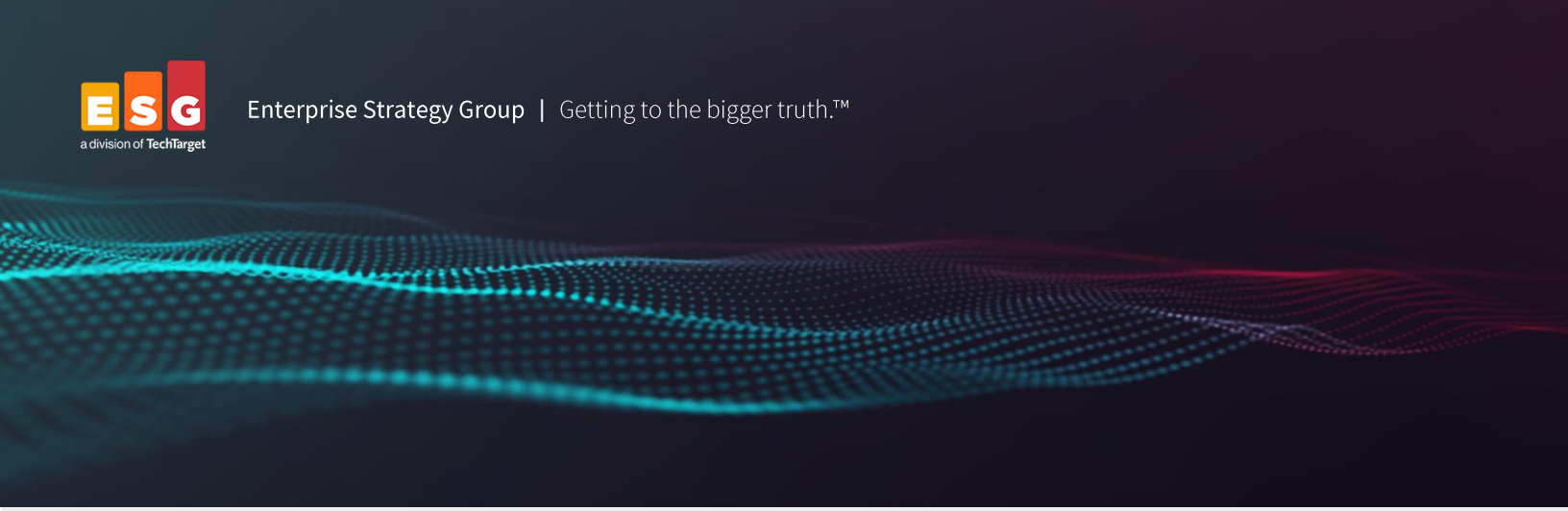


ESG WHITE PAPER

The Importance of Managed Service Offerings in Modern IT Environments

Multiple Use Cases Drive Adoption

By Bob Laliberte, ESG Principal Analyst; and Kevin Rhone, Practice Director

April 2022

This ESG White Paper was commissioned by Cisco and is distributed under license from TechTarget, Inc.

Contents

Organizations are Rapidly Transforming into Modern IT Environments

The last several years have witnessed a significant amount of change for virtually every business, and the supporting IT environment has been transforming to accommodate new workflows, consumption models, distributed IT, and distributed worker environments.

As a result, providing secure connectivity to these complex, modern environments is a requirement for all organizations. Digital transformation initiatives seek to improve business processes and enable employees with the aid of innovative technology, yet existing IT resources are already stretched thin. According to ESG research, digital transformation initiatives have accelerated, and today, more than nine out of ten (91%) organizations have initiatives underway to some extent. More importantly, those organizations in more mature stages of digital transformation are significantly more likely to increase IT spending.[1]

Figure 1. Digital Transformation Driving Modern IT Environments

Source: ESG, a division of TechTarget, Inc.

How is this transformation impacting the IT environment? For starters, the IT environment has become far more distributed, with modern applications being deployed across data centers, multiple public clouds, and edge locations. Plus, employees are scattered among corporate and home offices. ESG research[2] validates these shifts, with 95% of organizations using cloud services (IaaS or SaaS) and 63% of employees working in a hybrid or fully remote manner today, with this percentage expected to remain about the same (62%) two years from now.[3] In addition to applications and employees, there are increasing numbers of machines (IoT, IIoT, and BYOD) accessing the network that need to be securely connected.

This makes it increasingly difficult for organizations to adapt to this changing landscape and ensure that their business is able to keep pace. Network complexity continues to increase in these highly distributed environments and finding skilled

[1] Source: ESG Research Report, *2022 Technology Spending Intentions Survey*, November 2021.
[2] Ibid.
[3] Source: ESG Complete Survey Results, *2021 SASE Trends: Plans Coalesce But Convergence Will Be Phased*, December 2021.

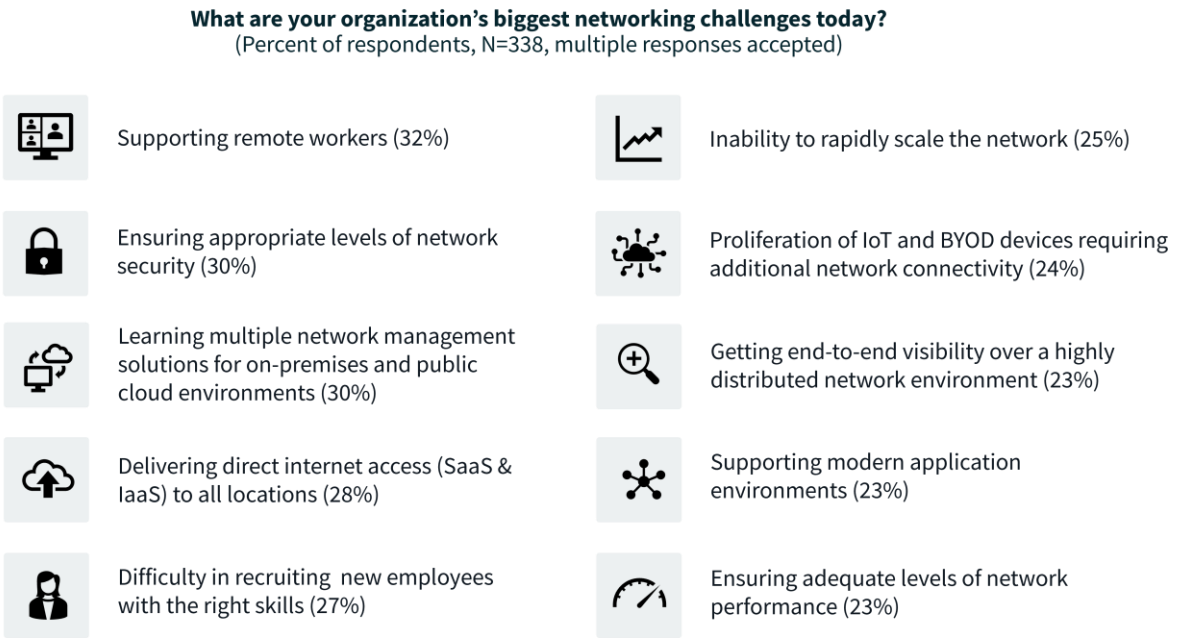
resources during the Great Resignation is difficult. As a result, more organizations are turning to managed service providers with highly skilled experts and industry-leading technology to drive the business forward and enable IT teams to focus on strategic initiatives and spend less time on performing routine tasks.

Challenges with Highly Distributed Environments

The biggest problem with these modern, distributed environments is that they are more complex, especially for networking teams that need to ensure connectivity among all the applications, IoT devices, and employees. So, it shouldn't be a surprise that more than half (54%) of ESG research respondents cite that the network has become more or significantly more complex in last two years.[4]

ESG research also validates the biggest networking challenges, as seen in Figure 2.[5]

Figure 2. Top 10 Networking Challenges



Source: ESG, a division of TechTarget, Inc.

The top challenges include:

1. Remote/hybrid work. Network teams have to deal with exponentially more complex environments resulting from hybrid work models. Just a few years ago, network teams had to ensure connectivity to 10s or 100s of remote branches and today they need to ensure it for those sites, plus thousands or tens of thousands of micro branches. In addition, existing campus environments must be rearchitected to accommodate more collaboration areas and less fixed cubicles. These new campus environments must provide support for voice and video collaboration applications and unified communication systems and deliver a consistently good experience. The safe return to

[4] Source: ESG Research Report, *Network Modernization in Highly Distributed Environments*, November 2021.
[5] Ibid.

the office is also driving the adoption of additional cameras, sensors, and other IoT devices to ensure efficient scheduling of resources.

2. Ability to securely connect organizations. These highly distributed application and worker environments create a much larger attack surface and increased risk. Operations teams struggle to deliver the requisite levels of security and maintain adequate performance. This is especially true when using legacy VPN solutions that create hub and spoke networks that drive all remote user traffic through a corporate data center to connect with cloud-based applications, typically resulting in a poor experience.

3. Too many management interfaces. As organizations continue to deploy applications in the cloud, ramp up M&A activity, and increase their digitization initiatives, operations teams are faced with learning multiple different tools for both on-premises solutions and each public cloud they connect to. A lack of knowledge can delay rollouts and hinder troubleshooting efforts when trying to correlate information across different systems.

4. Delivering DIA to remote all locations and workers that require it. As discussed above, organizations struggle to enable remote workers to have direct access to cloud-based applications and services. Legacy VPN solutions route employee traffic through centralized data centers, impacting performance. In many cases, remote sites lack the ability to connect fixed line connectivity.

5. Difficulty recruiting talent with the rigth skills. Between the Great Resignation and emerging technologies, organizations struggle to find new skilled resources and make the time to upskill existing ones. Given that ESG research also highlights that new technologies are the top driver of complexity in network environments,[6] it is not surprising that finding the appropriate skilled resources is a challenge.

6. Rapidly scaling the network. Ultimately, this complexity and lack of skills can impact the business. The lack of agility can impede a business when the time to provision network services is too great.

7. Proliferation of IoT sensors and convergence of IT and OT are driving complexity. Another area impacting network teams is the ability to adequately support emerging IoT and IIoT environments, especially those industrial environments that require specialized equipment or private cellular deployments.

8. Getting end-to-end visibility is difficult. In highly distributed environments, the internet is rapidly becoming the corporate network, but it is difficult to get observability into those environments. It is hard to optimize traffic without knowing what is going on, especially for remote workers leveraging internet connections. 99% of organizations believe it will be important (29%) or very important (70%) to have end-to-end visibility into and for all remote locations and employees.[7]

9. Modern applications leveraging microservices and containers are highly dynamic and will be distributed across public clouds and private data center and edge environments. Organizations are still gaining the experience and expertise to effectively support these environments

10. Ensuring adequate levels of network performance and customer experiences. Given many of the challenges cited above, it shouldn't be a surprise that delivering positive user and customer experiences is problematic. This

[6] Source: ESG Research Report, *Network Modernization in Highly Distributed Environments*, November 2021
[7] Source: ESG Complete Survey Results, *2021 SASE Trends: Plans Coalesce But Convergence Will Be Phased*, December 2021.

becomes increasingly difficult and is another area that need to be addressed to ensure a successful hybrid work model.

As a result of the complexity and numerous challenges, organizations are changing the way they buy and consume technology. Organizations are finding that managed services can deliver several benefits to the business.

The Shift Toward Managed Services and Network as a Service

Faced with a changing IT landscape and the numerous challenges resulting from it, operations teams are turning to managed service solutions for key technology deployments. Organizations have seen that a managed service provider's expertise can accelerate the deployment of new technology, optimize day two performance, and ensure consistent positive experiences. The next inevitable question is: Where are managed services gaining the most traction in the networking space? The reality is that a managed service model can be applied to virtually every technology area but here are several that are gaining significant traction in the networking space.

Top Use Cases for Managed Services

Technology vendors have been working with MSPs to ensure their technology is easily consumable as a managed service, and MSPs are now offering several managed IT services, including:

- SD-WAN as a Managed Service: The need to eliminate the legacy hub-and-spoke network architecture in favor of a direct-to-internet, data center, or other branch location mesh network was made possible by SD-WAN technology. However, organizations prefer to consume this technology as a managed service via traditional telcos, their trusted VARs turned MSP, and network-as-a-service provider. The key to a strong SD-WAN-managed service is not just managing the technology, but also the network links.

- Secure Access Service Edge (SASE): Another popular managed service is being driven by the convergence of network and security technologies. In highly distributed environments, the requirement is to provide secure connectivity. SASE combines SD-WAN and several security technologies to ensure organizations can enable secure connectivity to or from any application, user, or device connected to the network.

- Managed Campus or Branch Service: As organizations transform corporate campus environments and remote branch offices to accommodate hybrid work, one of the first areas that needs to be addressed is the wired and wireless network. Indeed, wireless network access points are the de facto method of connecting users (and IoT devices) in corporate campus and branch environments. As a result of the difficulties in finding and retaining skilled wireless teams that understand the latest technologies, including connecting IoT devices essential for a safe return to the office and implementing effective guest WiFi, many organizations are turning to managed service providers. These providers can also deliver services to assess, design, deploy, and manage the latest wired and wireless technology (6 & 6E) as part of an engagement. Organizations are actively reimagining the workspace to accommodate voice and video apps to ensure collaboration. To drive greater operational efficiencies, the majority of organizations are increasingly looking for solutions that unify wired and wireless. For the branch offices, the managed wired and wireless services will typically include and may even start with SD-WAN technologies to ensure direct access to public cloud services (IaaS and SaaS). Thus, organizations can leverage MSPs for wired, wireless, and WAN services.

- Unified Communication as a Service (UCaaS): The ability to effectively communicate and collaborate in a highly distributed, hybrid work model will be critical moving forward. However, organizations are shifting how they consume these solutions, away from self-managed on-premises solutions to consuming them as a service. According to ESG research, almost two-thirds of respondents (64%) prefer either cloud-delivered or on-premises managed services for unified communications and collaboration solutions.[8] This highlights that, while unified communications solutions are essential, it is preferred that in-house resources are focused on more strategic initiatives.

- Network as a Service (NaaS): For some organizations, the transition to consuming cloud-based services is creating an imperative to have that same experience in their own environments and build out private data centers that emulate hyperscaler environments. To that end, organizations are looking to have end-to-end network solutions delivered as a service that leverage consumption-based models. More than three-quarters of respondents (84%) to an ESG research survey believe it is either critical or very important to have a single management solution capable of managing end-to-end network resources.[9] This presents an opportunity for managed service providers to deliver an end-to-end managed network services solution.

- Data Center as a Service (DCaaS)/Hybrid Cloud: Organizations also need to understand that managed network services are not just for campus and edge locations. The growth in public clouds has created the need to ensure data center connectivity to public cloud service providers. As organizations look to emulate the cloud-like experience in their own data center networks, managed service providers can help achieve that goal. Plus, many can manage the public cloud as well for a full hybrid cloud environment

Criteria for Successful Managed Services Offerings

There is a clear shift toward consumption-based models and managed services by organizations as they continue their digital transformation efforts. Managed service offerings enable internal teams to focus on these strategic shifts while ensuring network environments run more efficiently and deliver better customer experiences, which also happen to be the top two goals for digital transformation.

More specifically, organizations should look for managed service partners that have:

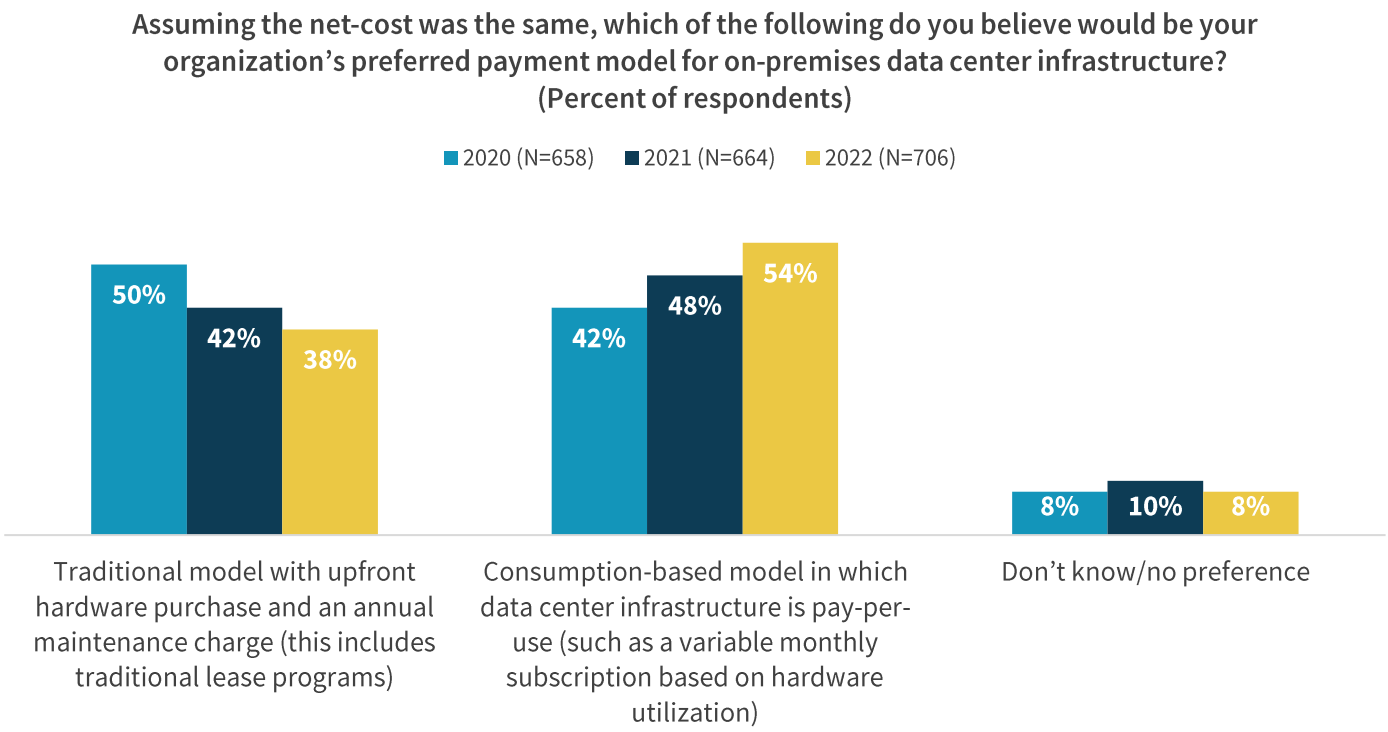
- Expertise in the space – In order to design, deploy, and manage complex network or other IT environments across an organization, it will be important to have experience, typically gained from years of deploying those technologies on premises. Also important is achieving the appropriate vendor certifications, with many vendors offering not only technology but also managed service certifications. Recognizing that many organizations' internal teams don't have the time to investigate new technologies, MSPs can play a unique role by providing upfront assessment, design, and deployment services, as well as managed services, which are typically the tip of the spear for new technologies. This is especially true for emerging or challenging areas like remote/hybrid work, cybersecurity, app modernization, and public cloud or edge.

- Consumption model for your organization's needs –As more organizations become comfortable consuming technology as a service in the cloud, they may increasingly seek this model for their on-premises technology deployments. According to ESG research, 54% of organizations want to leverage a consumption-based model for

[8] Source: ESG Complete Survey Results, *End-user Computing Trends*, February 2022.
[9] Source: ESG Research Report, *Network Modernization in Highly Distributed Environments*, November 2021.

data center infrastructure—up from 42% just two years ago (see Figure 3).10 Witnessing this trend, technology vendors are offering both consumption- and subscription-based pricing models (such as Cisco +), making it easier for partners to deliver these technologies as managed services.

Figure 3. Consumption-based Models Are Gaining Traction



Source: ESG, a division of TechTarget, Inc.

- Seamless management experience – As more solutions and IT investments lead to more management interfaces, managed services providers can bring these insights together into a more streamlined interface. And with these insights, they can deliver business ingelligence and reporting to help customers plan and adapt as their needs change.

- Trusted technology - While the ultimate goal of a managed service is to abstract the underlying technology, organizations need to be comfortable and trust that the solutions being deployed will work on day one and day 180. This means robust technology with the ability to scale to meet any anticipated and unanticipated growth. It also means that organizations know that the technology will be fully supported for the life of the service, and any previously defined policies will not have to be reconfigured based on a different vendor deployment.

The Bigger Truth

Organizations are rapidly transforming and creating highly distributed application and worker environments. As a result, the underlying IT environment (network, security, data center, etc.) has become critical to securely connecting applications, workers, and IoT devices. The distributed nature dramatically increases complexity and introduces a number of challenges for operations teams. To remain agile and responsive to changing market demands, organizations are

[10] Source: ESG Research Report, *2022 Technology Spending Intentions Survey*, November 2021.

leveraging managed service providers to help accelerate the time to value and optimize the performance and security of a variety of IT domains.

These managed services range from SD-WAN, wireless, unified communications, data centers, and even hybrid clouds. They also enable organizations to retain control of network and security policies while providing valuable insights and remove time-consuming manual network operations and troubleshooting tasks so that network teams can remain focused on strategic initiatives and establishment of corporate policies.

As modernization and transformation initiatives progress, it will be imperative for organizations to evaluate and engage with managed service providers to ensure optimized experiences, availability, and lifecycle management for critical IT environments.

Enterprise Strategy Group is an integrated technology analysis, research, and strategy firm that provides market intelligence, actionable insight, and go-to-market content services to the global IT community.

www.esg-global.com contact@esg-global.com 508.482.0188