threat of customer attrition hanging over their heads, MSPs can't cut back on services – but for MSPs wholly dependent on in-house staffing, meeting clients' expectations can be a heavy lift.

That's why many of today's successful MSPs are looking beyond their shores and are strategically outsourcing a number of their workflows.

Well-planned offshore outsourcing gives MSPs the capacity to provide solid IT services while expanding their service offerings. Offshore outsourcing gives MSPs access to a global talent pool of IT professionals, with access to cutting edge AI and automation tools. The result is an expanded service offering that yields better outcomes for clients and gives core employees more time to focus on delivering personalized insights to every customer.

Delivering Value as a Managed Service Provider

Today's leading MSPs play a hybrid role for their clients. They continue to provide the traditional MSP services like network support, server management, and cybersecurity. At the same time, successful MSPs are meeting the escalating IT needs of their clients by taking on a proactive, advisory role.

That entails creating long-term cloud computing strategies, building solutions for remote teams, and increasing security protections for devices like phones, tablets, and personal laptops. It also entails creating automated tools to ensure greater network uptime, reliable patching and data protections, and regular back-up for software and data.

Today, a large part of managed service value lies in understanding clients' business processes and goals – and designing processes to help their clients meet their short- and long-term goals. That value is expressed through customized insights and detailed, forward-looking strategies that take into account each client's goals and circumstances.



How Can MSPs Consistently Improve Outcomes for Their Customers?

Managed service providers are problem-solvers. Their value proposition lies in their expertise, foresight, and creativity, which they can bring to bear for each customer. At their best, MSPs can deliver insights that transform businesses processes, streamline workflows, and lower costs for their clients.

That value is typically expressed in services like:

- ⦿ Data analytics
- ⦿ Business consultancy, planning, and forecasting
- ⦿ Advanced cybersecurity expertise
- ⦿ Cloud solutions and cloud migration support
- ⦿ End user support
- ⦿ Solutions for remote users
- ⦿ Robust security solutions
- ⦿ Scalable service models
- ⦿ Customer-centric services

All of these services generate better outcomes for customers and can fuel long-term relationships with clients. However, it can seem daunting to try and provide these offerings. The ongoing skills gap in IT is hitting the industry hard. Even filling administrative positions, like accounting and sales, can be a challenge. That's where offshore outsourcing comes in.

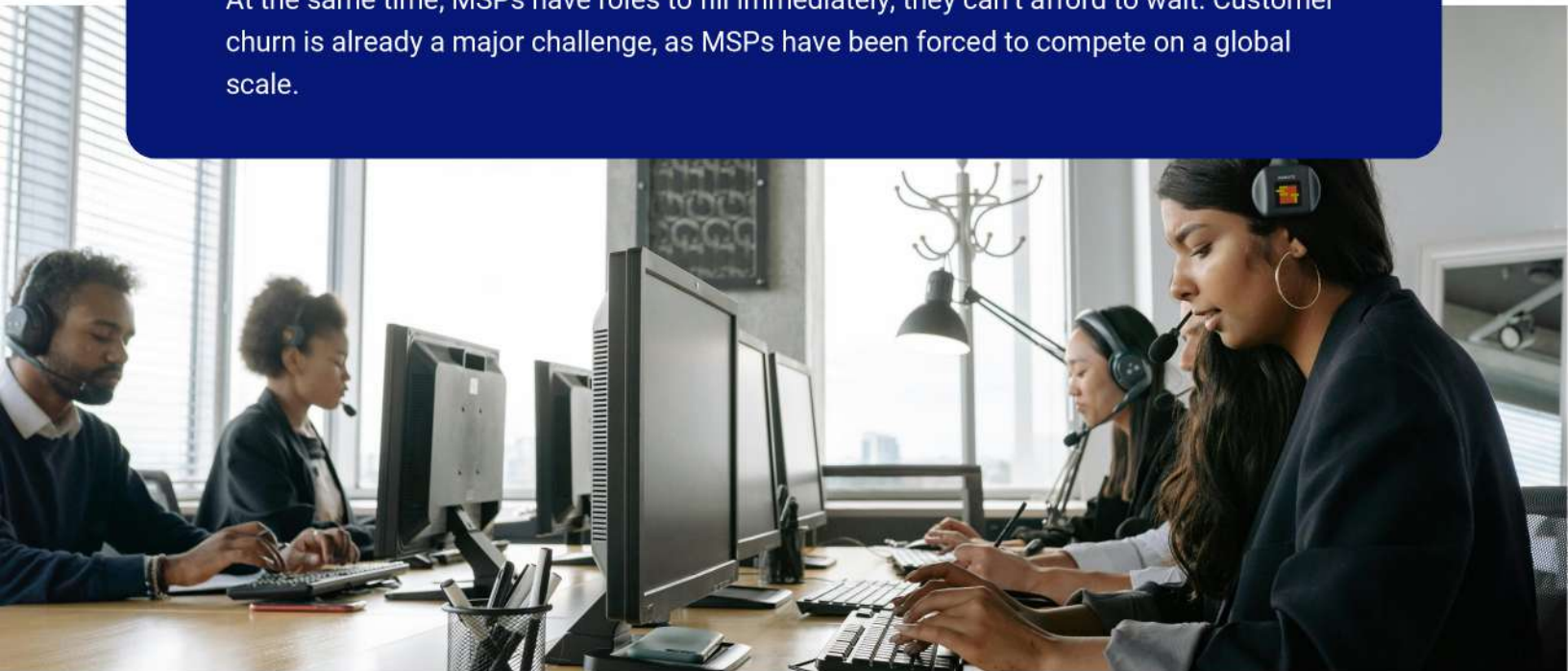


The Labor Shortage: A Problem with a Solution

The US Bureau of Labor Statistics (BLS) predicts that by 2026, the shortage of software developers will exceed 1 million. There's a similar labor shortage across all IT jobs, and it's not likely to change in the foreseeable future. BLS projects that the demand for IT workers will continue to grow "much faster" than the skilled labor pool for the next decade.

Compounding the problem, many experienced IT workers are reaching retirement age and leaving the workforce, leaving a gap in the institutional knowledge available for young workers to tap into.

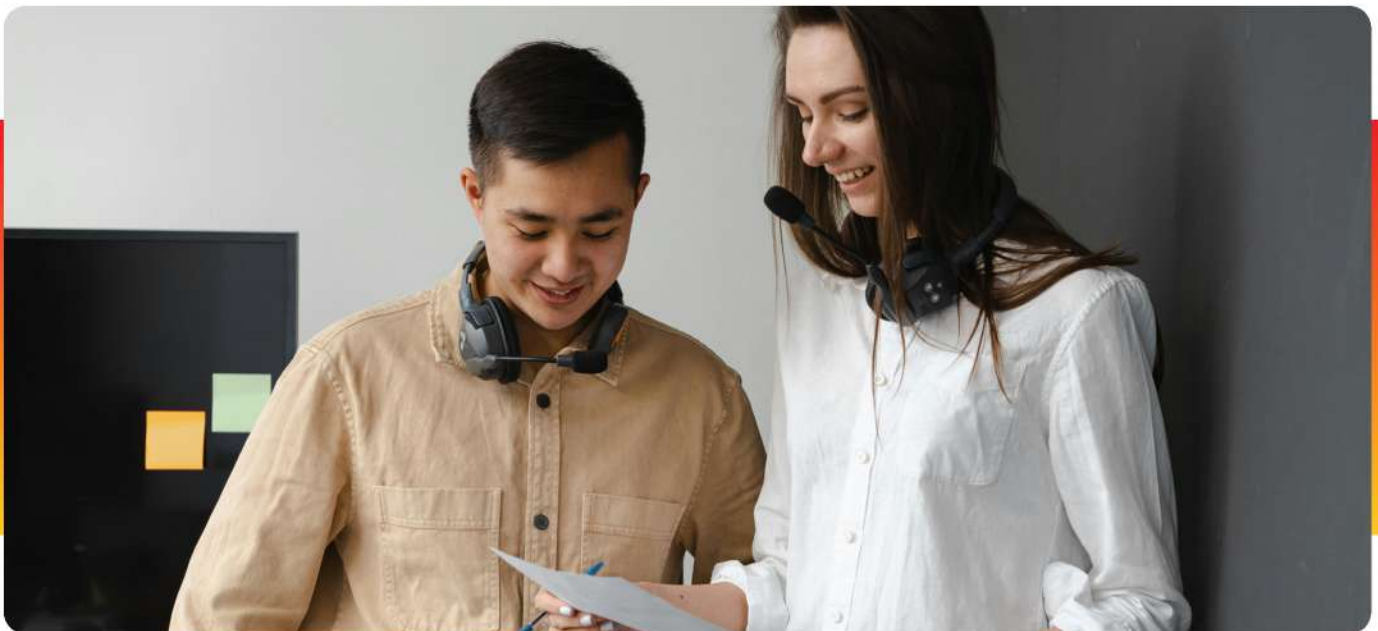
At the same time, MSPs have roles to fill immediately; they can't afford to wait. Customer churn is already a major challenge, as MSPs have been forced to compete on a global scale.



The Solution: Offshore Outsourcing

US-based companies are well-advised to look beyond their borders and tap into a larger pool of IT experts. India, Latin America, and the Philippines, for example, are home to highly trained and motivated IT and development experts, software engineers, automation experts, and more. Offshoring gives organizations access to global experts and world-class data scientists – all at a reasonable cost. Businesses can leverage offshore teams to build and implement new digital solutions for their businesses, bolster existing services, and increase operational efficiency so that they can pass along cost savings to their customers.

Done right, offshore outsourcing can transform a business, both by providing short-term labor and by provisioning MSPs with the engineers they need to automate processes. However, it's important to be cautious about exactly how offshore labor is recruited and supervised. It's crucial to work with the right partners to vet, train, and oversee offshore teams.



Questions to Ask Before Hiring Offshore Teams

Offshore outsourcing creates significant competitive advantages for just about any MSP. But the practice is most beneficial when you make careful decisions about who to hire and which tasks to assign to your offshore team.

In many ways, outsourcing is a personal decision, not a one-size-fits-all approach. It's important to consider the needs of your business and your clients when deciding which processes to outsource and which to keep in-house. That means asking critical questions, including:

- ⦿ Can I lower my costs by outsourcing this workflow?
- ⦿ Can I deliver a consistently high quality result to my clients if I outsource this workflow?
- ⦿ Will outsourcing this workflow result in more time for my employees to focus on customer-centric services?
- ⦿ Do I have the expertise to handle this workflow in-house?



What Kinds of IT Roles Should an MSP Outsource?



Decisions about outsourcing will largely depend on each company's business model and customers. In most cases, though, MSPs can benefit from outsourcing in the following areas:

Building Automated Solutions

As MSPs face escalating labor shortages and growing IT complexities, automating key processes is one of the best ways to maximize resources and improve service quality. Offshore automation engineers and AI developers can build customized automation tools.

Ideally, MSPs should be working on automating their own administrative and “back office” processes, like invoicing and accounting. They should also be automating many of the services they provide to clients, like backup and disaster recovery.

Professional Services Automation (PSA) tools can automate key aspects of project management, time tracking, and billing.

Remote monitoring and management (RMM) automatically scans client networks and provides early detection of issues, so that problems can be resolved before they cause outages. Automated patch management can routinely scan customer systems to ensure that all the necessary security patches are in place.

Automated security tools can automatically detect new cyberthreats and issue alerts.

Automated processes can also transfer data between platforms, update databases, generate reports, and even create and track helpdesk tickets.

What Kinds of IT Roles Should an MSP Outsource?



Supporting Automated Solutions

Modern automation doesn't mean that the software carries out the entire task. Rather, automation means that there is a shared workflow, in which the software takes over about 90% the task but a human worker must check the final product and resolve any issues that come up.

For example, intelligent automation tools can "read" handwritten documents and input them into a database – a valuable time saver for processing tax forms or notes on a client meeting. However, automated tools still can't "understand" written documents fully, and often need to doublecheck their readings. That's the human part of the shared workflow.

Offshore teams can take on the role of supporting automated tasks, especially since most of these tasks are not customer-facing and can be accomplished at any time of day. Time zone differences are not a problem, so MSPs can choose workers based on their skills and availability, rather than their location. In some cases, of course, automation doesn't always make sense – such as when large-scale Microsoft updates interfere with scripts – then it's a good practice to have human workers patiently carrying out these jobs. In either case – whether you need an automated solution or a hands-on approach – , offshore outsourcing is the most efficient solution available.

What Kinds of IT Roles Should an MSP Outsource?



Supporting Customer Service Teams

There's a lot of justifiable hesitancy, among MSPs, to outsource customer-facing roles like helpdesk support.

In many cases, the help desk is the primary interface between clients and their MSP. When that's the case, it's important to have that function filled by a long-time employee. However, offshore outsourcing can provide much-needed support to your in-house customer support team.

For many MSPs, it's a good practice to make the help desk a hybrid role, combining elements of automation, offshore outsourcing, and local staff. That could entail, for example, using a chatbot to answer the simplest customer queries and leveraging intelligent automation tools to generate tickets.

An offshore team can provide an additional layer of support during late-night hours. Another benefit to the "hybrid" help desk is that, depending on where you outsource the task to, you may be able to offer 24 hour assistance to your customers. Offshoring to a location at the other side of the world means that you have representatives in several time zones, ready to assist customers at any time of day.

Your offshore team can also be called on to handle many background or Level 1 projects, like resetting passwords or installing software.

Complex issues, or issues which require an on-site presence, can then be escalated to your in-house team. This ensures that clients have access to help immediately, no matter what their needs. It also means that your local employees are free to travel to clients' worksites as needed. Regular on-site visits are one of the best ways to demonstrate value to customers – and adding offshore support to your stack actually frees up your team to do more in-person services.

Potential Risks in Offshore Outsourcing

Everything carries some level of risk, and offshore outsourcing is no exception. Here are some of the potential drawbacks to working with offshore teams.

Privacy Concerns

Managed service providers have a duty to protect their client's interests and their privacy. Sensitive and proprietary data should always be kept safe. It's not unusual for clients to have privacy concerns around outsourcing. They may be concerned that offshore outsourcing could lead to data breaches, or that insufficiently vetted offshore workers could access their proprietary data.

Resolving the Issue: Steps must be taken to ensure that all workers are carefully vetted, and layers of protection should be put in place so that only authorized personnel have access to private data. It's also important to be fully transparent with your clients. Proactively discuss data privacy concerns and provide customers with details about all of the steps you're taking to protect their data.

Internal Communication Issues

Offshore outsourcing can potentially create communication problems within your organization. Unless you're careful, there's a very real potential for confusion about how tasks are assigned and approved. Managers can accidentally assign jobs to two people, or not assign them at all. When there's a language barrier, offshore workers may misunderstand requests, or fail to communicate concerns to their supervisors. This can mean that projects don't get finished up to the usual standard.

Resolving the Issue: Choose your offshore team carefully, looking for workers who have "soft" skills like oral and written communication skills, conflict resolution, and empathy. Create a clear structure for working with outsourced and offshore teams, so that the reporting structure is clear and tasks do not slip through the cracks.



External Communication Problems

Communication issues are an even greater concern when offshore workers are in customer-facing roles. Many MSPs are concerned that outsourced staff may not represent their company correctly. There's a concern that offshore teams may misunderstand the nature of the business, or misrepresent a service offering.

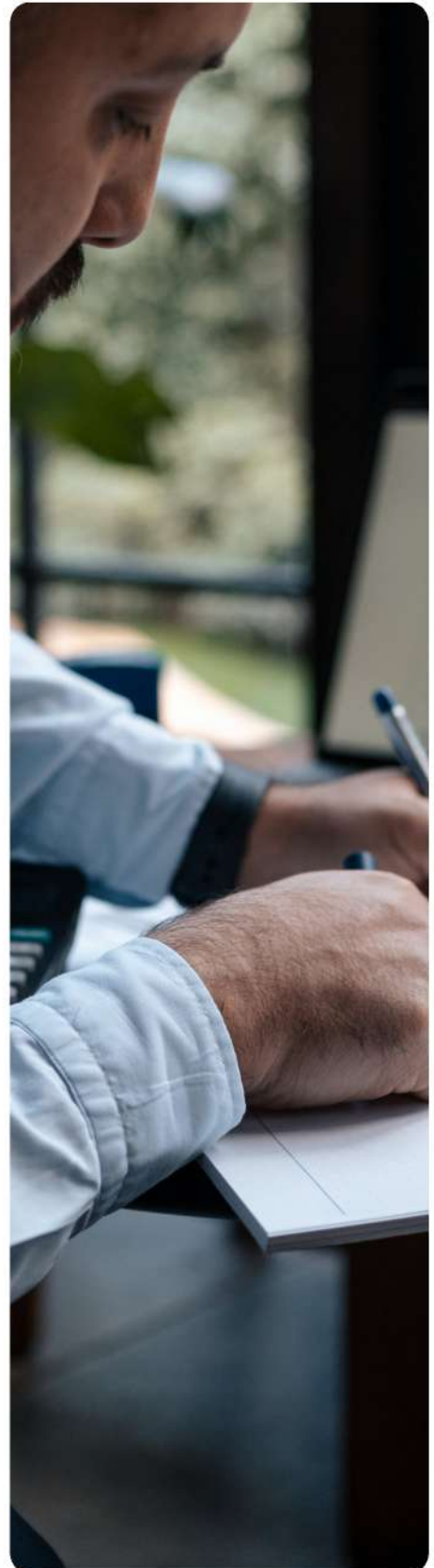
Language barriers and cultural differences can further complicate this issue. Customers want to feel that their managed service provider knows their business and understands their needs. Calls to the help desk, for example, should be frictionless and easy, with no burden on the client to explain basic details about the business.

Resolving the Issue: There are a few different approaches to resolving this issue. First, it's important to be mindful of how you assign projects. In some cases, it will make sense to put offshore staff in a customer-facing role, but in other cases it may be more effective to have those workers do background tasks. Second, it's crucial to carefully vet your offshore teams to ensure that they have the right skillset for the job you need to have done. Working with the right partner can make vetting process easy and ensure that your company has access to the best workers.

Loss of Quality

It's natural to worry about a loss of quality when outsourcing projects. Offshore outsourcing raises concerns about a loss of control over workflows, with the potential for a reduction in quality. Poorly carried out work can have a negative impact on customers and can lead to lost business and a damaged reputation.

Resolving the Issue: At the outset, creating clear benchmarks and standards can ensure that quality stays uniform, no matter where the projects are done. It's a good practice to standardize workflows and build detailed checklists into tickets, so that managers can easily check whether jobs are being performed correctly.



Potential Risks in Offshore Outsourcing

Again, vetting offshore workers is crucial in order to ensure high quality. The truth is that offshoring gives you access to a global talent pool. Offshore workers often have a higher level of specialized training and access to cutting edge tools. Working with the right partner lets you connect with these elite workers, so that you never have to worry about loss of quality.

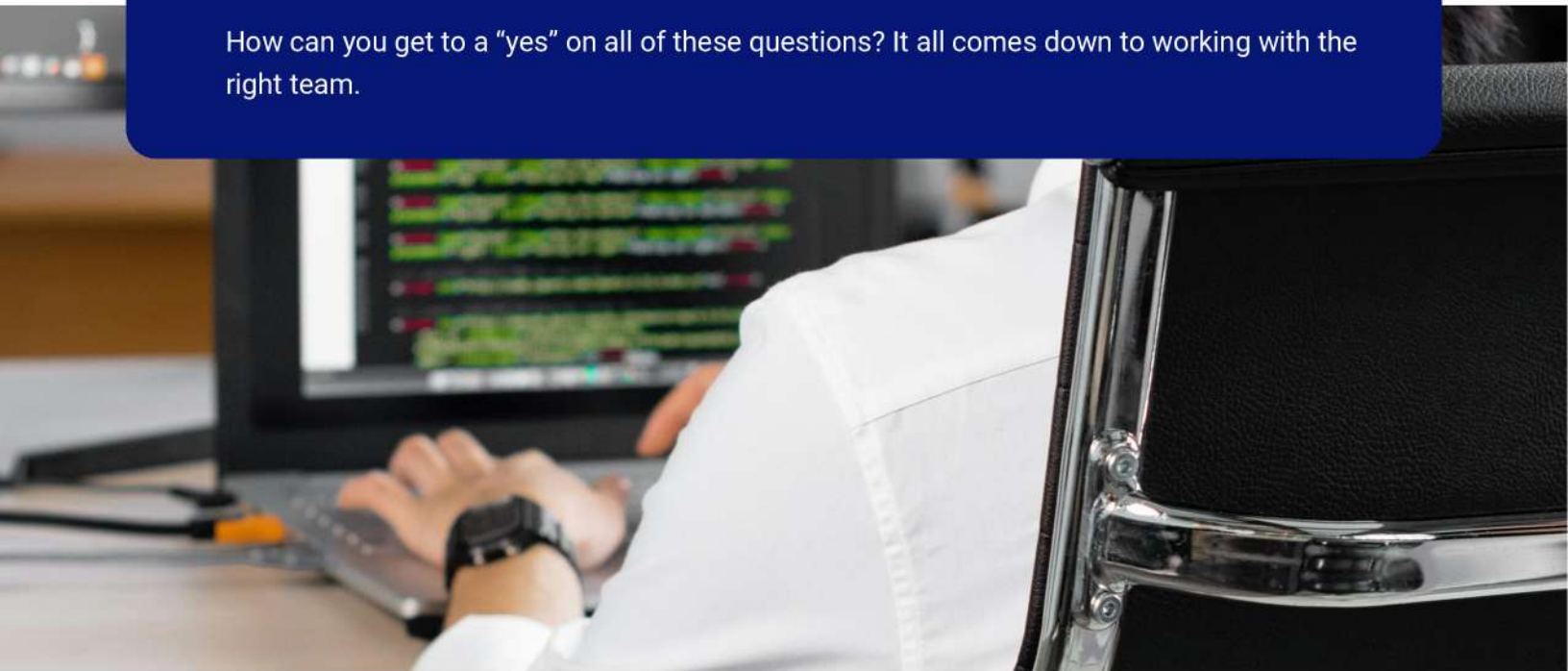


Ensuring High-Quality Outcomes with Offshore Outsourcing

Successful outsourcing largely depends on building the right partnerships and setting the right processes in place. Before launching an offshore outsourcing program, ask yourself the following questions:

- ⦿ Do I have oversight mechanisms in place to ensure high-quality results if I outsource?
- ⦿ Do I have the means to select, vet, and train offshore teams?
- ⦿ Do I have a workspace available for offshore teams, where they can access the tools they need to perform high-quality work?
- ⦿ Do I have a mechanism for handling the administrative processes associated with offshore outsourcing (taxes, hiring and firing, PTO, etc)

How can you get to a “yes” on all of these questions? It all comes down to working with the right team.



Solving Challenges and Growing Your Business with Offshore Outsourcing

There are a number of challenges inherent to offshore outsourcing. In order to resolve those challenges once and for all, it's important to work with a proven offshore staffing company – like Connex. The right staffing company has a wealth of experience working with contractors in your field. They will know exactly how to:

- ⦿ Find experienced IT experts at the right level for your needs
- ⦿ Vet new workers and check backgrounds
- ⦿ Negotiate appropriate pay scales
- ⦿ Manage payroll, taxes, and other administrative tasks
- ⦿ Serve as the employer of record
- ⦿ Provide facilities, cutting edge software tools, and equipment for offshore teams
- ⦿ Increase retention rates

Ready to start increasing your business and delivering greater value to your clients? [Visit Connex](#) today to learn how we can help you scale, evolve, and grow.





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