# OpsRamp

# Three Factors That Will Make
# **MSPs Successful in 2022**

*The State of the Market for
MSPs in IT Operations*

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# Executive Summary

Business is booming for Managed Service Providers (MSPs). The global market for IT and business services grew at its fastest rate ever in 2021, according to industry research firm Information Services Group (ISG). The ISG Index pegged growth at 29% for 2021, to $84.2 billion. General as-a-service (XaaS) spending was the biggest slice of that at $51.3 billion. Despite headwinds of inflation, the pandemic, supply chain issues and the Great Resignation, ISG still expects XaaS growth of 20% in 2022 along with 5.1% growth in global managed services.

ISG's numbers are based on contracts over $5 million. Gartner tracks the entire IT services market to reach a whopping $1.3 trillion this year, a 7.9% growth rate over last year, nearly three percentage points higher than the overall IT spend growth rate. Both lower-end services such as traditional IT outsourcing, colocation and application management, and higher-end services like cloud strategy and business transformation will drive this growth forward, according to Gartner.

It's clear from these numbers that IT needs a lot of help in 2022, whether in outsourcing to fill roles lost to the Great Resignation, economies of scale to cope with inflation, or cloud adoption and management to keep up with digital transformation. This report, based on a new survey of over 200 managed service providers, tries to understand how MSPs will align technology priorities, budgets, and hiring as well as adapt to the new digital challenges and customer expectations needed to succeed in a volatile but very promising economic environment.

# Methodology

OpsRamp, the digital operations management leader for managed service providers, commissioned a third party survey of a total of 211 MSP respondents in February, 2022. All respondents work at the general manager, director or vice president level in North America or Europe. All respondents are involved in selecting or recommending IT monitoring and management tools, and work at firms with at least $25 million in annual managed services revenue.

### Here is a quick snapshot of our survey respondents:

‣ Most respondents hold the role of either general manager **(42.7%)** or director **(41.7%)**. The remainder are vice presidents.

‣ **72.5%** of respondents are based in North America with the remainder in Europe.
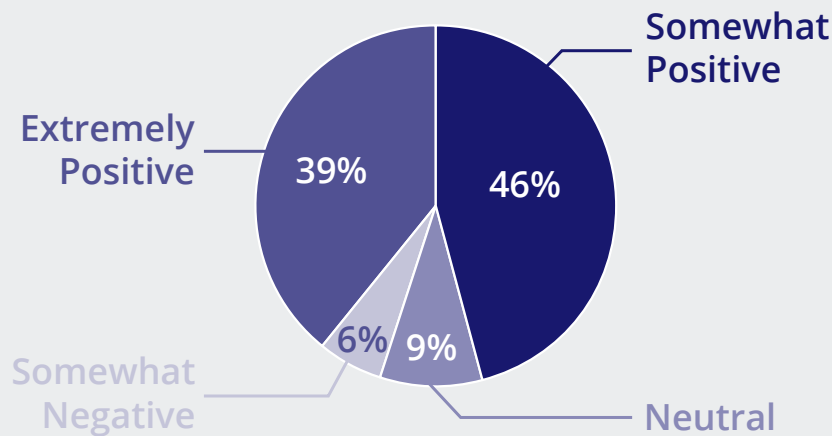
# Insight #1
# MSPs are Bullish on Growth

The International Monetary Fund (IMF) forecasts that global economic growth will drop from 5.9% in 2021 to 4.4% in 2022. The world economy is expected to slow down in 2022 as a result of slower growth in the US and China along with inflationary pressures, supply chain imbalances, and pandemic-related health issues.

However, executives from service providers in the US and Europe expressed greater optimism about the economy. **85%** of our survey respondents are either extremely positive **(39%)** or somewhat positive **(46%)** about growth prospects in 2022. One reason for this optimism could be that businesses will keep investing in technology to stay ahead of their competitors, especially as digital transformation accelerates in the wake of the pandemic. And most organizations will need outside help (from service providers) to keep their IT environments and services humming smoothly, especially as the Great Resignation takes its toll on internal staffing.
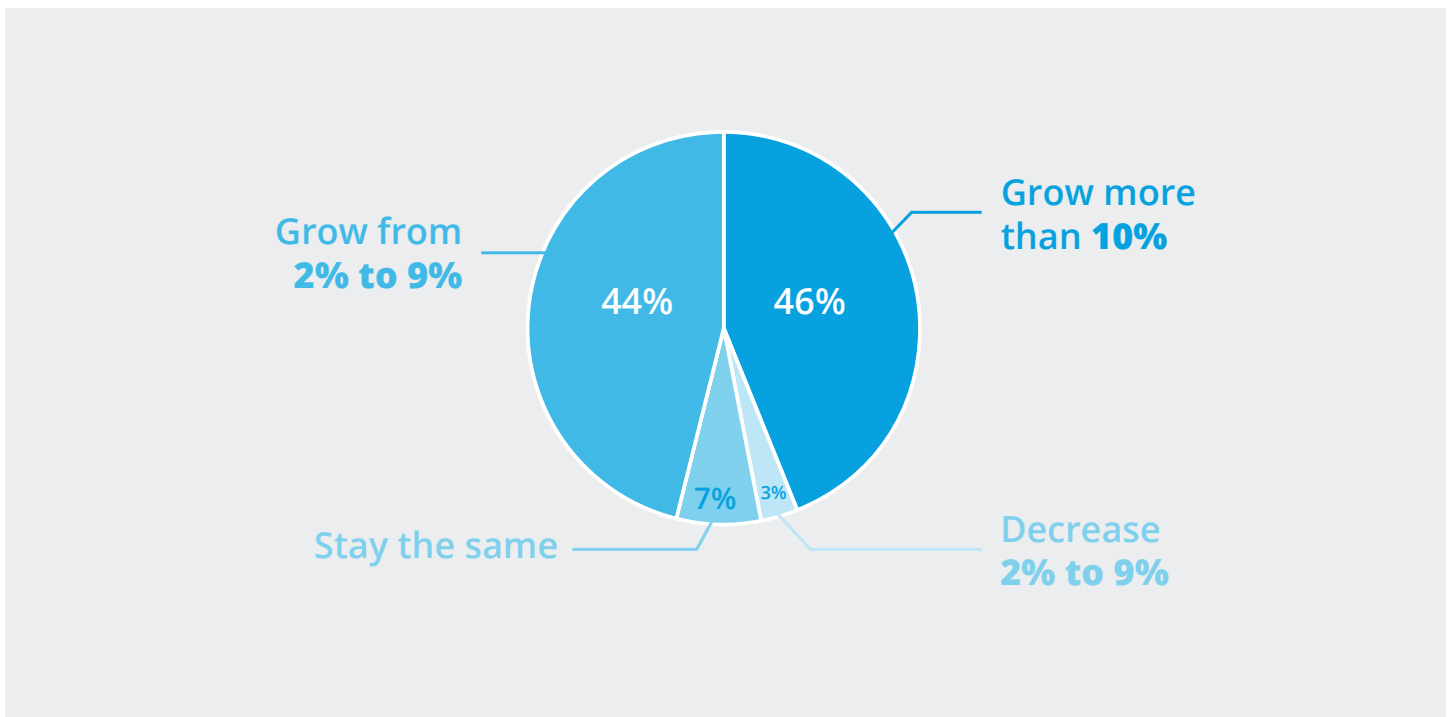
## Expectation for Economic Growth  in FY22

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# MSPs are Bullish on Growth

## Macroeconomic Growth Translates to MSP Growth

MSPs aren't just bullish about overall economic growth. They believe this will translate into an expansion of their own businesses. Nearly half of respondents (46%) expect their managed services business to grow more than 10% this year, with another 44% expecting growth rates of between 2 and 9%. Just 7% expect their managed services business to flatline in 2022 and only 3% expect to see a decline in revenue.

### Q: In 2022, how do you expect your managed services business to grow?

Grow from **2% to 9%** — 44%

Grow more than **10%** — 46%

Stay the same — 7%

Decrease **2% to 9%** — 3%

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# Insight #1
# MSPs are Bullish on Growth

## Hiring/Employee Retention and Innovation are Top Challenges to Growth

The Great Resignation and digital transformation represent opportunities for MSPs but our survey shows they also bring their own set of challenges. While MSPs can fill hiring gaps in enterprise IT and assist those organizations with their digital transformation initiatives, MSPs won't be immune from having to deal with these challenges themselves.

▸ **Employee Retention and Engagement.** Hiring and employee retention was the No. 1 obstacle to achieving steady growth and profitability, cited by 27% of survey respondents. While enterprise IT organizations may look to MSPs for help in back-filling vacated internal roles, MSPs may also struggle to find and keep good employees. An additional 21% of respondents cited employee productivity as a growth and profitability obstacle. MSPs will need to keep employees healthy and engaged to keep up with growing demand for their services.

▸ **Innovating to Keep Customers Happy.** MSPs cited innovative service offerings as their second biggest challenge to growth and profitability. While digital transformation will speed up innovation in enterprise IT, generating new opportunities for MSPs, those innovations will also be difficult for MSPs themselves to keep up with. Being able to keep up with innovation and respond to customers' digital transformation needs is essential to keeping those customers satisfied.

## Q: What are your primary obstacles to achieving steady growth and profitability

| Obstacle | Percentage |
|---|---|
| Hiring and retaining employees | 27% |
| Innovative service offerings | 22% |
| Customer satisfaction | 21% |
| Maintaining employee productivity | 21% |
| GTM alliances and partnerships | 10% |

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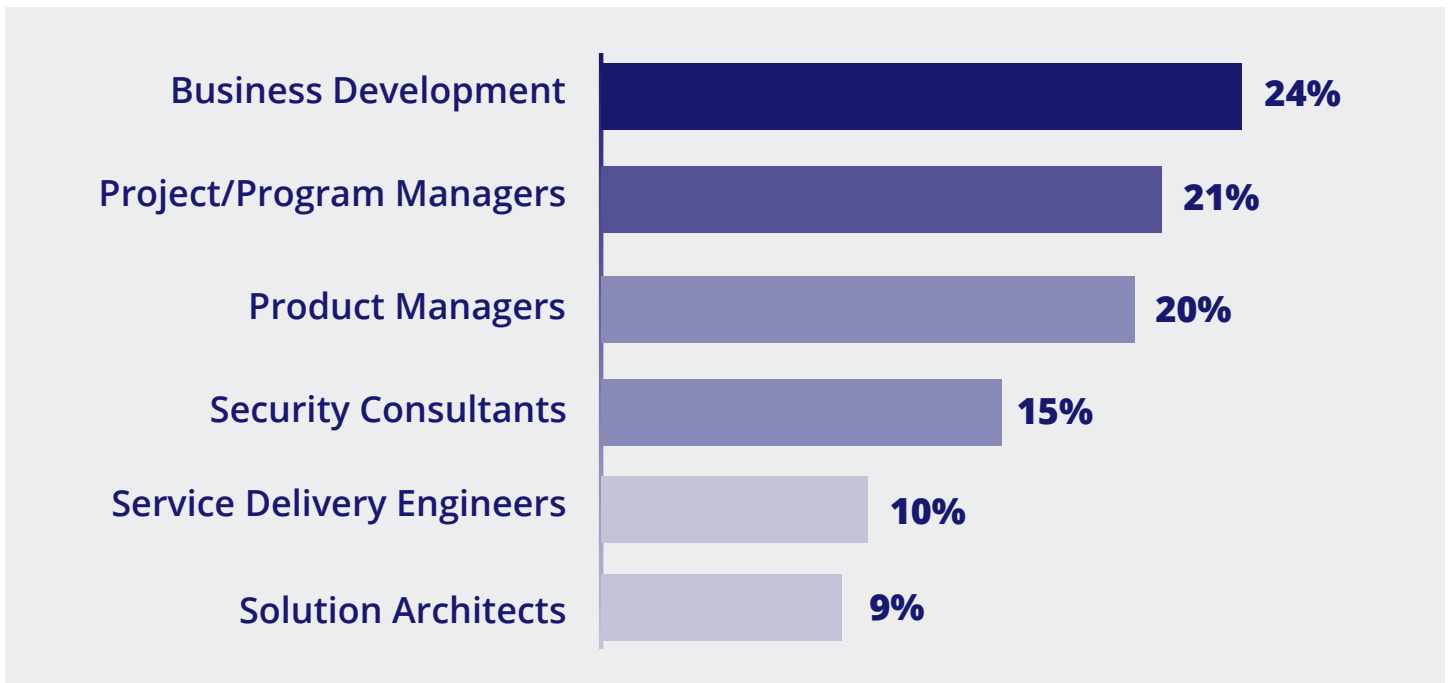a Hewlett Packard Enterprise company

## Insight #1
# MSPs are Bullish on Growth

## MSPs Need the Most Help on the Business Side of the House

More than three out of four IT decision makers report facing a talent shortage, according to Skillsoft's Global Knowledge IT Skills and Salary Report. So we were a little surprised to find that MSPs' greatest hiring need in 2022 was in business roles. Business development was the greatest need at 24%, followed by project or program managers, really more of a hybrid tech and business role, at 21%. MSPs will surely have plenty of technology roles to fill, but finding customers and managing those customer relationships to keep customers satisfied is at the top of MSPs 2022 to-do list.

**Q: What roles do you expect to hire the most in 2022?**

| Role | Percentage |
|------|-----------|
| Business Development | 24% |
| Project/Program Managers | 21% |
| Product Managers | 20% |
| Security Consultants | 15% |
| Service Delivery Engineers | 10% |
| Solution Architects | 9% |

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## Insight #2
# Technology Priorities for MSPs in 2022

We've already talked about how digital transformation initiatives in enterprise IT can drive new business for MSPs, who must then embrace innovation to keep their customers satisfied. Our survey shows that managed cloud and network services will drive MSPs' investments in 2022 with the big three cloud platforms (Amazon, Google and Microsoft) benefiting the most. MSPs themselves will need infrastructure and network performance monitoring to deliver their managed services.
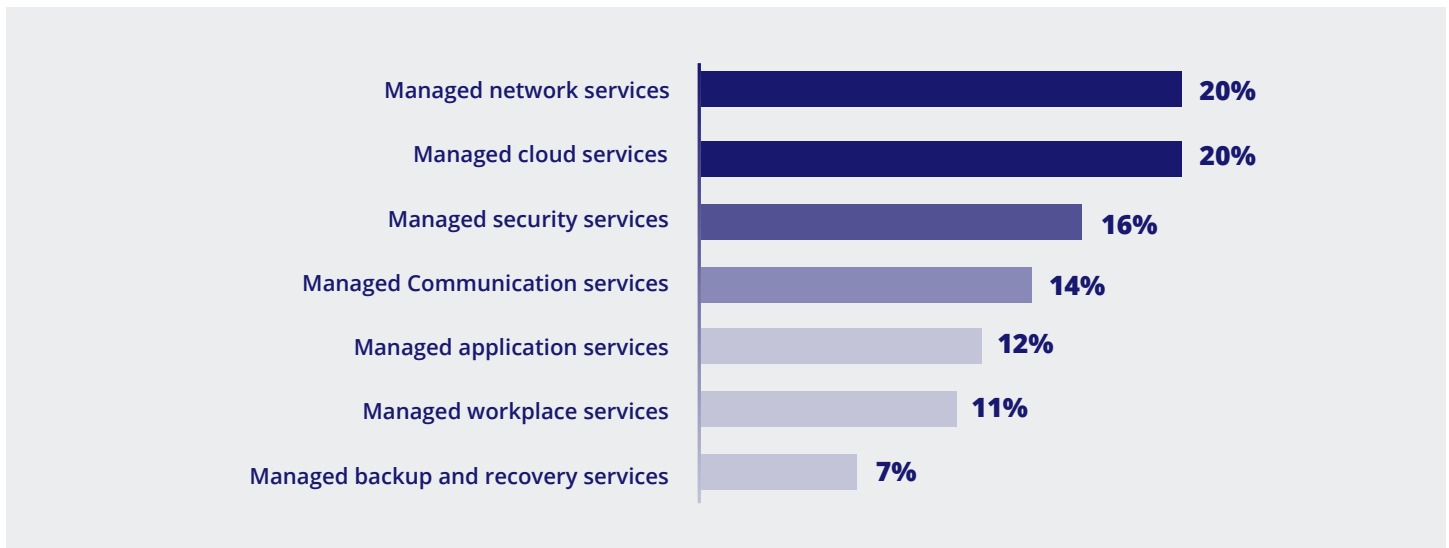
## Renewed Investments in Cloud and Network Services

The two managed service offerings with the most traction this year are cloud and network services, with 20% of survey respondents selecting each as the top category. Both answers indicate that hybrid and multi-cloud initiatives will be a top priority for enterprise IT and MSPs can help them get there.

▸ **Managed Cloud Services.** Gartner expects global public cloud spending to break the $480 billion mark in 2022, driven largely by application and infrastructure services. Enterprises will look to MSPs to provide migration, config-uration, optimization, security and maintenance services for these growing cloud workloads.

▸ **Managed Network Services.** Not everything will move to the public cloud. Just as many respondents cited managed network services as getting the most traction this year. That includes the hardware, routers, switches and networking software that runs enterprises' internal networks and connects them to the public cloud. Hybrid cloud is here to stay.

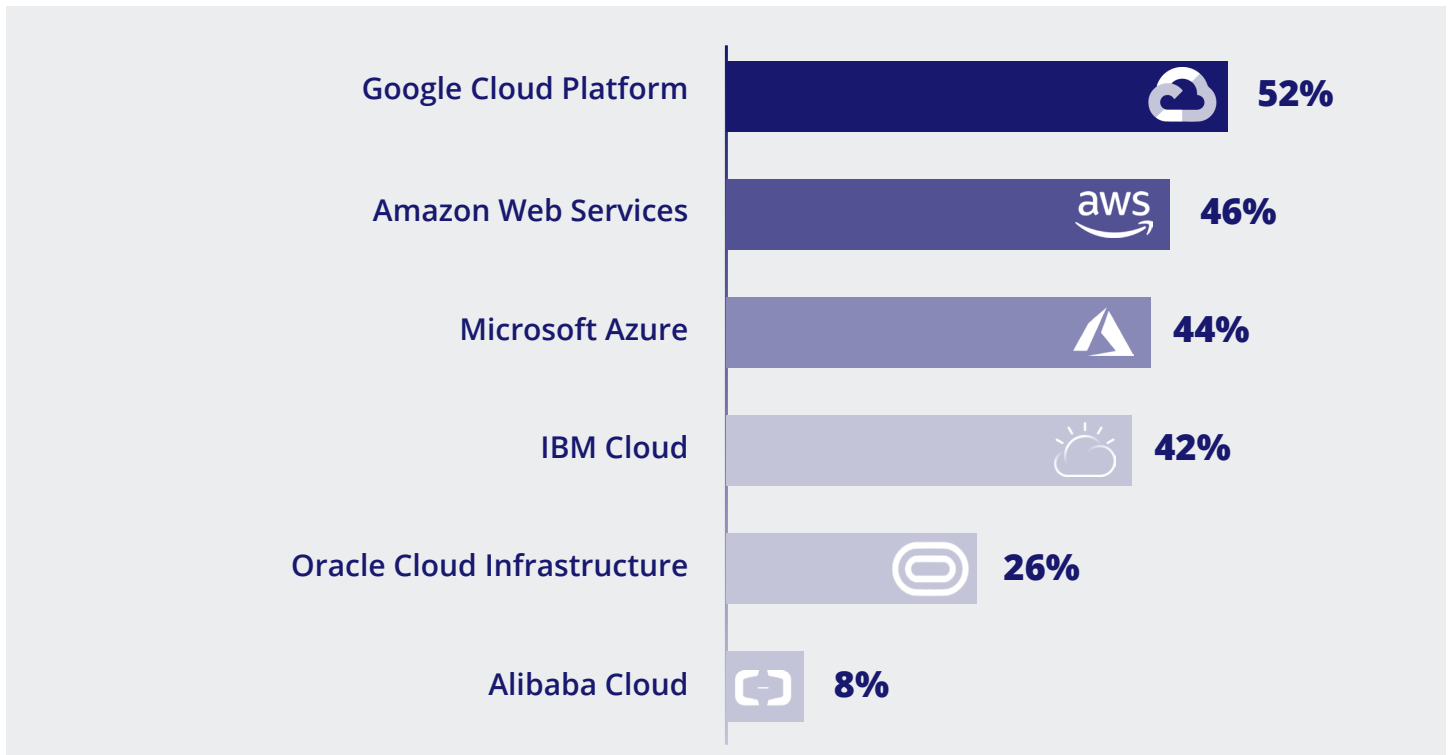## Q: Which service offering will have the most traction in 2022

| Service | Percentage |
|---|---|
| Managed network services | 20% |
| Managed cloud services | 20% |
| Managed security services | 16% |
| Managed Communication services | 14% |
| Managed application services | 12% |
| Managed workplace services | 11% |
| Managed backup and recovery services | 7% |

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**Insight #2**
# Technology Priorities for MSPs in 2022

## The Big Three Still Dominate in a Multi-Cloud World

We asked survey respondents which cloud platform their clients were migrating to. They could select more than one and most of them did, so multi-cloud is also here to stay. Not surprisingly, the big three cloud platforms, Google Cloud Platform, Amazon Web Services and Microsoft Azure took the top three spots, though IBM Cloud wasn't far behind and Oracle Cloud Infrastructure registered a respectable 26%. Different clouds meet different enterprise needs and MSPs need to support more than one.

### Q: In 2022, which cloud platform are your clients migrating to?

| Platform | Percentage |
|---|---|
| Google Cloud Platform | 52% |
| Amazon Web Services | 46% |
| Microsoft Azure | 44% |
| IBM Cloud | 42% |
| Oracle Cloud Infrastructure | 26% |
| Alibaba Cloud | 8% |

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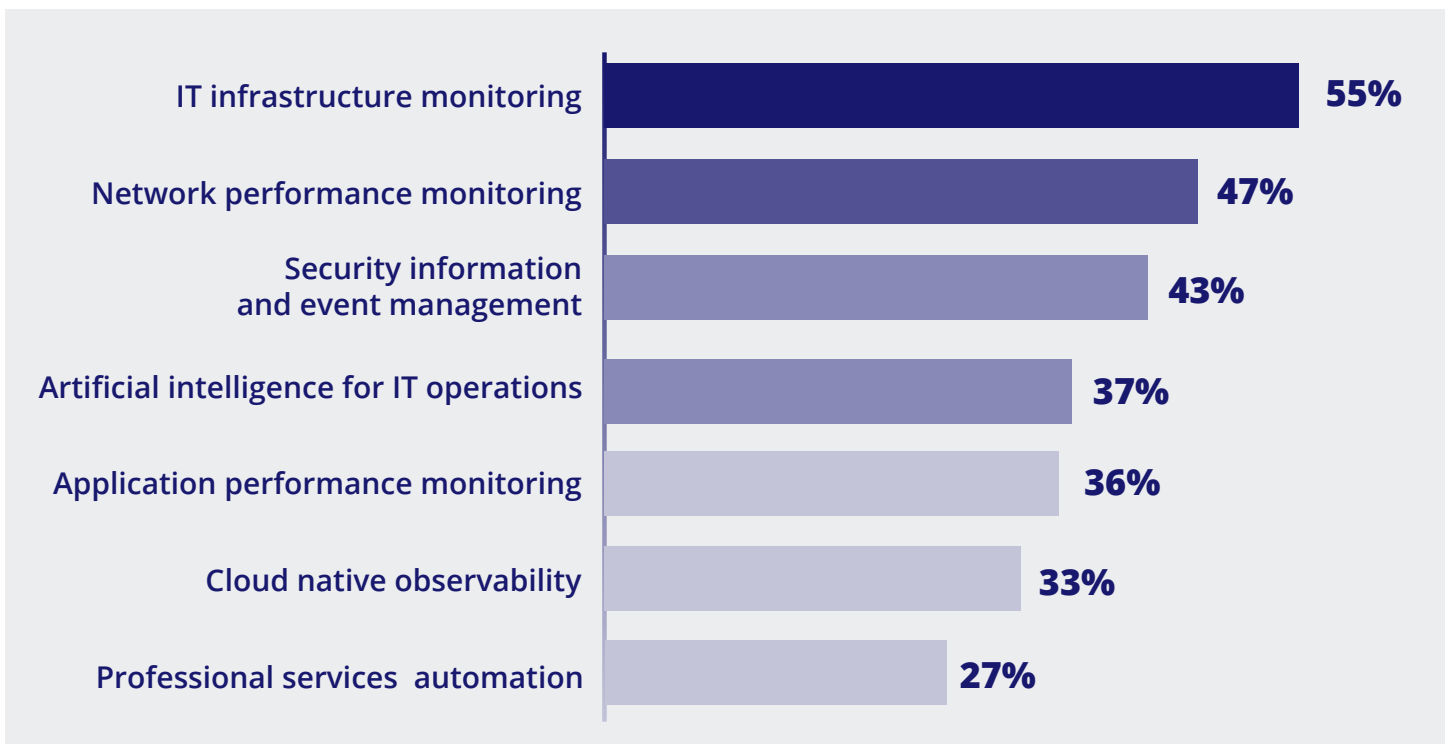a Hewlett Packard Enterprise company

# Insight #2
# Technology Priorities for MSPs in 2022

## Infrastructure, the Network and SIEM Top MSPs' Biggest Needs

Delivering managed services isn't easy and MSPs need the right tools in place to manage their own services. IT infrastructure monitoring, network performance monitoring and security information and event management were MSPs' top three priorities, all garnering more than 40% of respondents. More than a third of respondents chose newer solutions like AIOps and cloud native observability.

▸ **IT Infrastructure Monitoring.** MSPs need tools that can manage their IT infrastructure, wherever it resides, in the cloud or on-premises. Rather than have specific tools for every cloud or on-prem infrastructure they manage, it's best to consolidate monitoring tools or send feeds from multiple tools to a central system for event correlation and management.

▸ **Network Performance Monitoring.** As managed network services are a key part of MSPs' offerings, it's not surprising that network performance monitoring was the second choice to this question. Enterprises will have infrastructure in the cloud and on-premises and will need to access that infrastructure and manage connections to it wherever it resides.

## Q: Which technology solutions are critical for your managed services delivery?

| Technology | Percentage |
| --- | --- |
| IT infrastructure monitoring | 55% |
| Network performance monitoring | 47% |
| Security information and event management | 43% |
| Artificial intelligence for IT operations | 37% |
| Application performance monitoring | 36% |
| Cloud native observability | 33% |
| Professional services automation | 27% |

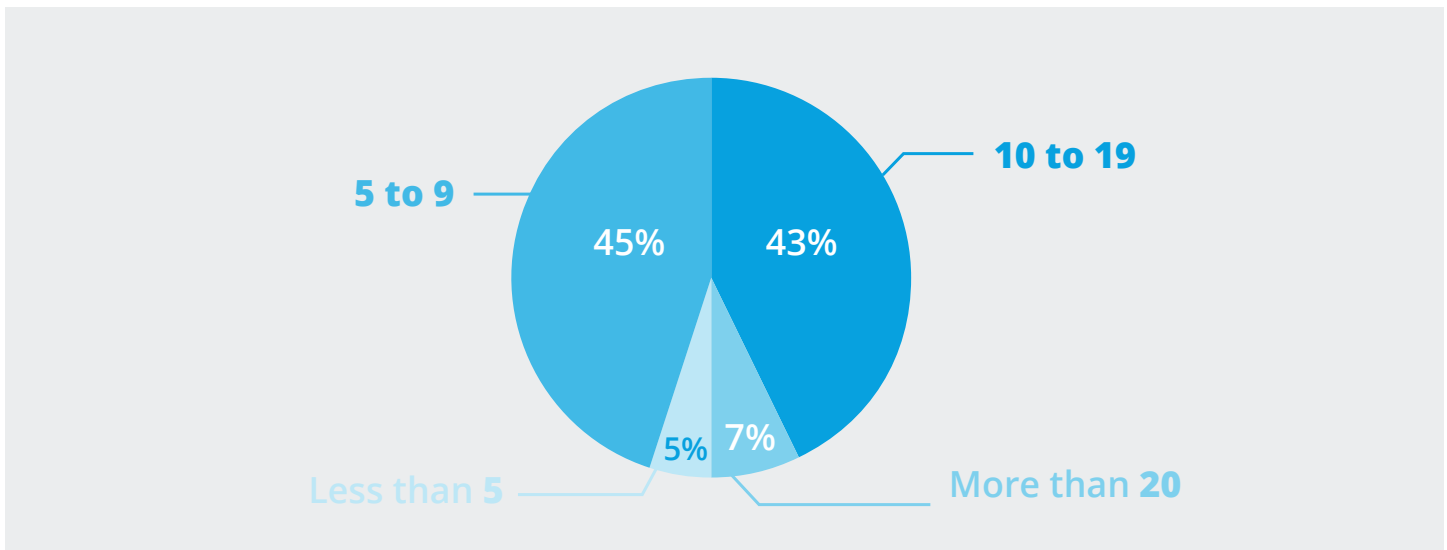OpsRamp
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# Consolidation, Automation, Root Cause Analysis Drive Monitoring Investments

As we've already learned in this survey, IT infrastructure and network performance monitoring are critical technologies to MSPs as they deliver managed cloud and network services. So we asked a few more questions about the state of monitoring today and what MSPs are looking to get out of these technologies. We learned that MSPs still have a plethora of monitoring tools in place and those tools require a significant amount of staff resources. Automation and root cause analysis are capabilities MSPs are looking to their monitoring tools to improve.

## Tool Consolidation Still Needed

The news wasn't all bad on the tool consolidation front, but still, half of all respondents have 10 or more monitoring tools in place. Just 5% have less than five. The more monitoring tools in place, the more staff resources are required to manage those tools and the harder it is to consolidate monitoring data from those different tools into a coherent view of the state of your systems and resources.

**Q: How many monitoring tools do you have in your reference architecture?**



5 to 9 — 45%
10 to 19 — 43%
Less than 5 — 5%
More than 20 — 7%

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## Insight #3
# Consolidation, Automation, Root Cause Analysis Drive Monitoring Investments

## Multiple Monitoring Tools Require More Staff Overhea

All those monitoring tools don't come cheap. In addition to managing multiple license agreements and subscriptions, they also require large staff to manage them. More than 90% of respondents have more than 10 staff members managing their monitoring stack. More than half have more than 20.

**Q: How many staff members support your current monitoring tools ec  system?**



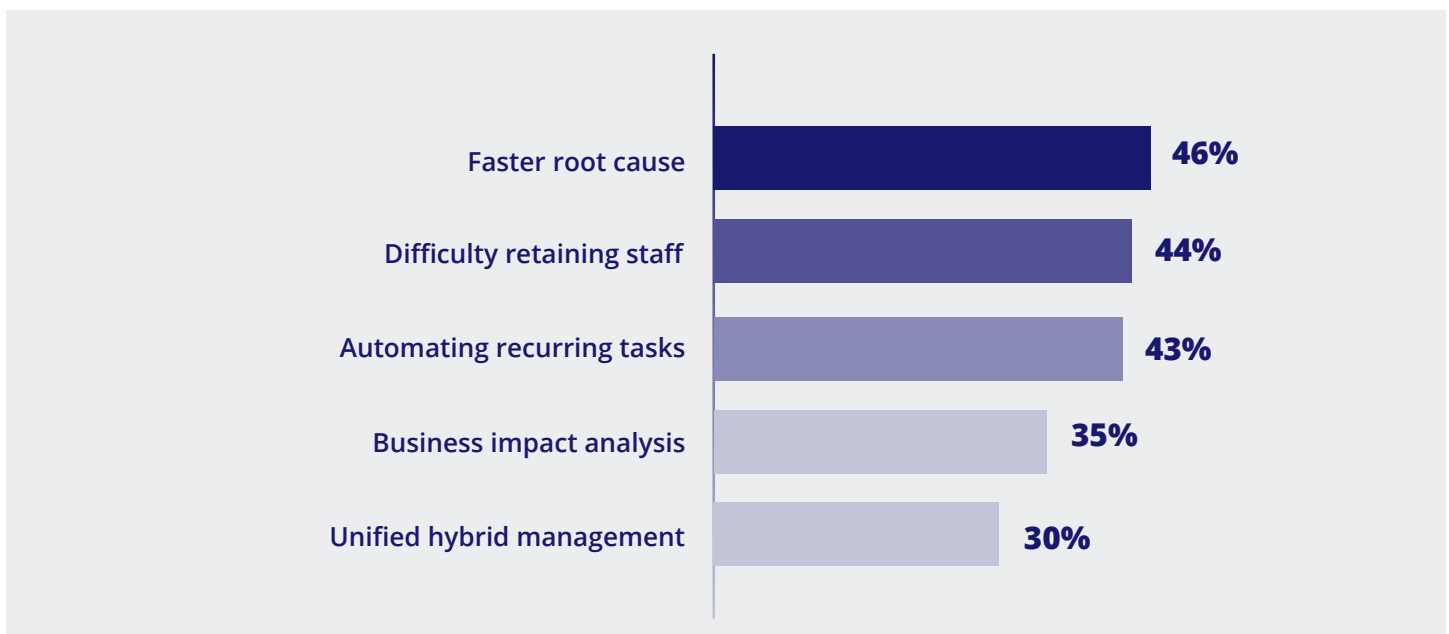| 20 to 50 staff | 10 to19 staff | >50 staff | <10 staff |
|:---:|:---:|:---:|:---:|
| 39% | 39% | 13% | 8% |
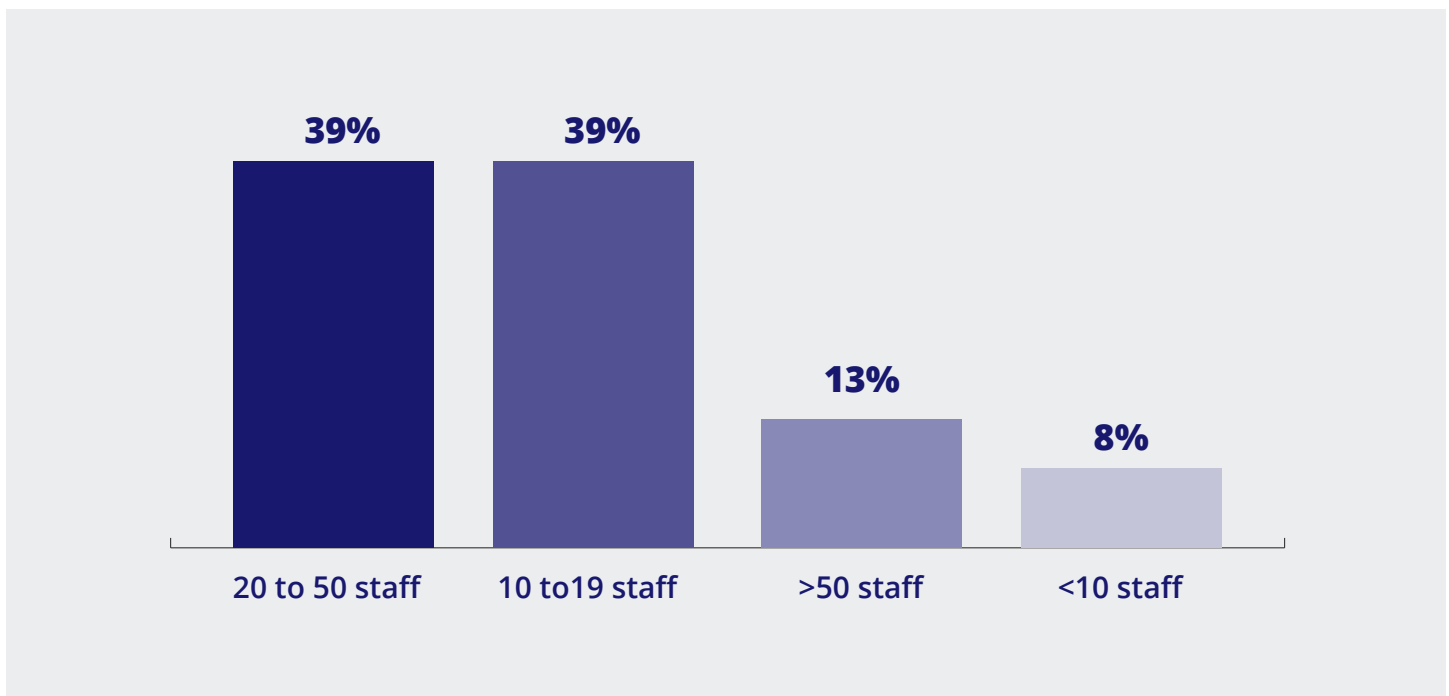
# Insight #3
# Consolidation, Automation, Root Cause Analysis Drive Monitoring Investments

## Root Cause Analysis Tops List of Monitoring Challenges

Monitoring is about not just noticing there is a problem with your systems but figuring what the cause of that problem is so that it can be remediated before users or customers are impacted. So it's no surprise then that faster root cause analysis was the No. 1 monitoring challenge cited by our survey respondents, followed closely by difficulty retaining staff and automating recurring tasks.

▸ **Root cause is still hard to find.** Getting to the bottom of performance issues faster is the No. 1 challenge cited by survey respondents. The more tools an MSP has in place, the more monitoring data feeds it will have to integrate, correlate and analyze. Consolidating tools can make this process faster.

▸ **Staffing remains a concern.** As we learned above, having a lot of monitoring tools requires staffing overhead to manage those tools. Consolidating monitoring tools can relieve that pressure and require less tools specialists in MSP organizations.

▸ **Automation is beneficial but not easy.** Automation makes life easier for MSPs and their customers as it requires less time and human effort to deal with routine tasks, such as system reboots, process kickoffs and monitoring scripting. Doing automation right can reduce reliance on multiple tools and staff overhead, but doing automation right remains a challenge.

## Q: What are your top IT monitoring and management challenges today?

| Challenge | Percentage |
|---|---|
| Faster root cause | 46% |
| Difficulty retaining staff | 44% |
| Automating recurring tasks | 43% |
| Business impact analysis | 35% |
| Unified hybrid management | 30% |

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# Consolidation, Automation, Root Cause Analysis Drive Monitoring Investments

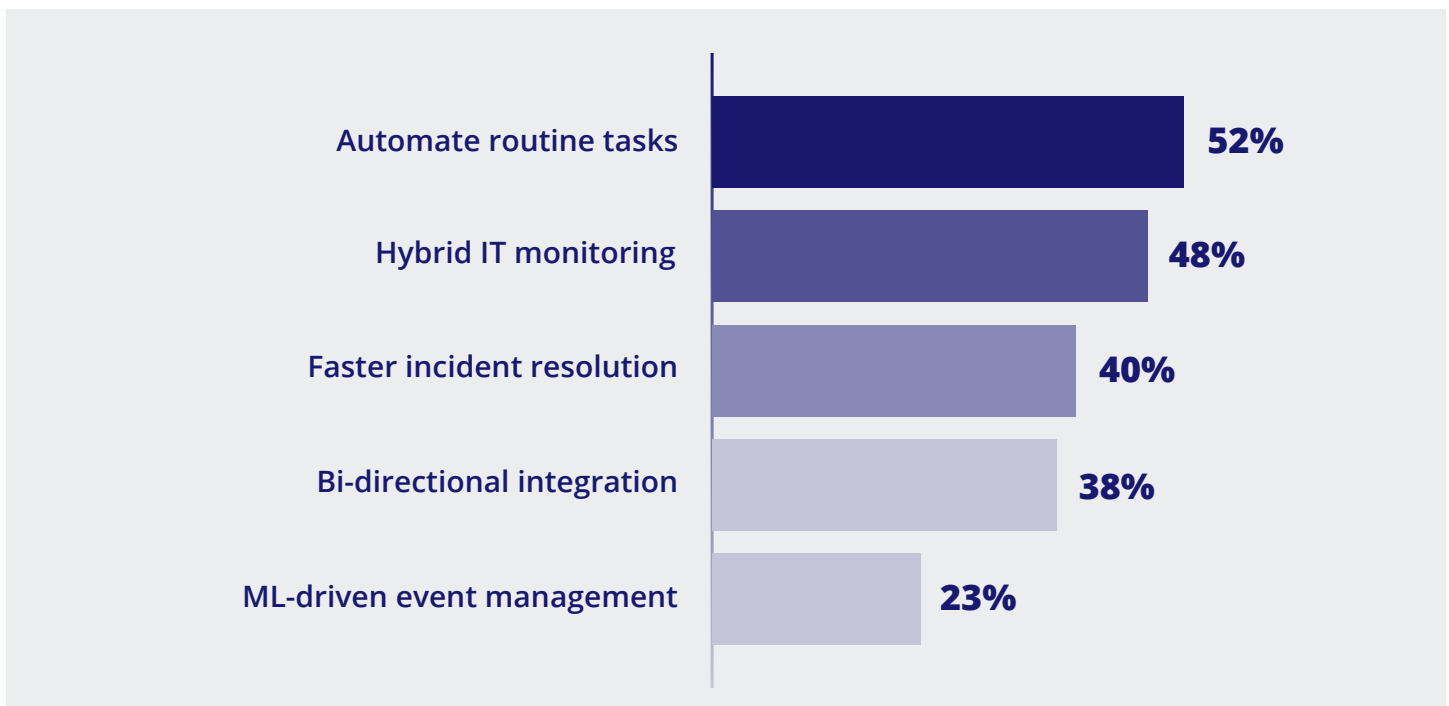## The Critical Monitoring Capabilities That Help MSPs Win Deals

Automation may be challenging for MSPs but doing it right is their ticket to winning more business. Being able to manage hybrid IT environments and resolve incidents faster are also key critical capabilities that help MSPs grow.

▸ **Automate Routine Tasks.** More than half of all respondents cited the ability to automate routine tasks as the most critical capability to win deals. The ability to reduce redundant activities, enforce policy or audit compliance and kick off remediation processes to IT alerts can make IT more efficient and more attuned to solving business problems.

▸ **Hybrid IT Monitoring.** As organizations move workloads to the cloud, they often find that their existing monitoring tools don't work too well in these new cloud environments. Having

a monitoring tool that can manage both new workloads in the cloud and existing on-prem workloads, all from the same console is a win for enterprise IT and the MSPs that support them

▸ **Faster Incident Resolution.** This is where root cause analysis comes into play again. But use less monitoring tools, employ more automation, be able to monitor cloud and on-prem workloads from the same tool and you'll have less monitoring data to integrate, correlate and analyze and be able to get to root cause and resolve incidents faster.

## Q: What key capabilities of an IT monitoring solution are critical to winning deals?

| Capability | Percentage |
|---|---|
| Automate routine tasks | 52% |
| Hybrid IT monitoring | 48% |
| Faster incident resolution | 40% |
| Bi-directional integration | 38% |
| ML-driven event management | 23% |

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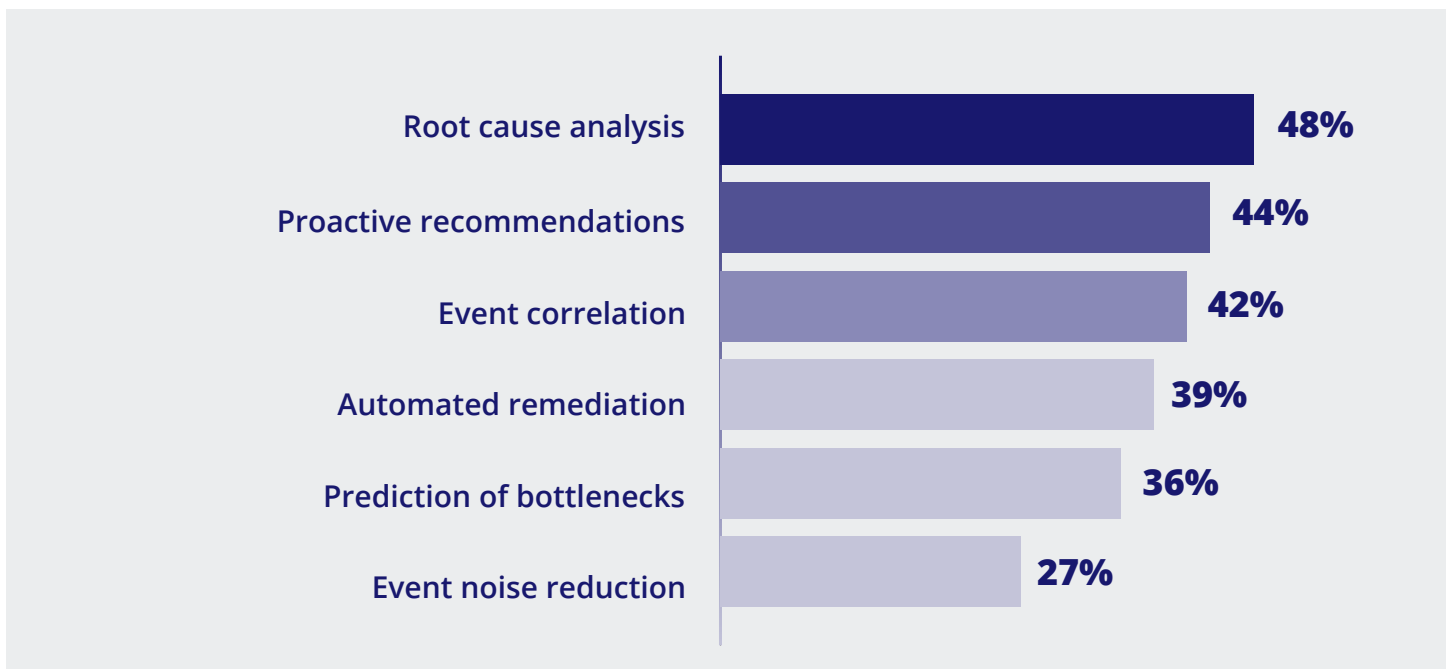
**Insight #3**
# Consolidation, Automation, Root Cause Analysis Drive Monitoring Investments

## The Key AIOps Capabilities That Help MSPs Win Deals

The MSPs we surveyed cited IT infrastructure and network performance monitoring as their two most critical technologies for managed services delivery. But nearly 40% of survey respondents also mentioned AIOps on that list. AIOps may not be as trendy with MSPs as it is with enterprise IT, but MSPs are aware of the technology and the benefits it can bring.

▸ **Root Cause Analysis.** If you're going to apply AI to your IT operations data, the first thing you're looking for is faster identification of the issue that's causing your system to slow down or go offline altogether. The faster you can find the answer to that question, the less chance there is of users and customers being impacted.

▸ **Event Correlation.** The bread-and-butter of AIOps. Apply machine learning to multiple monitoring feeds to consolidate IT alerts from multiple systems into a single event and reduce mean time to detection and remediation.

▸ **Proactive Recommendations.** Once you get to the cause of an IT issue, AIOps can suggest processes or escalations to remediate that issue. Faster resolution and better business performance is the benefit.

**Q: What key capabilities of AIOps solutions are critical to winning deals?**

| Capability | Percentage |
|---|---|
| Root cause analysis | 48% |
| Proactive recommendations | 44% |
| Event correlation | 42% |
| Automated remediation | 39% |
| Prediction of bottlenecks | 36% |
| Event noise reduction | 27% |

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# Conclusion and Key Takeaways

MSPs are competing in a growing but challenging market for managed IT services. While customers are prepared to spend more money for the right services, their needs are growing increasingly complex along with their IT environments. Here are three key takeaways from this report for MSPs to consider as they attempt to capitalize on the opportunity presented by digital transformation and the changing economy:

▸ **Prepare for growth.** Though the economy presents a variety of challenges in the form of inflation, supply chain issues, the pandemic, the Great Resignation and global instability, it offers mostly opportunity to MSPs. Enterprises are going to need more help than ever to keep up with digital transformation, changing customer demands and staffing issues. MSPs must be ready to seize this opportunity by staffing up and boosting training and IT competencies.

▸ **It's a hybrid and multi-cloud world.** Enterprises are running workloads on multiple cloud platforms while maintaining internal infrastructure. They need managed cloud and network services from MSPs that map to this reality and MSPs need modern IT infrastructure and network performance monitoring tools that can handle this increasingly complex hybrid world.

▸ **Faster root cause analysis and automation should be MSPs' top ITOps goals.** Fortunately the two go hand-in-hand. Machine learning can be applied to monitoring data to make sense of alert floods and pinpoint the root cause of IT incidents. Responses to those incidents can then be prioritized and automated, notifying the right teams and integrating with ITSM systems. Anomaly detection can also be automated on monitoring data to catch issues before they become problems.

Fortunately, MSPs don't have to go it alone in managing this complexity. The OpsRamp SaaS-based digital operations management platform, with its multi-tier, multi-tenant design, is ideally suited for MSPs who have to manage multiple customer instances. Bringing together hybrid discovery and monitoring with proactive event management and intelligent automation on a single platform, OpsRamp can monitor and manage all of your customers' infrastructure and hybrid IT environments in one place and apply machine learning to that data to reduce alert noise, pinpoint the root cause of incidents, and automate incident response. The OpsRamp platform cuts mean time to discovery and remediation of issues in half for MSPs and enterprises alike.

OpsRamp is a digital operations management software company whose SaaS platform is used by managed service providers and enterprise IT teams to monitor and manage their cloud and on-premises infrastructure. Key capabilities of the OpsRamp platform include hybrid infrastructure discovery and monitoring, event and incident management, and remediation and automation, all of which are powered by artificial intelligence.

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