Outsourcing IT vs. hiring internal talent:

Choosing the right approach to maximize value and support your goals

TELUS® Business

What's inside

The efficiency of your technology infrastructure can be a decisive factor in your company's success. For small businesses (SMBs), managing IT effectively is not just about keeping the lights on – it's about creating a foundation for growth, ensuring operational continuity and leveraging technology to outpace competitors.

Managing your IT involves balancing operational demands with strategic goals, particularly for smaller businesses facing unique challenges like limited resources and keeping up with rapidly evolving technology. This handbook will explore the different IT management options – internal IT talent, managed services and co-managed solutions – highlighting their differences to help you find the best fit for your business needs. You'll gain a clear understanding of how to acquire the right expertise to increase productivity, enhance cybersecurity and support long-term success.

Adapting to change
The essential role of IT in SMB success

IT management involves the planning, implementation and maintenance of technology systems and services that support business operations. Effective IT management ensures a reliable technology infrastructure, strengthens cybersecurity and adapts to a company's evolving needs.

A single technology failure can significantly disrupt SMB operations, leading to lost revenue and diminished customer trust. Additionally, smaller companies are often targeted by cybercriminals due to their perceived vulnerabilities, making cybersecurity critical.

As Jean-Marc Dumonceaux, TELUS Business Virtual CIO, puts it: "Businesses that invest in advanced technology and proactive IT strategies can outperform competitors by offering superior customer experiences, streamlining operations and rapidly adapting to market changes."

For SMBs, your IT infrastructure is more than just a tool — it's a competitive advantage. The IT expertise required to manage an effective infrastructure is critical for success and the key to unlocking new opportunities and sustained growth.

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Common IT issues that disrupt small business operations

SMBs may encounter IT issues that can disrupt operations and affect their bottom line. Recognizing these common challenges is essential for small business owners and IT leaders when seeking the right expertise to address and overcome them effectively.

Here are some of the most prevalent IT challenges:

Operational downtime

Unscheduled downtime, whether due to system outages or slow performance, can severely disrupt business activities. These interruptions not only lead to immediate loss of productivity but also result in missed revenue opportunities.

Cybersecurity threats

Sophisticated cyberattacks, including ransomware, phishing scams and data breaches can compromise sensitive customer information, financial data and intellectual property.

Data management issues

The lack of a reliable backup system or an effective data recovery plan may lead to significant challenges in the event of data loss due to hardware failure, cyberattacks or accidental deletion.

Scalability

Outdated servers and systems can be difficult to manage and scale as a business grows. These systems become inefficient, costly and harder to maintain, limiting flexibility and slowing down operations.

In KPMG's 2024 CEO Outlook: Forward to fundamentals, Canadian CEOs cited operational challenges (23%) as the top threat to their three-year growth plans. Cybersecurity (20%) ranked as the second-highest concern, with SMBs feeling underprepared for potential attacks. 75% of leaders fear that generative AI may increase their vulnerability to breaches, followed by disruptive technologies, energy security and affordability.[1]

To navigate these IT challenges, businesses require a comprehensive IT management strategy coupled with the right expertise. By effectively addressing and proactively preparing for potential obstacles, SMBs can strengthen their operations and strategically plan for future business needs.

43%

of Canadian CEOs rank operational issues and cybersecurity as the biggest threat to their three-year growth plan.[1]

Key barriers small businesses may face when building their IT expertise

Small businesses often face distinct barriers in developing their IT expertise. Unlike larger organizations with extensive budgets and specialized IT departments, SMBs must often contend with limited resources and rapid technological changes. These constraints can hinder their ability to effectively leverage technology and stay competitive in the market.

The demand for skilled professionals to provide strategic guidance and support is paramount for SMB success. However, given the current talent shortages, it's essential for SMB owners to explore all options to acquire this expertise — both internal and external. By doing so, they can secure the skills and knowledge needed to develop an effective IT strategy that aligns with their goals and drives long-term return on investment.

These barriers stem from several key areas:

1. Limited budgets and resources

For many small businesses, financial limitations make it difficult to invest in technology or hire a full-time IT team. These budget constraints often force businesses to prioritize essential expenses over advanced IT solutions, potentially leaving them with outdated systems or insufficient support.

2. Keeping up with cloud migration and technology shifts

Small businesses face challenges in keeping up with cloud migration and technological shifts, as transitioning from on-premise systems to the cloud demands ongoing education and planning. Limited resources can hinder this process, leading to outdated systems that are difficult to manage and scale.

3. The need for specialized IT knowledge

IT management requires a broad range of specialized knowledge, from cybersecurity and network management to system integration. For small businesses, finding skilled IT professionals with this expertise can be a significant hurdle. The scarcity of qualified IT talent can leave businesses struggling to address complex technical issues and implement IT strategies.

80%
of Canadian CEOs recognize that the challenges of recruiting and retaining top tech talent is a threat to organizational prosperity.[2]

50%
of the data from Canadian organizations is stored in the cloud, and 22% plan on increasing cloud security budgets.[3]

74%
of Canada's SMB leaders believe it's becoming more difficult to attract and retain top talent, whether sourcing domestically or abroad.[4]

Acquiring the right IT expertise
Hiring internal talent vs. outsourcing

When sourcing the right IT expertise, businesses will need to evaluate three main approaches: hiring internal IT talent, outsourcing to managed IT providers or adopting a co-managed IT model. Each option has its own set of advantages and drawbacks, and the right approach for your business will depend on your overall objectives.

As an experienced managed service provider (MSP), we can help you navigate these options and make the most informed decision for your business, ensuring you select the approach that best supports your goals and adapts to your evolving needs.

TIP

Determine the best approach for your specific business

As a small business owner, you should be selecting the approach that aligns with your business objectives, budget considerations and growth plans. This involves evaluating whether internal IT resources or managed services will offer the most flexibility, expertise and cost-effectiveness for your unique circumstances. The right choice helps ensure your IT infrastructure supports your strategic goals and can scale with your business as it grows.

In-house IT expertise

As a small business with an IT department, your full-time team is dedicated to managing and enhancing your technology stack to address issues and support future growth. Typically led by a hands-on Chief Technology Officer (CTO), this team might include developers, engineers, UX/UI designers and security analysts. In smaller operations, the CTO can assume multiple roles, juggling various technical responsibilities.

Benefits:

Direct control and oversight: Having internal IT staff provides businesses with direct control over their technology and processes, which allows for an immediate response to issues.

In-depth understanding of the business: Internal IT professionals are familiar with the company's specific needs, culture and operations, leading to tailored solutions and support.

Personalized solutions: An internal team can develop and implement solutions that align closely with the business' goals and requirements.

Challenges:

Higher costs: Hiring and retaining skilled IT talent can be expensive due to overhead expenses including salaries, training, benefits and ongoing professional development.

Difficulty finding and retaining talent: Skilled IT professionals are in high demand, making it challenging to find and keep the right talent. Internal IT staff will take time off or leave the company, which can significantly impact continuity.

Limited expertise and coverage: A single IT professional may have limited expertise and may not be able to cover all aspects of IT management. Finding someone who can perform all IT roles, from help desk support to strategic planning, is often difficult and very costly.

Outsourcing IT to a managed service provider

An MSP enables you to integrate a wide range of functions and capabilities that you might not have the resources to support internally. They can handle day-to-day IT management, including servers, networks, user accounts and system updates, while also assisting with cloud migration, cybersecurity and strategic initiatives like developing a comprehensive IT roadmap.

Benefits:

Access to a broad range of expertise and resources: An MSP can offer access to a team of specialists with diverse skills and experience across various IT domains.

Scalability and flexibility: With the ability to scale alongside your business, MSPs allow for flexible adjustments in services based on your evolving needs.

Proactive maintenance and monitoring: MSPs often offer proactive monitoring and maintenance, reducing the likelihood of issues and minimizing downtime.

Cybersecurity expertise: Providers typically have dedicated cybersecurity specialists that stay up-to-date with the latest threats and technologies, ensuring enhanced protection against cyberattacks.

Continuous IT support: Many MSPs also offer round-the-clock support, ensuring that critical issues are addressed promptly, regardless of the time.

Challenges:

Adjusting control: While outsourcing IT management means delegating some technology decisions and processes, this can allow your internal team to focus on core business activities and strategic goals.

Communication alignment: Engaging with an external IT provider means that you need to have strong communication channels to remain aligned.

Building a strong relationship: Collaborating with a trusted external provider can foster a partnership that supports your business objectives and adapts to evolving requirements.

TIP

Identify the flexibility of contracts

External IT service providers often have flexible contracts that can be adjusted to align with your business' evolving needs, offering scalability and cost efficiency. Hiring internally involves more fixed and long-term costs, which might not easily adapt to changing requirements or fluctuating workloads. While internal talent offers valuable stability and in-depth knowledge of your company's environment, leveraging external expertise can provide greater flexibility and support as your business grows and evolves.

A hybrid approach

SMBs can also consider a hybrid IT approach that merges internal and external resources, creating a co-managed solution that leverages your in-house team's business knowledge alongside the expertise of external providers. This balance can enhance your IT capabilities, adapt to changing needs and can help ensure a flexible, effective IT strategy. However, successful implementation requires effective coordination between teams and a clear understanding of roles and objectives to ensure seamless integration and cohesive IT management.

TIP
Assess your current IT needs and future goals

Evaluate your current IT infrastructure, growth projections and specific challenges. For instance, if you expect rapid expansion or need specialized skills, external expertise may be more scalable. If your needs are stable and consistent, investing in internal staff may work for your business. This assessment helps you choose the best solution for both immediate and long-term needs.
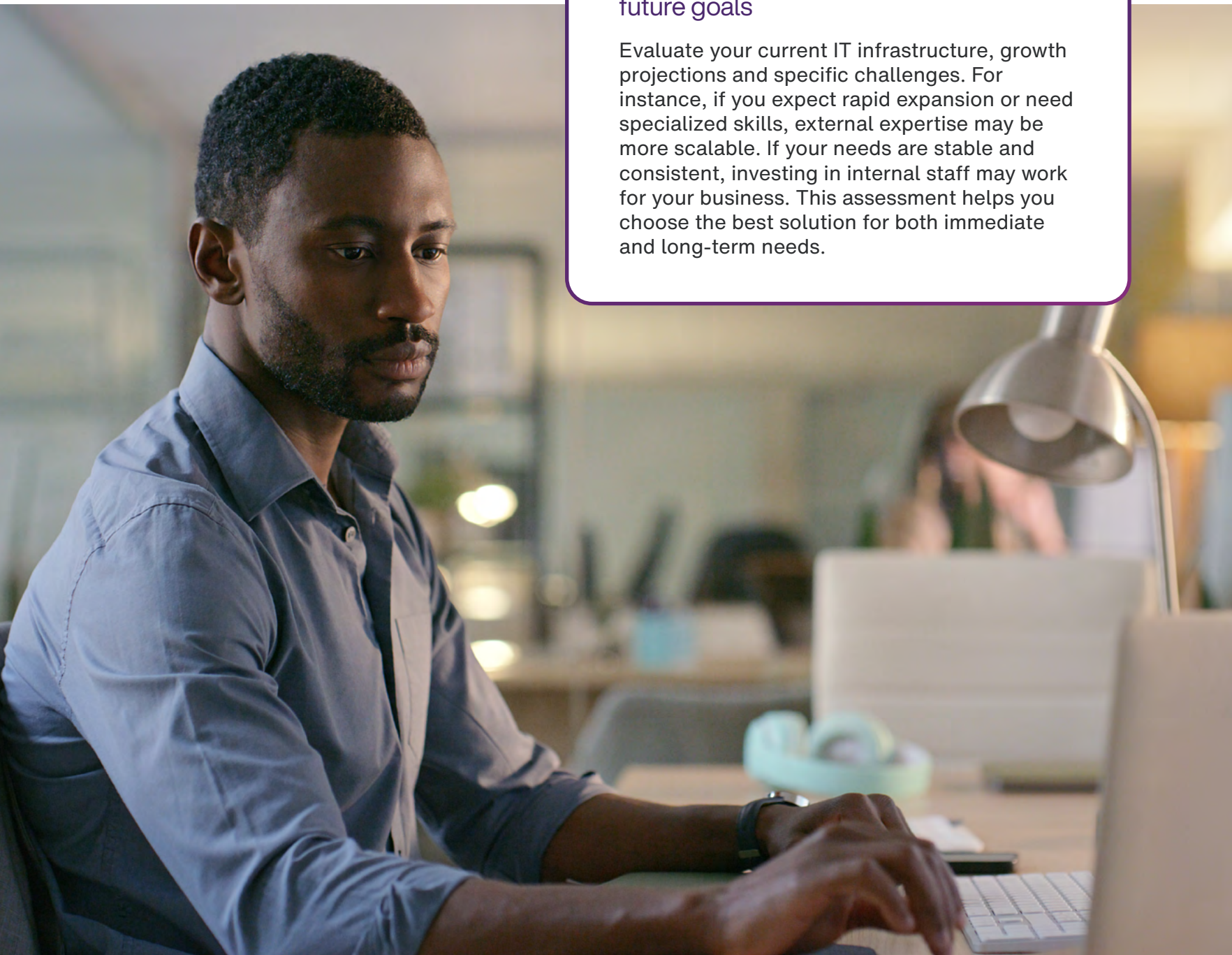
Evaluating technical and financial considerations

Small businesses may overlook key technical and financial factors when assessing the right approach. Hiring talent without thinking of long-term needs, for example, can quickly become problematic as the business grows or evolves. SMBs may find themselves needing more specialized talent and facing increased IT challenges as their needs change over time. It's important to evaluate all factors upfront to help ensure your business can scale effectively and adapt to future requirements.

TIP
Consider cost vs. value

Analyze the total cost of ownership for both options. While internal hires may seem cost-effective, external providers often offer scalability and a broad range of services that can deliver better value over time.

Taking a deeper look: Evaluating the direct costs

Category	Internal IT team	Managed service provider
Hiring and recruitment	Recruiting and onboarding new IT staff involves additional expenses, including job advertising, interviewing as well as background checks.	MSPs provide skilled professionals as part of their service, eliminating the need for SMBs to spend time and resources on recruitment, onboarding or managing employee turnover.
Employee salaries	The cost of hiring and compensating full-time IT staff can be significant, particularly for skilled professionals.	The cost of IT staff salaries is built into the service fees, eliminating the need for businesses to pay separate wages.
Employee benefits	Employee benefits, such as health insurance and retirement plans, add to the overall cost of maintaining an internal IT team.	Employee benefits such as health insurance and retirement plans are managed by the MSP for their own staff, reducing overhead for customers.
Training	Ongoing training and professional development are necessary to keep internal staff updated with the latest technologies and practices.	IT professionals are continuously trained by the MSP to stay updated on skills and technology, sparing customers the expense of keeping internal staff current.

Taking a deeper look: Evaluating the direct costs (cont.)

Category	Internal IT team	Managed service provider
Vendor management	Managing vendors can incur significant costs, including time and resources for contract negotiations, performance monitoring and support management. SMBs also face expenses for training staff to manage vendor relationships and risks associated with service disruptions or compliance issues from inadequate oversight.	Effective vendor management by MSPs helps ensure that businesses receive optimal performance, support and value from their software solutions. MSPs handle negotiations, monitor service levels and manage contracts.
Software	Internal IT teams often need to purchase software independently, which can lead to higher costs without the volume discounts or negotiated pricing that MSPs benefit from through partnerships. This may limit access to enterprise-level solutions and require businesses to invest more in software that may not fully meet their needs.	MSPs can provide multiple enterprise-level software solutions for remote management and cybersecurity as part of their service, at no extra cost. Internal IT teams would otherwise need to purchase all of these separately, whereas with an MSP, both labour and software are covered.
Service fees	Internal IT teams don't incur regular service fees, but costs arise from managing infrastructure, software and staff independently, which can fluctuate and increase over time.	Managed IT services typically involve monthly or annual fees, which can vary based on the level of service and support required.
Service packages	Internal IT teams don't have pre-defined service packages, meaning businesses must invest in custom solutions, tools and support as needed, often resulting in higher, unpredictable costs.	Many providers offer different service packages, which can include various levels of support, monitoring and management. The costs will depend on the package and the level of support needed.

Understanding the costs of IT expertise

When evaluating the best approach, cost is a crucial factor. Hiring a head of IT can cost over $80,000 CAD per year. An MSP usually charges about $2,000 CAD per month ($24,000 per year), depending on how much work the business needs. This can make in-house IT more than twice as expensive.*

Additionally, to help ensure 24/7 coverage, you would need to hire multiple staff members, whereas an MSP provides continuous support without the need for extra hires. Beyond direct costs, there's the hidden expense of lost productivity. If a key employee is spending 10 hours a week troubleshooting IT issues, that's valuable time taken away from innovation and driving business growth.

The average annual IT salaries in Canada*		vs.	Average annual cost of outsourcing IT in Canada	
Chief Information Officer (CIO)	$165,161 [5]		Managed service provider	$18,000 to $48,000
IT team lead	$86,400 [6]			
Entry-level IT professional	$58,471 [7]		IT consultant	$78,000 to $140,967 [8]

Cost breakdown analysis: Unlocking IT savings for your unique business needs

Depending on your unique business needs, **the savings could be substantial, ranging from $34,800 to $48,000 per year.**

Business needs	# of employees	Current internal IT costs	vs.	Managed services cost	Monthly savings and benefits
Small business with minimal IT needs	>20	$5,000/month (one part-time IT employee, basic infrastructure)[9]		$2,100/month	$2,900/month in direct savings, improved productivity and access to expertise
Growing business with expanding IT demands	20-50	$10,000/month (two full-time IT employees, growing infrastructure)[10]		$6,000/month	$4,000/month in direct savings, scalability and enhanced security measures
Business with frequent IT issues and downtime	50-100	~$9,200/month (one full-time IT employee, significant downtime costs)[11]		$7,500/month	~$1,700/month in direct savings, reduced downtime and proactive IT management

*The cost estimates provided in this guide are based on recent data from Payscale, Talent.com and Indeed, reflecting general industry trends. These figures are averages from 2023 to 2024 and may vary based on several factors, including the size of the business, the specific industry sector, the volume of data handled and the sensitivity of personal information involved. The insights are drawn from TELUS Business' experience in providing services to small and medium-sized businesses.

9. Based on an estimated annual salary of $60,000 CAD per year. 10. Based on an estimated annual salary of $60,000 CAD per year, per employee. 11. Based on an estimated annual salary of approximately $110,000 CAD per year.

Indirect costs associated with managing your IT infrastructure

Comparing the value of internal versus external IT talent involves evaluating many factors, making it complex to calculate – and some of these costs are less obvious. Operational factors such as productivity impact, spending on updates and security, the effects of outages and the opportunity costs of scaling should also be considered as part of your decision-making process.

By opting for managed IT services, SMBs can free up resources to focus on growth initiatives like product innovation, marketing and customer engagement, while leaving IT management in the hands of specialists.

Quantifying the financial impact of IT system failures

- **Downtime costs:** Calculate the potential revenue loss and productivity impact of IT system failures. This includes the cost of lost sales, customer dissatisfaction and employee downtime.

- **Recovery expenses:** Consider the costs associated with restoring systems and data, including potential consultant fees or emergency support.

Financial implications of IT system failures

- **Reputation damage:** Analyze the long-term effects of IT failures on customer trust and brand reputation, which can result in lost business.

Opportunity costs of not having streamlined IT processes

- **Inefficiencies:** Assess the impact of inefficient IT processes on overall business operations, such as delayed projects, increased manual work and reduced productivity.

- **Resource allocation:** Consider how resources spent on IT troubleshooting could be better utilized for core business activities and strategic growth.

Personnel and knowledge transfer risks

- **Employee turnover:** Calculate the potential disruptions and additional hiring and training costs associated with losing skilled IT personnel, which can create gaps in knowledge and experience.

- **Knowledge and documentation loss:** Consider the challenges posed by missing documentation and knowledge transfer when an employee leaves. This can lead to operational inefficiencies, increased time spent on training new hires and potential errors due to incomplete or unavailable information – especially if one employee is a subject matter expert on a variety of key technologies.

- **Over-reliance on employees:** Acknowledge the risks associated with depending on a single IT employee for critical functions. Their absence due to vacation or unavailability can result in significant operational disruptions and inadequate support. Additionally, when other employees are required to cover their responsibilities, it can lead to increased stress and burnout, highlighting the necessity for a more balanced and collaborative team structure.

"This strategic shift from IT troubleshooting to core business functions not only enhances productivity but also maximizes operational efficiency. This can position the business for sustained success and competitive advantage in the market."

– Jean-Marc Dumonceaux
Virtual CIO, TELUS Business

Customer spotlight

FrontWell Capital Partners | Finance | 30 employees | Toronto

Background

FrontWell lacked a proactive approach to IT and the expertise needed to help them modernize. They needed a provider who could upgrade devices, fix issues and offer customized services to support business needs.

Challenge

The company knew their business could benefit from IT modernization and were ready to make an investment to improve user experience, enhance productivity and achieve efficiencies to manage costs.

Results

Our vCIO team analyzed FrontWell's business needs and delivered an IT roadmap to modernize their environment. We implemented a cloud-first digital plan to support business continuity and security.

Read the case study

Making the decision
Assessing your current and future business needs

When selecting the most suitable IT management approach for your business, it's essential to consider several key factors:

Evaluating expertise and specialization needs

Determine whether your business requires general IT support or specialized expertise in areas such as cybersecurity, data management or network administration. Consider whether internal staff or external providers are better suited to meet these needs – typically an MSP can provide a deep pool of expertise in a variety of areas.

Prioritizing cybersecurity

Ensure that your IT management approach addresses security and compliance needs, including data protection, industry regulations and cybersecurity measures. Managed service providers often offer comprehensive security solutions and compliance support.

Planning for future growth and technological advancements

Plan for future growth by choosing an IT management approach that can accommodate technological advancements and evolving business needs. Ensure that your IT strategy aligns with your long-term goals and objectives.

Staying current with IT trends and best practices

Assess whether internal staff or external providers are better equipped to keep up with the latest technology trends and best practices. MSPs typically invest in staying current with advancements and industry standards.

Assessing scalability and flexibility

Consider the scalability of your IT management approach and its ability to adapt to changing business needs. MSPs often offer greater flexibility to scale up or down based on business growth or shifting requirements.

Ensuring prompt issue resolution and support availability

Evaluate the importance of quick issue resolution and the availability of support. MSPs can provide round-the-clock support and rapid response times, which can be crucial for minimizing downtime and maintaining operations.

When choosing the right IT management approach for your business, it's essential to align your IT strategy with your goals and objectives. This alignment helps ensure that your technology investments and acquired expertise drive both immediate and long-term value.

Working with an experienced MSP allows you to augment your existing IT capabilities, bringing in specialized expertise and resources that complement the strengths of your internal team. An MSP can help develop a comprehensive IT roadmap aligned with your long-term plan, helping ensure that your technology investments yield a higher return on investment. As you evaluate your options, consider the strategic benefits of managed IT services, such as continuous access to the latest expertise and technologies, scalable solutions that evolve with your business and enhanced cybersecurity.

Take IT issues off your to-do list with TELUS Fully Managed

TELUS Business' managed IT solution, TELUS Fully Managed can allow you to focus on core business activities and foster innovation, positioning your company to thrive in an increasingly competitive landscape. Our managed IT services provide comprehensive support for a wide variety of day-to-day IT needs including **managing user accounts, updating workstations, and maintaining servers, networks and Microsoft 365 services.**

Day-to-day IT management

Receive the support you need for day-to-day IT needs including employee onboarding, email and password management, VPN connectivity, user permissions and more.

Cybersecurity

Get a multi-layered approach to security to protect against cyber threats and data loss with the latest security tools, proactive monitoring and secure backups.

Tech strategy

Our Virtual Chief Information Officer (vCIO) team works with customers to develop business-aligned IT strategies that help drive impact and get a higher return on IT investment.

Connect with a managed IT specialist today to learn how we can help with your evolving IT needs.

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The information presented in this handbook comparing internal IT management with external managed IT services is based on average costs and features for typical small businesses. It's important to note that these figures and comparisons may not precisely represent your company's specific circumstances or actual costs. The realm of IT management is complex and can vary significantly from one organization to another. Numerous factors can impact IT costs and service requirements for small businesses, including the size and complexity of your operations, industry-specific regulations and technologies, your current IT infrastructure, cybersecurity needs, compliance obligations, geographic location, projected growth and the technical proficiency of your staff. These variables, among others, can lead to considerable differences in IT management costs and needs from one business to another.

While this resource aims to provide valuable insights into the general landscape of IT management options, it should be used as a starting point for your decision-making process rather than a definitive guide. For a more accurate assessment of your specific IT service costs, detailed quotes or personalized comparisons tailored to your unique business requirements, we encourage you to contact our company directly. Our team of experienced IT professionals is ready to provide you with a customized evaluation that takes into account your individual business needs, challenges and goals. This personalized approach will ensure you receive the most relevant and accurate information to make an informed decision about your IT management strategy.

References

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8. Talent.com: IT Consultant average salary in Canada, 2024