GENERAL DYNAMICS
Information Technology

FEDSCOOP

MANAGED SERVICES RESEARCH REPORT

Managed Services: Powering Federal IT

The need for federal agencies to modernize their operations while remaining focused on their missions has prompted increasing attention on the merits of using managed service providers (MSPs).

In a new survey of federal IT and program management officials, we explore how federal agencies view managed services; the key motivators and de-motivators driving their decisions to use MSPs; and which types of managed services are likely to be in greatest demand.

Foreword

Managed services has come a long way in the last 25 years. It's no longer a one-size fits all approach to IT management, but rather an enabler to achieve customers' specific desired outcomes while providing benefits like cost efficiency, agile scalability, risk reduction and enhanced workforce support.

The delivery of outcome-based managed services is critical, now more than ever, to meet the evolving IT needs of federal agencies and support today's modernization efforts.

The enclosed research report, "Managed Services: Powering Federal IT," is the product of a partnership between GDIT and FedScoop to better define the state of managed services across the federal government. FedScoop, on behalf of GDIT, surveyed Federal IT and program management officials to gain insight into their journey to managed services.

The results show the major motivators of agencies implementing managed services as well as the primary success factors desired in managed service providers (MSPs). The preferred flexibility in the model of managed services – a preference for government and provider working together in delivery – highlights the increasing need for MSPs with the demonstrated experience and talent to support a range of IT services.

We are pleased to share the enclosed results to help federal IT leaders determine their preferred path with managed services and how MSPs can better enable IT modernization efforts.

Rob Smallwood
VP, Digital Modernization
General Dynamics Information Technology

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Executive Summary

MANAGED SERVICES have historically been viewed by federal agencies through the lens of how well they reduce total IT costs — while still allowing agencies to control their IT outcomes.

But the reasons to work with managed service providers (MSPs) have grown more varied and nuanced in recent years.

Agencies are confronting seismic shifts in technology solutions, a need for more modern IT and security skills and mounting pressures to serve the public more effectively and securely.

MSPs, meanwhile, have adapted to meet the evolving IT needs at federal agencies.

They offer agencies greater flexibility to modernize their IT systems and incorporate the latest innovations — and access to a wider pool of IT talent.

To gain a clearer picture of how federal agencies view — and are using — MSPs, GDIT in partnership with FedScoop conducted a survey of prequalified government IT, business and program managers to identify the key issues driving their use of managed services.

We wanted to learn to what extent agencies are relying on MSPs and what the types of services they're considering in the future.

We also explored the primary motivators driving their decisions to work with MSPs, the chief challenges they encounter with MSPs, and the key resources they rely on for guiding their MSP journey.

And we explored which of several managed service models that agencies are most likely to embrace — and offer some recommendations for agencies to consider as they move forward.

Executive Summary

Based on our survey of federal government IT, business and program executives, we learned:

1

Two in three federal IT, business and program executives in the survey said their agency is currently using, planning to use or considering an MSP to support their IT work.

2

Respondents identified a variety of core areas where MSPs provide value. Most (65%) pointed to staffing, but 54% cited security, 44% mentioned compliance and 41% said training and change management are among other areas where MSPs can help.

3

Reducing long-term IT costs, being able to focus more on the mission, gaining speed and scalability and reducing risks were among the primary motivators for moving to an MSP.

4

In the next five years, respondents indicated that they will seek more help from MSPs for cloud infrastructure, backup and recovery, cybersecurity, data analytics, networks/infrastructure, software development and telecommunications support.

5

Respondents stated technical expertise/experience, knowledge of an agency's specific needs and predictability of costs as the highest success factors in working with MSPs.

6

Managed service models continue to evolve. Agency respondents expressed the highest interest in MSPs that can provide a selective or flexible service, or other hybrid support models.

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Who We Surveyed

FedScoop conducted an online survey of 162 prequalified federal mission, business and IT decision makers about their agencies' adoption of managed services. The survey was conducted in February 2021.

Respondent by agency

CIVILIAN AGENCIES

58%

HEALTH AGENCIES

18%

DEFENSE/INTELLIGENCE AGENCIES
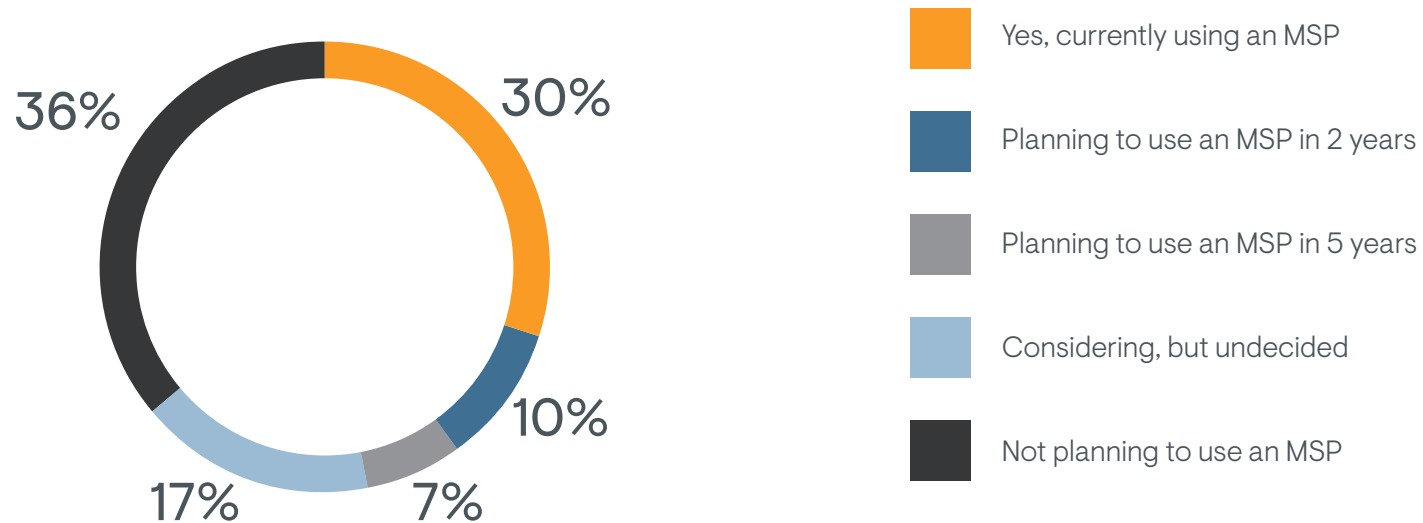
24%

Respondent breakout by job title

29% Mission, business or program management

18% IT operations management / staff

10% C-suite / executive level decision-maker

10% IT acquisition / procurement management

9% IT network / IT security management / staff

10% Other (administrative, support staff, analyst, project manager, etc.)

Agency Adoption of Managed Services

Federal agencies have a diverse range of missions, budgetary and IT requirements. Thus, the demand for managed IT services varies as well. Roughly 2 in 3 respondents however are either currently using an MSP, planning to in the next 2-5 years, or considering using an MSP.

Agencies Using or Considering Using an MSP

Q: Is your agency currently using, or planning to use a managed services provider (MSP)?

36%

30%

10%

7%

17%

- Yes, currently using an MSP
- Planning to use an MSP in 2 years
- Planning to use an MSP in 5 years
- Considering, but undecided
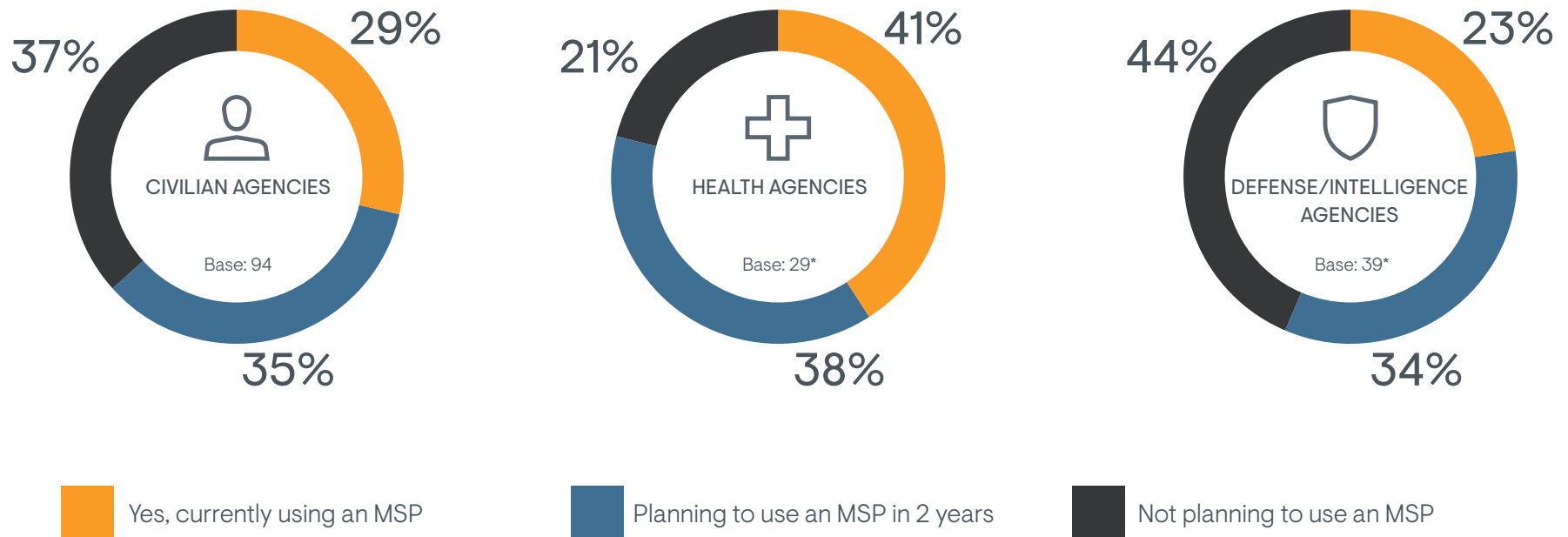- Not planning to use an MSP

Base: 162

Agency Adoption of Managed Services

Looking more closely, MSP adoption rates varied: Federal health agency respondents showed a higher incidence of MSP use, compared to defense/intelligence and civilian agency respondents. But all three groups showed a significant level of interest for using MSPs in the future.

Q: Is your agency currently using, or planning to use, an MSP?

37% 29%	21% 41%	44% 23%
CIVILIAN AGENCIES	**HEALTH AGENCIES**	**DEFENSE/INTELLIGENCE AGENCIES**
Base: 94	Base: 29*	Base: 39*
35%	38%	34%

🟧 Yes, currently using an MSP   🟦 Planning to use an MSP in 2 years   ⬛ Not planning to use an MSP

Caution: Margin of error increases with a small base

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Where Agencies are on their MSP Journey

Among respondents whose agencies are using or considering an MSP, 23% are currently piloting one or more managed service and 29% are adding IT services to their MSP arrangement.

Q: Where is your agency on its journey to using managed IT services?
   (Select all that apply)

32% Considering what IT services to transition to an MSP

30% Talking to MSPs to understand potential arrangements / SLAs

18% Issuing or reviewing RFPs

23% Piloting one or more managed services

29% Expanding use of MSP to add IT services

Don't know: 14% | Other: 3%
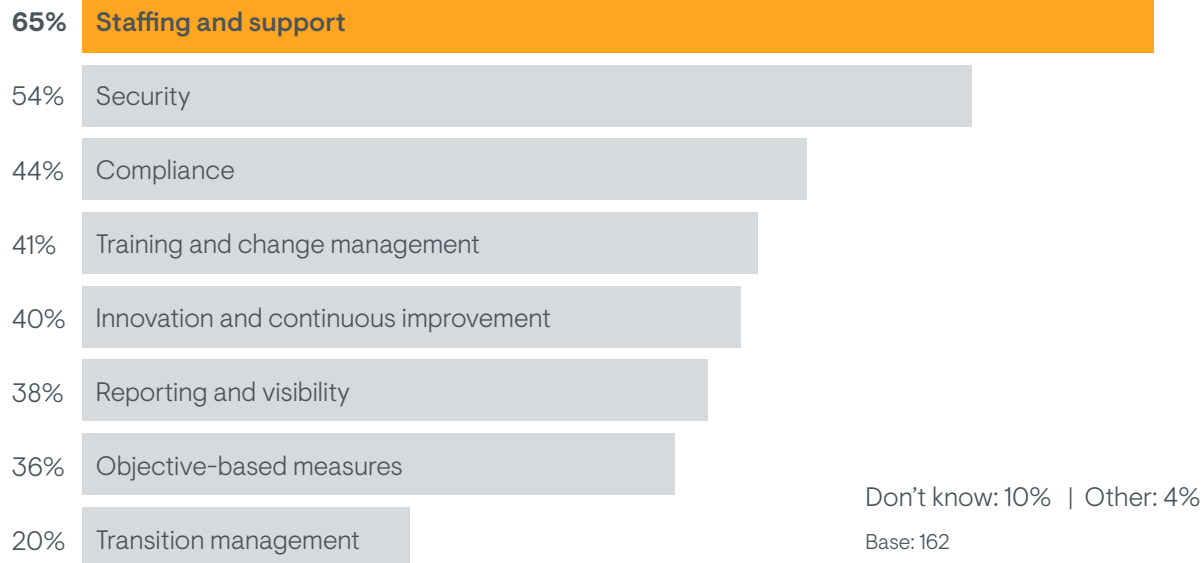
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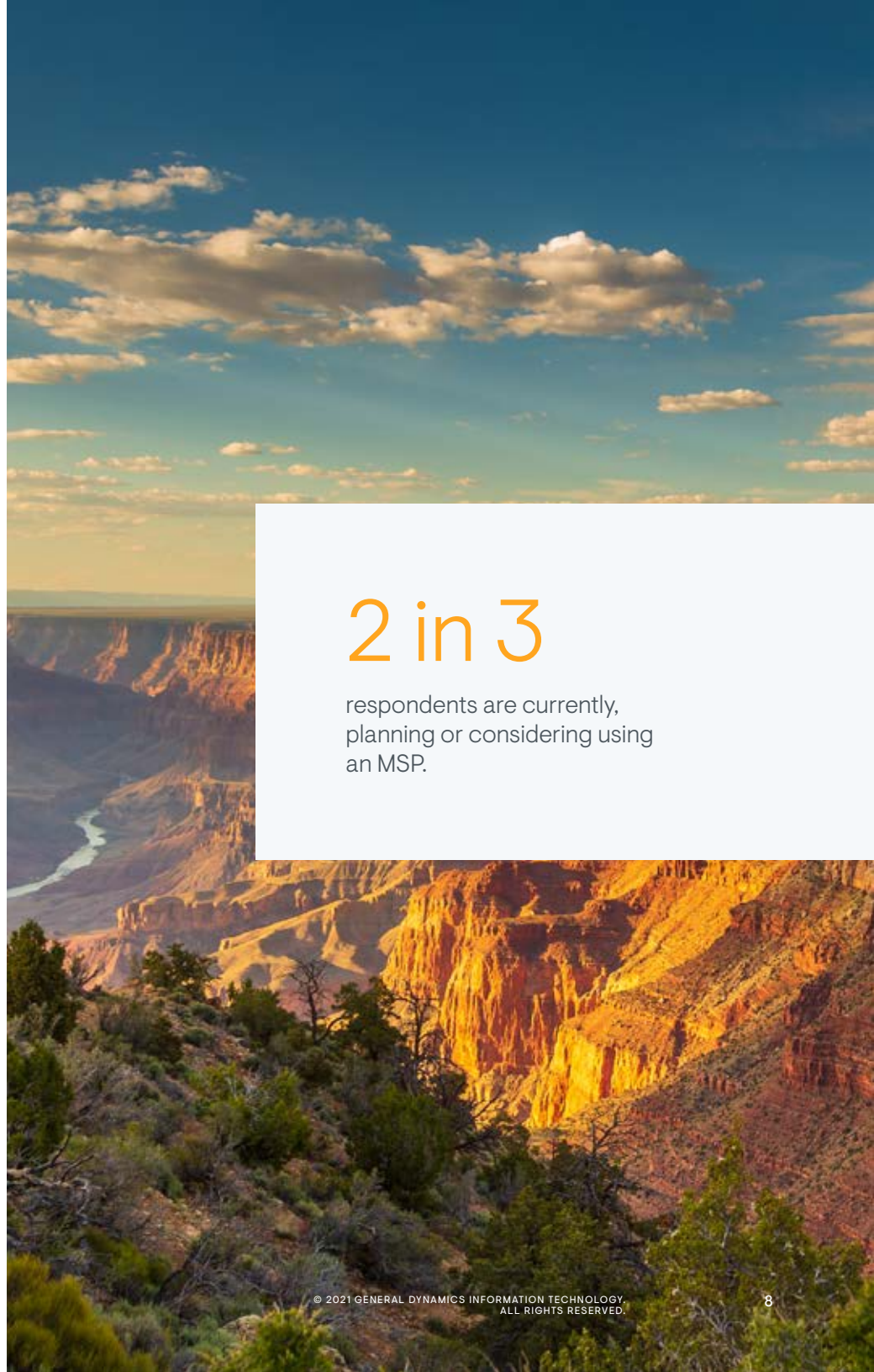
2 in 3

respondents are currently, planning or considering using an MSP.

Core Areas for Managed Services

Managed IT services come in many flavors. Federal respondents identified a variety of core areas where managed services can be applied to their operations. Staffing and support, security and compliance top the list.

Core Areas that Define Managed Services

Q: When you think of managed services, what do you consider the core areas that define a managed services model? (Select all that apply)

%	Area
65%	**Staffing and support**
54%	Security
44%	Compliance
41%	Training and change management
40%	Innovation and continuous improvement
38%	Reporting and visibility
36%	Objective-based measures
20%	Transition management

Don't know: 10% | Other: 4%

Base: 162

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Types of Managed IT Services–In Use/Outlook

Agencies see a wide range of needs for MSPs, but priorities are shifting over the next five years. The demand for help desk services, for instance, has dropped while the need for data analytic services has risen significantly looking ahead.

Moved to an MSP in Past 5 Years

Q: Which types of IT services has your agency transitioned to an MSP— in part or in whole—in the past 5 years? (Select all that apply)

31%	Support / help desk services
28%	Cloud infrastructure services
25%	Networks and infrastructure
23%	Backup and recovery
20%	Cybersecurity services
17%	Software development
15%	Print services
14%	Telecommunications & wireless services
14%	Data analytics services
14%	IT workforce training
9%	Facilities management
9%	Physical security services
8%	End-point provisioning & support / End user services

Base: 162

Considering in the Next 5 Years

Q: Which types of managed services models will your agency most likely look for from an MSP over the next 5 years? (Select all that apply)
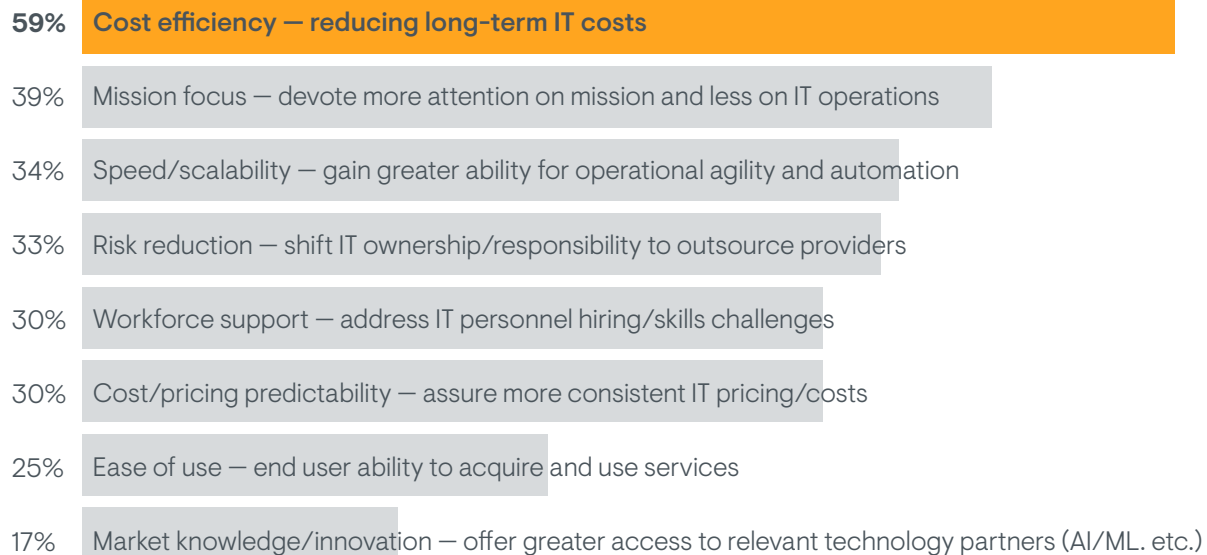
▲	**24%**	Cloud infrastructure services
▲	20%	Backup and recovery
▲	20%	Cybersecurity services
▲	19%	Data analytics services
▼	17%	Networks and infrastructure
▼	15%	Software development
▲	15%	Telecommunications & wireless services
▼	14%	Support / help desk services
▲	10%	End-point provisioning & support / End user services
▼	10%	IT workforce training
▼	9%	Print services
—	9% -	Physical security services
▼	8%	Facilities management

Motivators for Adopting Managed Services

Reducing long-term IT costs remain the biggest motivator for using MSPs. But the ability to focus more on the mission, gain speed and scalability, reduce risks and the need for workforce support are also seen as big motivators.
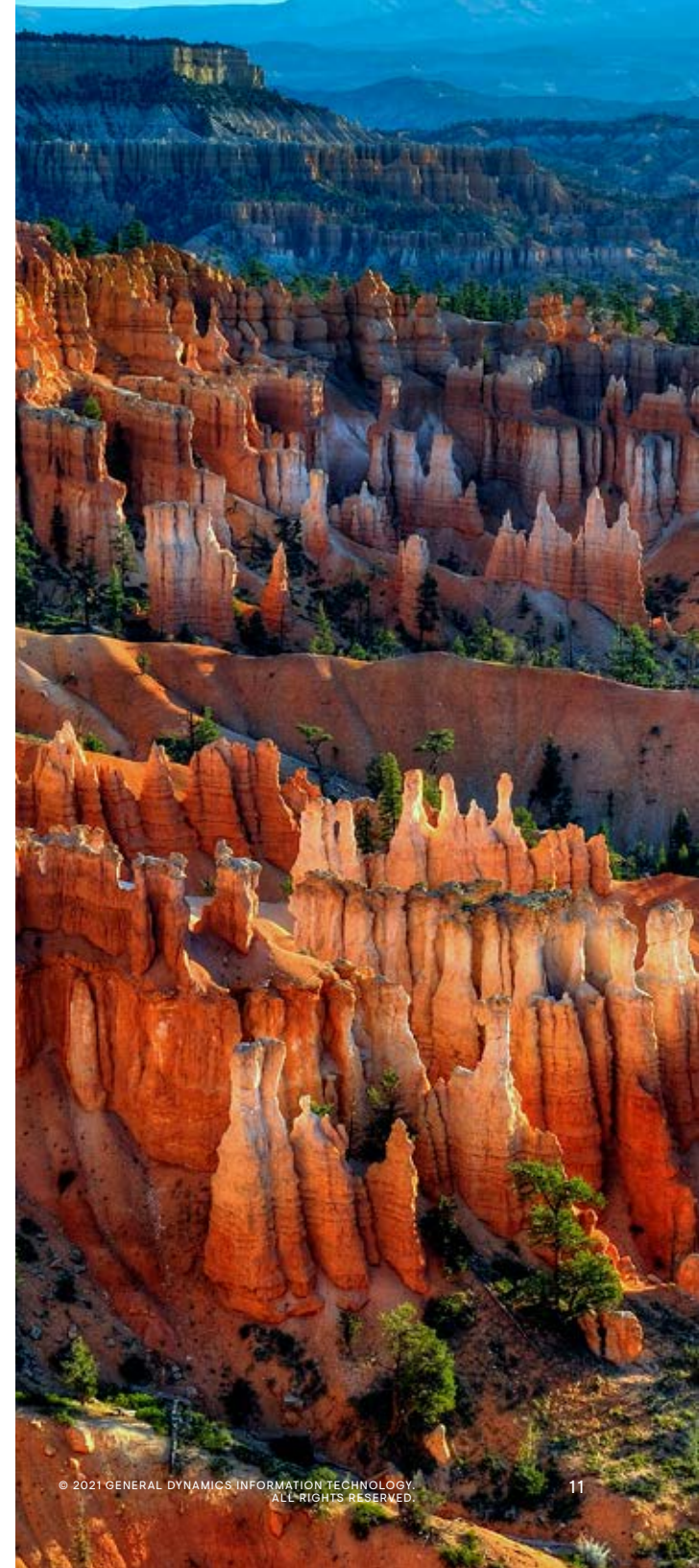
Biggest Motivators to Move to MSP

Q: What are the biggest motivators for moving your agency or division to a managed services provider? (Select up to 5)

%	Motivator
59%	**Cost efficiency — reducing long-term IT costs**
39%	Mission focus — devote more attention on mission and less on IT operations
34%	Speed/scalability — gain greater ability for operational agility and automation
33%	Risk reduction — shift IT ownership/responsibility to outsource providers
30%	Workforce support — address IT personnel hiring/skills challenges
30%	Cost/pricing predictability — assure more consistent IT pricing/costs
25%	Ease of use — end user ability to acquire and use services
17%	Market knowledge/innovation — offer greater access to relevant technology partners (AI/ML. etc.)

Other: 3%

Base: 162

Motivators: Civilian, Health and Defense Agencies

Depending on the agency focus, responses showed that different factors may drive an agency to adopted managed services.
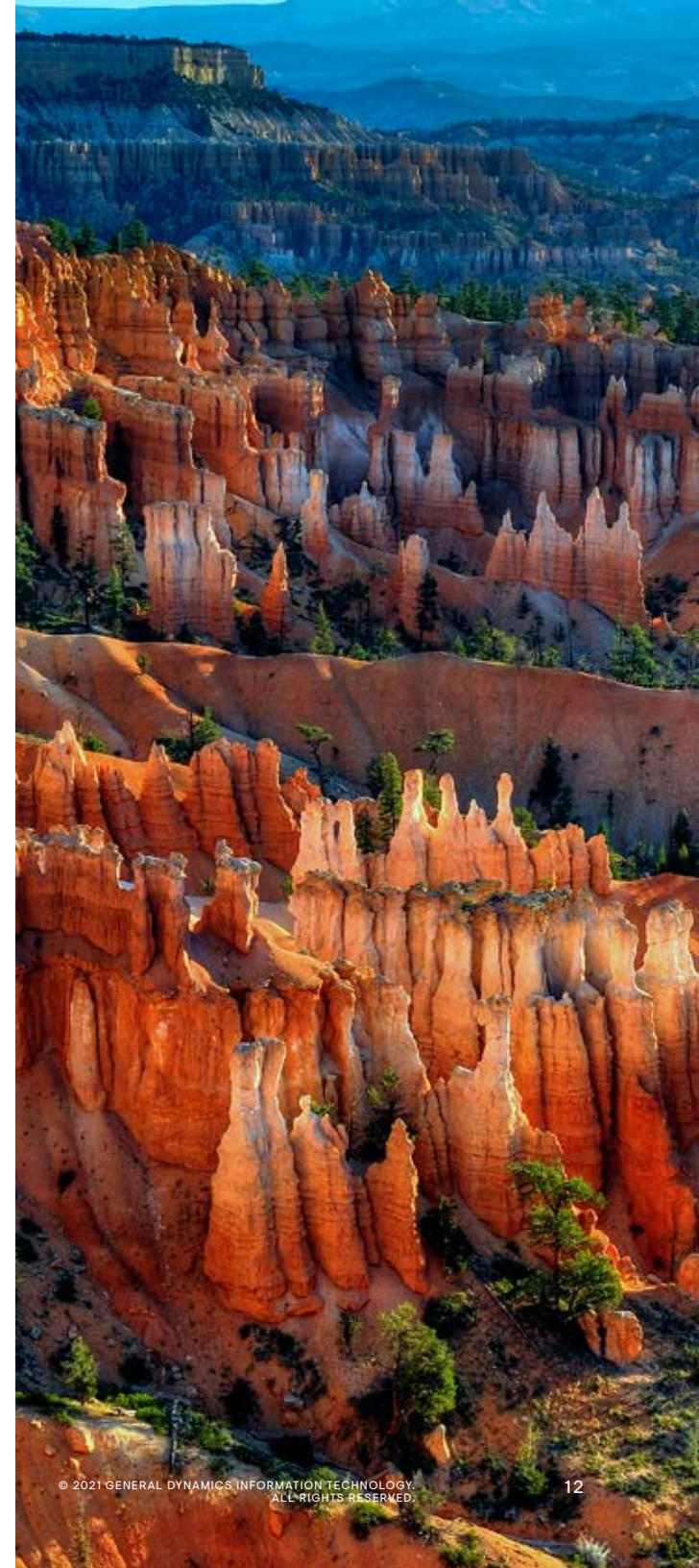
Biggest Motivators to Move to MSP

Q: What are the biggest motivators for moving your agency or division to a managed services provider? (Select up to 5)

	CIVILIAN	HEALTH	DEFENSE
Cost efficiency	**64%**	**62%**	**46%**
Speed/scalability	**40%**	21%	28%
Mission focus	**38%**	**34%**	**44%**
Risk reduction	29%	**45%**	33%
Cost/pricing predictability	28%	31%	33%
Workforce support	27%	28%	**38%**
Ease of use	24%	21%	31%
Market knowledge/innovation	18%	17%	15%
	Other: 5%	Other: 0%	Other: 0%
	Base: 94	Base: 29*	Base: 39*

Caution: Margin of error increases with a small base

Top 3 choices in bold

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De-Motivators for Adopting Managed Services

The biggest concerns standing in the way of adopting managed services revolve around how to maintain security control, unexpected costs and loss of overall IT control.

Biggest De-Motivators to Move to MSP

Q: What are the biggest de-motivators for moving IT services to an outsourced managed services provider? (Select up to 5)

55%	Concern about maintaining security control
40%	Concerns about unexpected costs or cost-overruns
35%	Risk that our agency/division will lose control over essential IT operations
26%	Difficulty in administering/enforcing service level agreements
24%	Limited perceived benefits from adopting managed services
23%	Lack of visibility into managed service providers' supply chain
23%	Difficulty in assessing and turning over ownership of agency IT assets
19%	Difficulty in translating objective IT outcomes into a fair service level agreement

Other: 5%

Base: 162

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De-Motivators: Civilian, Health and Defense Agencies

Depending on the agency focus, responses showed that different factors contribute to agencies' concerns over adopting managed services.

De-Motivators to Move to MSP

Q: What are the biggest de-motivators for moving IT services to an outsourced managed services provider? (Select up to 5)

	CIVILIAN	HEALTH	DEFENSE
Maintaining security control	**56%**	**55%**	**51%**
Loss of control over essential IT operations	**37%**	**38%**	28%
Unexpected costs or cost-overruns	**33%**	**45%**	**51%**
Difficulty to administer/enforce SLAs	24%	31%	26%
Lack of visibility into MSP's supply chain	24%	24%	21%
Limited perceived benefits from adopting MSP	21%	24%	**31%**
Difficulty to translate objective IT outcomes into a fair SLA	21%	14%	18%
Difficulty to assess and turn over ownership of IT assets	17%	38%	23%
	Other: 6%	Other: 3%	Other: 3%
	Base: 94	Base: 29*	Base: 39*

Caution: Margin of error increases with a small base

Top 3 choices in bold

MSP Success Factors

MSPs must deliver on many levels. Federal respondents said technical expertise, familiarity with agency needs and pricing predictability were the most important.

Biggest Motivators to Move to MSP

Q: Which factors are most relevant for a successful MSP? (Select up to 5)

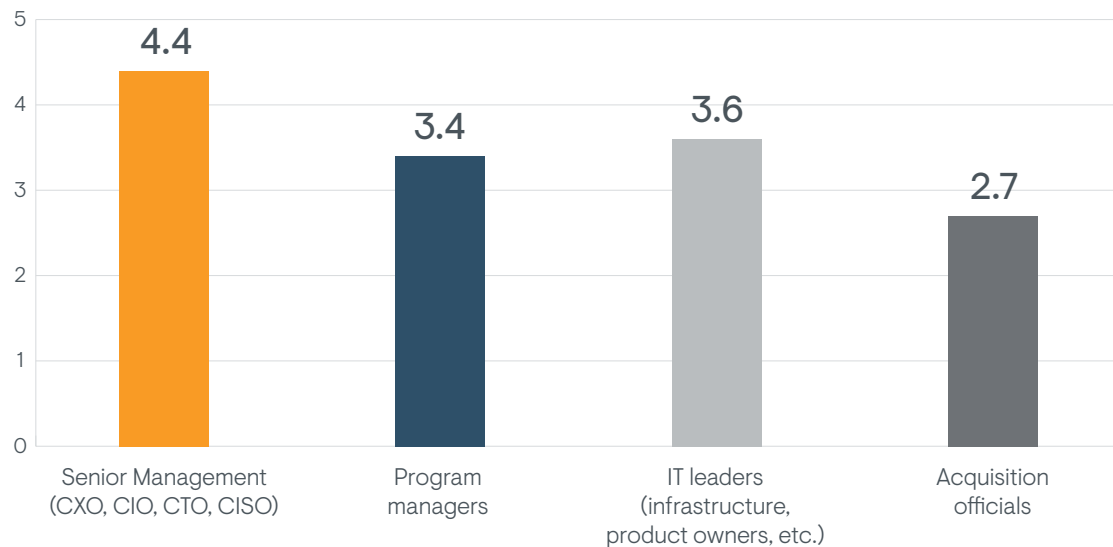|	
63%	**Technical expertise/experience**
47%	Knowledge of my agency's specific needs/IT issues
44%	Predictability of pricing/costs
41%	Stability of support team
36%	End-to-end quality of assessing/implementing/supporting IT services
35%	Transparency of managed service level agreements
32%	Ability to adopt/integrate new and emerging technologies
26%	Uptime performance
20%	Supply chain security assurance

Other: 2%

Base: 162

63%

of respondents name technical expertise/experience as the top success factor for MSPs.

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Key Influencers Driving MSP Adoption

The decision whether to use or not use an MSP ultimately involves making the case to multiple influencers.

Average Influence Ranking (weighted)

Q: Who are the main influencers on whether or not to move your agency to a managed
   services provider? (Ranked by level of influence)

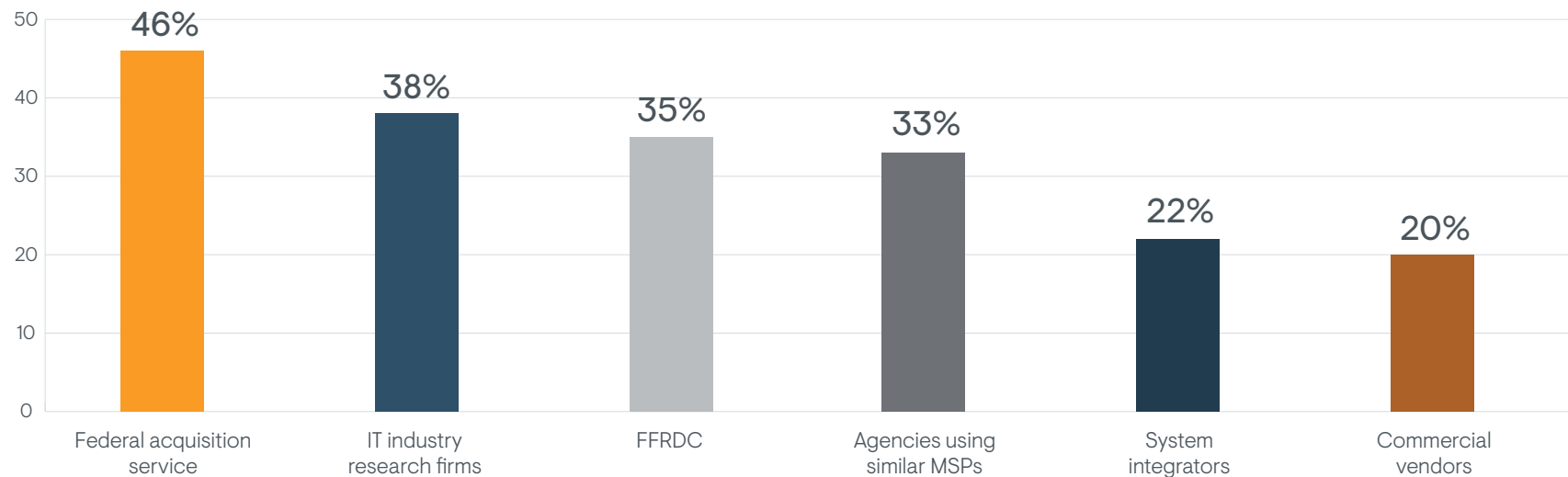| Senior Management (CXO, CIO, CTO, CISO)	Program managers	IT leaders (infrastructure, product owners, etc.)	Acquisition officials
4.4	3.4	3.6	2.7

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Key Resources for Acquiring Managed Services

Agency respondents said they look to GSA's Federal Acquisition Service, industry research firms and federally-funded research and development centers most often in guiding their decisions.

Organizations providing greatest help to acquire managed services

Q: Which organizations provide the greatest help in acquiring managed services? (Select up to 3)

Federal acquisition service	46%
IT industry research firms	38%
FFRDC	35%
Agencies using similar MSPs	33%
System integrators	22%
Commercial vendors	20%

Other: 3%

Base: 162

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MSP Outlook:
Preferred Service Models

Managed service models continue to evolve. Agency respondents expressed the highest interest in MSPs that can provide selective/flexible service or hybrid support.

Likely Managed Service Models to be Considered

Q: Which types of managed services models will your agency most likely look for from an MSP over the next 5 years? (Select all that apply)
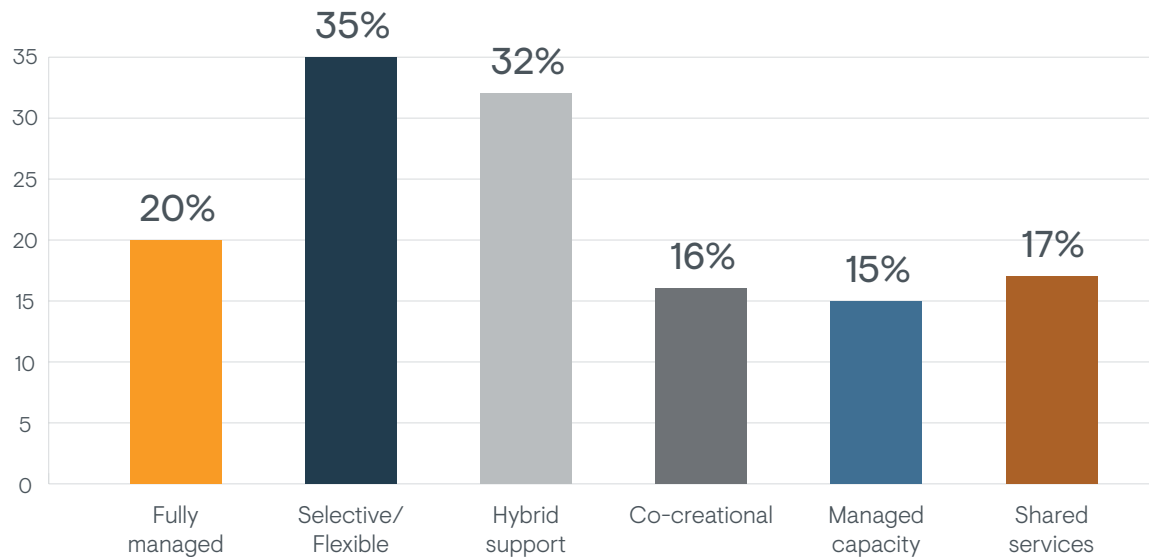
None of the above: 20% | Don't know: 20%

Base: 162

DEFINITIONS OF SERVICE MODELS

Full Managed: MSP takes full responsibility of IT system operation; usually includes highest tiers of support

Selective/Flexible: MSP permits customer to "pull" specific services or competencies as needed during a project engagement

Hybrid Support: MSP offers a mix of application support and development work; or a mix of off-shore and on-site support

Participatory/Co-creational: MSP trains staff, provides augmented support for customer to be self-sufficient
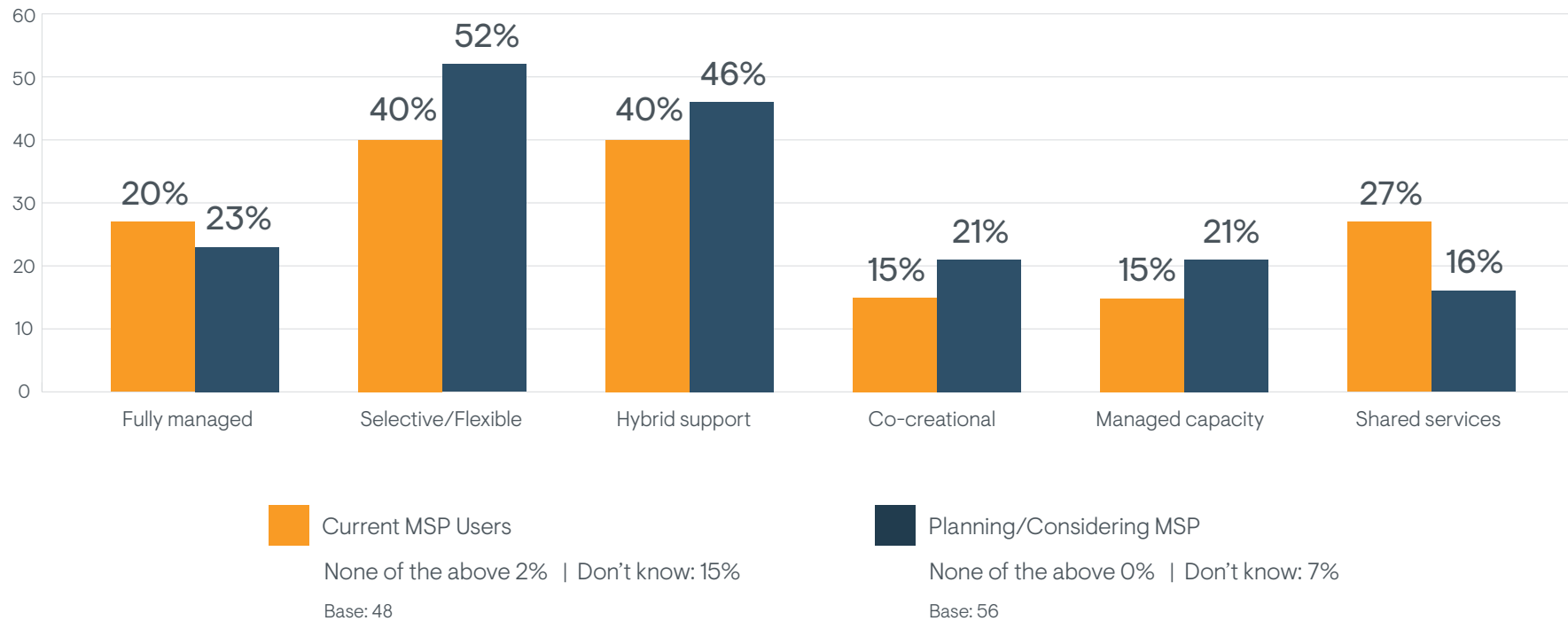
Managed Capacity: MSP provides level-of-effort staffing/teams in various forms

Shared Services: Government provides shared services to other organizations either managed or un-managed

MSP Outlook: Preferred Service Models

Respondents who are planning or considering moving to an MSP over the next 5 years expressed greater-than-average interest in MSPs that can provide selective/flexible services or a blend of support services.

Q: Which types of managed services models will your agency most likely look for from an MSP over the next 5 years? (Select all that apply)

	Fully managed	Selective/Flexible	Hybrid support	Co-creational	Managed capacity	Shared services
Current MSP Users	20%	40%	40%	15%	15%	27%
Planning/Considering MSP	23%	52%	46%	21%	21%	16%

Current MSP Users
None of the above 2% | Don't know: 15%
Base: 48

Planning/Considering MSP
None of the above 0% | Don't know: 7%
Base: 56

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Recommendations

1

While agencies say reducing IT costs is their top motivation for moving to an MSP, their total IT support costs often aren't transparent or reflected in their IT budget. Therefore, it's important to understand and identify true IT costs in order to accurately assess MSP costs.

2

Given the mission benefits of accelerating IT modernization and improving service delivery, agencies are coming to recognize that even if moving to an MSP is costneutral, or costs slightly more, it may be well worth it.

3

When considering MSPs, it's important to take stock not only of your agency's mission-related IT and security requirements, but also your agency's current and future workforce capabilities.

4

When assessing an MSP, look for providers which: 1) have experience working with government; 2) have the experience and talent to support the full array of enterprise IT services; and 3) are capable of delivering a flexible range of services — from fully-managed down to staff augmentation.

5

When establishing managed service agreements, make sure those agreements have room to accommodate new and emerging technology solutions in the future.

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About General Dynamics Information Technology

We are GDIT. The people supporting some of the most complex government, defense, and intelligence projects across the country. We deliver. Bringing the expertise needed to understand and advance critical missions. We transform. Shifting the ways clients invest in, integrate, and innovate technology solutions. We ensure today is safe and tomorrow is smarter. We are there. On the ground, beside our clients, in the lab, and everywhere in between. Offering the technology transformations, strategy, and mission services needed to get the job done.

CONTACT

Cheryl Amerine
Director, Media & Analyst Relations
GDIT
Email: cheryl.amerine@gdit.com

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About FedScoop

FedScoop is the leading tech media brand in the federal government market. FedScoop gathers top leaders from the White House, federal agencies, academia and the tech industry to discuss ways technology can improve government and identify ways to achieve common goals. With our website, newsletter and events, we've become the community's go-to platform for news, education and collaboration.

CONTACT

Wyatt Kash
Senior Vice President Content Strategy
Scoop News Group
Email: wyatt.kash@scoopnewsgroup.com