

Taking the Next Step

How to achieve breakthrough success in the IT Managed Services Business



Successful MSPs are technically competent and business savvy, aren't afraid to invest in IT infrastructure and take responsibility for the successes and failures of their customers.

Business owners are ambitious by nature.

The drive to build a company from the ground up and offer a competitive product or service that fulfills a need is a powerful pull. It can be intoxicating. Owners of IT service provider businesses are no different. Organizations of all scopes and sizes—from a mom and pop shipping store to a retail grocery chain to a government agency—need help building and managing IT infrastructure. There's a need. And it can be quite profitable.

However, it's rare to find an IT service provider that has successfully scaled beyond 5,000 systems managed. Sure, the managed service provider (MSP) business model promises efficiency and scalability, but it takes a rare entrepreneur to actually translate the vision into several thousand clients. Why are there so few large IT service providers? What sets these organizations apart from the rest of their competitors?

We think we know the answer. Kaseya works with thousands of IT service providers and MSPs around the world and has identified the characteristics of our most successful customers. Take a look under the hood. Kick the tires. Find out what it takes to be truly successful.

Technology Alone isn't Enough When Taking the Next Step

The concept of the managed service provider (MSP) isn't new. Providing a consistent and reliable service in exchange for a flat monthly fee is a sound business strategy—one that provides quality service to customers, streamlines operations and enables growth.

However, until recently, the technology simply wasn't mature enough to deliver on the promise of a true managed service. Administrators often had to go on-site to update, maintain, back up and secure systems. Remote monitoring was rudimentary at best and failed to cover all machines on the network. And basic maintenance still required hours of tedious administration. As a result, IT service providers often had their hands tied when trying to implement a true managed service business model. Service levels and billing remained inconsistent and customers rarely bought in to the concept.

Automation was the game changer. Suddenly, new remote automation technology allowed an administrator to conduct complete IT systems management from a single and consolidated management console. This new IT service delivery model enhanced service levels and streamlined operations. Each system that the service provider was able to proactively manage created a recurring revenue stream that both the service provider and the customer could plan for as long as the relationship continued.

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However, the realization of a true MSP model is still far from a reality for many IT service providers. While they've built a service delivery model that is efficient, powerful and effective, they are having trouble scaling their services to truly industry-leading status.

The problem is that many service providers let their technology run the business, relying on technical know-how and experience to drive growth. They see their management solutions as the ultimate magic bullet rather than one of many tools that make a business successful. The MSPs that let technology dictate business decisions can be very good at what they do but tend to stagnate once they reach a certain threshold. Growth slows and they hit a plateau. No matter how innovative their technical expertise gets, they can't seem to get over that hump.

Successful MSPs have realized that the key to building a successful, scalable business is to develop both technical and business leadership. This balance enables them to provide superior service to customers, create efficiencies throughout their service delivery model and take advantage of new growth opportunities. Ultimately, these successful MSPs are able to develop a business model with high margins and growing revenue streams. They are the innovators. They are the game changers. They are the leaders in the industry. So how do they do it?

Keys to Building a thriving Managed Services Business

The MSPs that want to truly succeed and take the next step need to have the right pieces in place. They need to be technically competent and business savvy. They need to be willing to invest in new infrastructure and new ideas. And they need to own their customers, meaning they take full responsibility for the success and failure of their businesses.

Are you technically competent?

Obviously, technical expertise and experience is vital to providing powerful, efficient, reliable and complete IT services to customers. Just as important is the depth and breadth of functionality included in an MSP's IT systems management solution. A truly comprehensive service offering needs to include audit and inventory, monitoring, remote control, ticketing, reporting, software deployment, patch management, user state management, backup and recovery and endpoint security.

A complete offering is only the start, however. MSPs need to back up their technology with up-to-date expertise by continually learning, attending workshops and researching new technologies to pass on to customers. As new solutions come to market like virtualization and shared storage, it's important that IT service providers are able to consult with their customers about adoption and deployment.

Are you business savvy?

It's great to have technical expertise, but techies rarely run the boardroom. Business sense must rule the day in conjunction with technical know-how. MSP leadership must have the confidence to recruit the right technical expertise and execute on a solid business plan. They need to figure out how to deliver IT services on a consistent and consolidated IT systems management platform, and then sell that concept as a standardized service to customers.

Are you willing to invest?

Conversely, the technical team can't let the business side completely run the show. IT systems management can't be seen as merely an expense on the ledger. The technical staff needs to sell the business leaders on their vision for the business and how they see technology enabling the big picture. In a word, it's all about investment. The right technology solution can lay the groundwork for an efficient service delivery model and future growth. It's important that MSPs look at infrastructure upgrades as a business opportunity to drive efficiencies, improve service levels and increase margins. The technology has to be powerful enough to achieve this vision, so that the business will reap the rewards.

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Do you own your customers?

The best, most successful MSPs take responsibility for the success and failure of their customers. They want to be seen as business partners rather than IT consultants. If there is a problem, they want to be the one who is called upon to be the solution (actually, MSPs with a proactive IT systems management platform often detect and solve the problem before the client is even aware). This is entirely dependent on having full visibility and full control of their customers' systems. The bottom line is that MSPs need to have a full-featured tool set and want complete control of their customers' IT environments in order to deliver the best possible proactive services.

True MSPs Build Efficient, Productive and Profitable Businesses

IT service providers that are able to execute on a true managed service business model stand to reap significant rewards. MSPs streamline operations and deliver efficient services to their customers. Their staff of network engineers and administrators is highly productive and more engaged with their work. Profit margins go through the roof, and the business is primed for future growth.

Efficiency & Productivity

Successful MSPs are able to provide consistent and complete IT services by streamlining operations. By eliminating repetitive administration and managing groups of machines together, network engineers can maintain more systems. In addition, a proactive approach eliminates problems before they get out of hand, avoiding time-consuming troubleshooting and remediation. It costs money to rebuild systems, so it's much more effective to continually maintain the systems and prevent them from crashing in the first place. When you are charging a flat, monthly fee, you want to avoid fire drills that take resources away from other revenue-generating opportunities.

With administrators working remotely and in the background, users won't even be aware of the work going on behind the scenes, enjoying uninterrupted productivity because their systems are running smoothly and they have access to the information and tools they need whenever they need it. Much like a cable television technician, the best administrator is the administrator you never see.

Technician Utilization

Efficiency breeds productivity. Doing more, in less time, makes you more productive. Because their network engineers and administrators are so efficient, MSPs are able to reallocate resources away from day-to-day maintenance to more strategic projects, potentially generating more revenue sources while keeping employees more engaged. Given the choice between manning the help desk and building a new business intelligence solution for a client, most engineers would choose the more rewarding work any day. It's doubtful they earned advanced degrees and certifications in order to install Windows 7 day after day.

More empowered employees attract additional talent and reduce turnover, saving the MSP money in the long run since it costs a lot less to retain an employee than to hire a new one. As a result, MSPs can build armies of highly-competent strategic thinkers rather than administrators who are solely there to monitor desktops, reset passwords and collect a paycheck.

Increased Margins

Some MSPs report that they are able to manage 3,000 systems per network engineer—a highly-productive and highly-profitable staffing ratio. If your administrators can handle more systems, there is no limit to how large your organization can grow. You can also expand the breadth and depth of service options—perhaps adding a backup and recovery service or a telephony offering. In any case, technology is no longer an inhibitor to growth. You can take advantage of opportunities as they arise, scaling up or out as required without a major infrastructure overhaul.

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MSP Case Study: Going from Regional Power to National Player

Safe Systems followed a conservative business plan. Founded in 1993, the IT service provider targeted the banking community which was then considered a recession-proof industry. It grew slowly but steadily in its central Georgia backyard, eventually expanding into neighboring states. By the mid-2000s it was a major regional player with nearly 3,000 systems managed across the Southeast.

Then, the management team got ambitious, deciding that it wasn't happy just being a regional provider. There were small community banks all over the U.S. that could use Safe Systems' experience and expertise to build and manage secure, reliable and compliant IT infrastructures. An audacious goal was set to manage 15,000 systems by 2009, meaning the company had to grow 25 percent year over year for the next four years. However, the company's IT systems management solution wouldn't scale past 3,000 systems without suffering performance and availability issues. The product architecture was too complex and inflexible.

Safe Systems deployed a remote, automatic IT systems management solution from Kaseya to expand its managed services offerings. The solution delivered remote management of disparate systems and automated much of the manual and repetitive administration inherent in IT systems management. Disparate services from monitoring to patch management were consolidated into a single offering and rolled out to a wide-distribution of customers. The consolidation of IT functions into a single management framework allowed Safe Systems to seamlessly scale its managed services quickly and efficiently across the country.

"Our billing was still based on hourly rates, but the efficiencies provided by the new platform enabled a fast and consistent service delivery model and impressive growth," said Curt Frierson, executive vice president for technology and education for Safe Systems. "We were efficient, we were profitable and we were growing. Everything was going according to plan."

Grabbing Opportunity Out of Crisis

Safe Systems was well on its way to 15,000 systems managed when the sub-prime mortgage crisis hit in 2008. Suddenly, a previously reliable customer base started to dry up as thousands of community banks scaled back operations or shut their doors. As the economy began to nosedive that summer, the company's watered-down version of an MSP business model that still relied on hourly billing was no longer viable. Safe Systems' ability to meet its goal was in danger.

The company's leadership decided that the key to thriving in the tough economic climate was to focus its efforts toward the enhancement of its services for existing customers. By providing a proactive and advanced level of service, it could reduce its customers' overall technology management costs while increasing its per customer revenue. Essentially, Safe Systems needed to finish executing on its managed services vision it set out to develop when it originally made its aggressive goal for growth. Accomplishing this daunting objective, however, required a completely new business methodology—one that required the meeting of the minds from the technical and business wings of the business.

Building a Sustainable Business Model

Luckily, Safe Systems already had the Kaseya IT Automation Framework in place and was already reaping the efficiency benefits of proactive IT systems management. The solution enabled a full-service offering and integrated disparate functions so they worked in tandem, sharing inventory and monitoring data among the audit, patch, help desk, software deployment and reporting modules. Thousands of systems could be updated at the same time—across geography and customer accounts—further streamlining its service offerings.

How to Take the Next Step

Here are the four steps to go from being an IT service provider to a thriving profitable managed services provider:

Become Technically Competent

The right IT infrastructure and IT systems management framework needs to be in place for you to achieve your goal.

Create a Common Vision

Engineers think about technology engineers. Business leaders worry about sales. Both have their distinct roles, but they need to work together to create a profitable MSP.

Be Willing to Invest

It takes money to make money. Make sure you invest in technology infrastructure and understand how it will enable you to meet business goals.

Own Your Customers

Take responsibility for the success and failure of your customers by structuring an SLA that gives you complete control and transparency of their IT environment. Then, they'll start to trust you as more than just an IT consultant.



The technical staff worked with the company's leadership and sales team to make sure a powerful sales strategy could be developed with the concept of a true managed service front and center. Customers were sold on the benefits of a flat and consistent monthly fee and recently beleaguered banking clients started to fall in line.

"Kaseya gives us a single tool in which to provide consistent network and Internet technology solutions to our customers, helping them establish a strong foundation for their future growth and success," Frierson said. "It is a mission-critical tool for our company and it allows us to provide cost-efficient, scalable services to our customers, enabling aggressive growth and a national business model."

Developing New Revenue Streams

Safe Systems also used its new-found efficiencies to reallocate some of its staff to work on developing additional sources of revenue. They used Kaseya to expand their services into backup, recovery and end point security and investigated a new user state management service that defines and manages desktop standard settings and configuration of a group of machines. The company also used Kaseya to consolidate the company's intellectual capital, collecting the knowledge base its network engineers had learned through years of experience. Most helpful, Safe Systems gathered information and documentation on various banking regulations, including SAS 70 and Gramm-Leach-Bliley Act guidelines. These established controls and reporting features could then be shared with internal and external auditors to prove compliance. Suddenly, Safe Systems was seen as a trusted business partner with a vested interest in the success and growth of its customers.

The result of this new business methodology allowed Safe Systems to provide its managed services at a much lower price point than any single client could accomplish alone. Each system that its administrators manage serves as a recurring revenue source. As a result, Safe Systems blew past its goal of 15,000 clients and now manages 25,000 as of July 2010. The company is continuing to see double-digit new client and revenue growth as it expands nationally and maintains a 99 percent client retention and renewal rate.

"We honestly feel that the Kaseya solution has been one of the main reasons why we are still in business today," Frierson said. "In fact, while our competitors are scaling back or closing down shop, we're thriving."

Conclusion

The search for the Holy Grail of managed service providers has been going on for years. Automation made it easier to deliver consistent and efficient services, but a richer, more advanced business strategy is needed to truly take that next step and become a major MSP player.

IT service providers need to be technically competent and business savvy. They need to be willing to invest in new infrastructure and new ideas. And they need to take full responsibility for the success and failure of their customers' businesses. If they do, MSPs can finally build an efficient and productive business, utilize administrators to the fullest and increase profit margins. Growth is right around the corner.

About Kaseya

Kaseya is the leading global provider of IT Systems Management software. Kaseya solutions empower virtually everyone — from individual consumers to large corporations and IT service providers — to proactively monitor, manage and control IT assets remotely, easily and efficiently from one integrated Web-based platform.

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