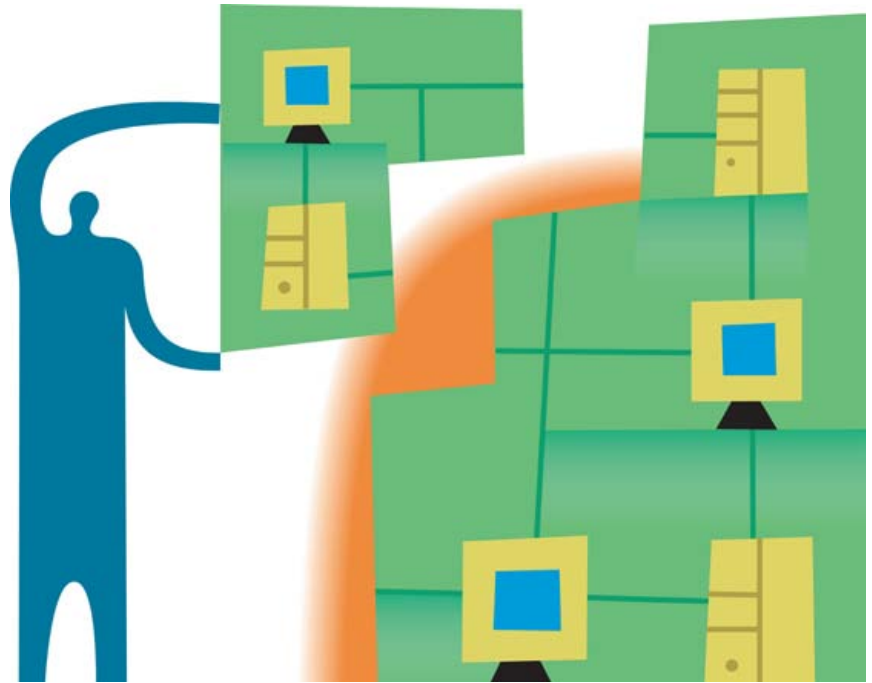


Seven Secrets to Managed IT Services Success



Selecting the right technology is only one piece of the overall puzzle. Here's how to snap together an effective MSP strategy.

When it comes to succeeding in the managed IT services market, Jenaly Technology Group Inc. is outpacing many of its rivals.

The Portsmouth, N.H.-based solutions provider and CompTIA member ranks among the top 20 percent of all managed IT service providers, according to the annual MSPmentor 100 report – which has culled business and financial data from more than 700 MSPs worldwide.

Jenaly's recurring revenue strategy has largely protected the company from the economic storm that threatens to capsize so many traditional VARs and resellers.

Jenaly isn't alone. CompTIA's Managed IT Services Executive Forum includes numerous members that remain strong amid the weak economy. As a whole, progressive MSPs have generated stronger financial performance than traditional technology resellers from 1Q 2008 to 1Q 2009, according to the CompTIA MSP "Best in Class" Benchmark Report, released in May 2009.

But that's not all. Top MSPs surveyed tended to hold their profits longer even as the economy headed down; and began their recovery sooner, CompTIA survey results revealed.

Seven Steps to Success

Still, MSP success can vary from one company to the next. To fully optimize their performance, leading MSPs have largely mastered seven secrets to success:

- Executive leadership
- Blending new talent with existing talent
- Sales training and compensation plans
- Customer education
- Marketing and PR
- Proper service level agreements
- Key technology considerations

Here's a closer look at each secret to success, and the implications for aspiring MSPs.

1. Executive Leadership

Generally speaking, the move to managed IT services will stall or fail completely without a top-down management approach.

"If your top brass doesn't show a commitment to managed services, the rank-and-file employees won't get with the program," affirms Rich Forsen, co-owner of Network Depot, an MSP in Reston, Va.

To be clear, CEOs don't have to fully master MSP-related technologies. Instead, they must continually

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evangelize key themes to staff members – such as:

- Promoting recurring revenue engagements rather than quick-hit, break-fix project work.
- Tracking and improving customer satisfaction levels rather than billable hours.
- Scheduling face-to-face visits and quarterly in-depth meetings to advise customers on service levels, and to discuss emerging technologies that can further improve business performance.

“You’ve got to sing the same tune over and over again. Otherwise your staff will drift back to doing what they’ve always done – selling technology products instead of being a true managed IT service provider,” says Dave Sobel, CEO of Evolve Technologies, an MSP that serves customers in the Washington, D.C. area.

2. Blending New Talent With Existing Talent

Within the MSP industry, there’s a myth that you may need to fire or replace most of your staff as you push into the managed services sector. Generally speaking the myth isn’t true.

At Jenaly, company president MJ Shoer has been able to generate more and more recurring revenue with his existing staff. Similarly, BlueWater Communications Group – one of North America’s fastest-growing solutions providers – intends to leverage its existing sales and technical staff as the New York-based company explores the managed services market.

Still, there are cases where solutions providers augment their staff with a dedicated managed services champion. For instance, Northwest Computer Support of Tukwila, Wash., in 2008 recruited an outside expert to lead the company’s push into managed services.

The company now has recurring revenue options as:

- PC management and helpdesk services
- Server management
- Network management
- Virtual CIO services

“In many cases, we’re seeing VARs create a new position – either director of managed services or VP of managed services,” notes Ed Golod, president of Revenue Accelerators Inc., a consulting firm in New York that assists technology companies through business transformations. “Sometimes it requires outside talent to fill that spot. But many times, the talent can be found within your existing staff if you look hard enough.”

3. Sales Training and Compensation Plans

In the traditional channel, sales teams are accustomed to being paid a one-time commission on specific project engagements. But in the managed IT services market, recurring revenue models create new opportunities – and new challenges – for sales professionals and their managers.

The big challenge frequently involves keeping sales professionals focused on longer-term, ongoing engagements – rather than quick-hit project work. “Without the proper compensation plans in place, your sales team may wind up making half-hearted managed services pitches without you even knowing it,” says Golod. “That means your sales team may wind up pitching a customer a new email server rather than a managed email service.”

In order to keep all of its employees focused on MSP success, Jenaly’s Shoer uses a quarterly bonus pool based on net profits. During each quarter at Jenaly:

- **Two-thirds of the net profit** gets reinvested in the company to fund growth.
- **One-third of the net profit** goes into a bonus pool.
- **Each staff member** earns a specific percentage of the total salary of the pool. For instance, if your salary represents 5 percent of the total company payroll, you’re eligible for 5 percent of the bonus pool.
- **After quarterly bonuses** are calculated, they are paid out in weekly increments the following quarter.
- **As staff members get used** to earning bonus pay, it keeps them focused on the MSP recurring revenue (and bonus) model, notes Shoer.

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FAST FACTS:

In terms of profits, MSPs generally out-performed traditional technology resellers from 1Q 2008 to 1Q 2009, according to the CompTIA MSP “Best in Class” Benchmark Report, released in May 2009.

Revenues associated with managed services market will reach nearly \$43 billion in 2013, up from \$30 billion in 2008, predicts Insight Research.

The vast majority of successful MSPs started with managed storage and managed security services, according to the annual MSPmentor 100 survey.

Also of note, Jenaly uses four criteria to set individual bonuses:

1. Utilization rates
2. Compliance (getting time sheets in on time, etc.)
3. Client satisfaction (based on client feedback)
4. Individual contributions to team success

Of course, compensation plans vary from company to company. But generally speaking, the best MSPs have clearly communicated compensation plans with well-defined goals and priorities.

Don't Forget Sunset Clauses

In some cases, successful MSPs discover their best sales professionals get a little lazy living off recurring commissions from 1Q and 2Q, and aren't motivated enough to close new business toward the end of a fiscal year.

To mitigate that problem, some MSPs have embraced "sunset clauses." With a sunset clause, each piece of current-quarter business earns a high commission, but customer engagements that are three- and four-quarters old gradually fade to zero commission rates. That approach motivates the sales professional to hunt for more business (with established or new clients) as older commission pipelines dry up.

4. Customer Education

When it's time to describe your managed services portfolio to customers, remember three simple words: Less is more.

In some cases, aspiring MSPs get bogged down in technical jargon during customer meetings. Within your own business, terms like PSA (professional services automation), RMM (remote monitoring and management), SaaS (software as a service) and cloud computing are commonplace.

But when you're seated across the table from a potential customer, it's wise to skip the high-tech acronyms and instead focus on business benefits.

To stay on message, many successful MSPs have developed one-page handouts for customers. The handouts describe the benefits of predictable, flat-rate, pro-active managed services. Instead of zeroing in on price, the single-sided documents emphasize the value of managed storage, managed security, and other services that keep a business online and productive.

Ultimately, the goal is to communicate reliability, dependability and improved productivity, according to Stuart Selbst, a trusted business coach at Reston, Va.-based Virtual Administrator, which offers hosted MSP solutions to VARs and aspiring MSPs.

FOR YOUR ROLODEX

The following experts work closely with CompTIA on various managed IT services activities:

Tracy Butler, president and co-founder, Acropolis Technology Group (www.acropolistech.com)

Stuart Selbst, trusted business coach, Virtual Administrator (www.VirtualAdministrator.com)

Jim Bakic, director of business development, Midwest Strategic IT (www.mwsit.com)

Dave Sobel, CEO, Evolve Technologies (www.evolvevtech.com)

Erin Arnold, president, Next Step Networking (www.nextstepnetworking.com)

5. Marketing and PR

Progressive MSPs push beyond basic elevator pitches and sales collateral. In many cases, they develop ongoing marketing and PR campaigns.

Many old-line resellers rarely excelled at marketing and PR. But times have changed. Today's modern MSPs are hip to press releases, customer endorsements, viral marketing campaigns and a healthy dose of Web 2.0 marketing tactics.

A few examples:

- Jenaly's web site (www.Jenaly.com) includes embedded video, a blog and other content that attracts Google's search engine.
- Evolve Technologies (www.evolvevtech.com) has easy-to-navigate content that includes Twitter, RSS and Facebook feeds for industry peers and customers.
- VirtualAdministrator (www.VirtualAdministrator.com) and its full-time coach, Stuart Selbst, constantly evangelize MSP trends and developments across personal and corporate blogs, plus private networks like Facebook.

When it's time to describe your managed services portfolio to customers, remember three simple words: Less is more.

JOIN THE CONVERSATION

CompTIA has a range of opportunities to help you join the managed IT services conversation including:

1. Managed IT Services Summit, Oct 7-9, 2009

Your Potential Role: Participate in education and how-to tracks
<http://www.comptia.org/summit>

2. Managed Services Executive Forum

Your Potential Role: Help us to define and standardize industry best practices
<http://www.comptia.org/membership/communities>

ABOUT CompTIA

The **Computing Technology Industry Association (CompTIA)** represents the global IT industry. Its membership includes resellers, IT vendors, distributors and educators. The organization hosts communities including IT services and support, managed IT services, e-business, software, IT security and small business forums. CompTIA also provides a CIO Executive Council. CompTIA seeks to promote the industry's growth through educational programs, market research, networking events, professional certifications, and public policy advocacy. The organization's Breakaway conference targets the IT channel. For more information, visit www.comptia.org.

6. Proper Service Level Agreements

Generally speaking, MSPs are developing service level agreements that are strong enough to ensure customer faith -- but vague enough to ensure minor service issues don't become major distractions for all parties involved.

"You don't want to go in and guarantee five-nines reliability if all your customers really want are reasonably reliable networks and systems," notes Golod. "Chances are, most of your customers will accept a bit of planned network downtime on the weekends a few times a year. You'll never go wrong if you stick to a strategy of under-promising and over-delivering."

CompTIA itself is helping MSPs to address the SLA challenge. For instance, the association is developing online tools that help MSPs to develop SLA documents tailored for their specific business goals. Details about the effort will arrive incrementally over the next few months, with preliminary details set to debut at the CompTIA Managed IT Services Summit in October 2009.

7. Key Technology Considerations

On the technology front, MSPs face a range of considerations.

Generally speaking, the most successful MSPs run at least two types of software solutions:

- Professional Services Automation (PSA)

software, which blends such functions as CRM (customer relationship management), sales force automation, customer billing and trouble ticket management into a single, comprehensive platform.

- Remote monitoring and management (RMM) software, which allows MSPs to proactively maintain and troubleshoot customer systems and networks from afar.

PSA and RMM software are widely available via:

- On-premise offerings, installed within an MSP's network infrastructure.
- SaaS (software as a service) offerings, accessed by an MSP over the Web as part of a monthly subscription service.

Software requirements vary from MSP to MSP, so it's impossible to recommend a one-size-fits-all PSA or RMM solution to readers. However, most of the major PSA and RMM software providers offer free previews or low-cost trials to help you evaluate their software.

Staying Plugged In

Long term, aspiring MSPs and established MSPs face similar challenges: The IT landscape continues to evolve at a frantic pace.

Early MSPs mastered basic PC and server administration. Now, those same MSPs must master cloud and SaaS management, tapping into such systems as Amazon Web Services (AWS), Google Apps, Microsoft Windows Azure (a cloud operating system) and Microsoft Business Productivity Online Suite (BPOS), just to name a few emerging options.

Keeping pace requires constant networking with thought leaders and industry pundits. With those challenges in mind, CompTIA continues to develop the industry's most comprehensive MSP-focused research, seminars and executive conferences. And CompTIA's membership continues to include many of the world's most successful MSPs.

CompTIA is the largest, most progressive non-profit organization serving managed IT service providers. Not by coincidence, many of those CompTIA members are following the seven secrets to success in the MSP market. □

CONTACT US

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