

A Winning Hand:

21 Cards to Play
for Total MSP Success

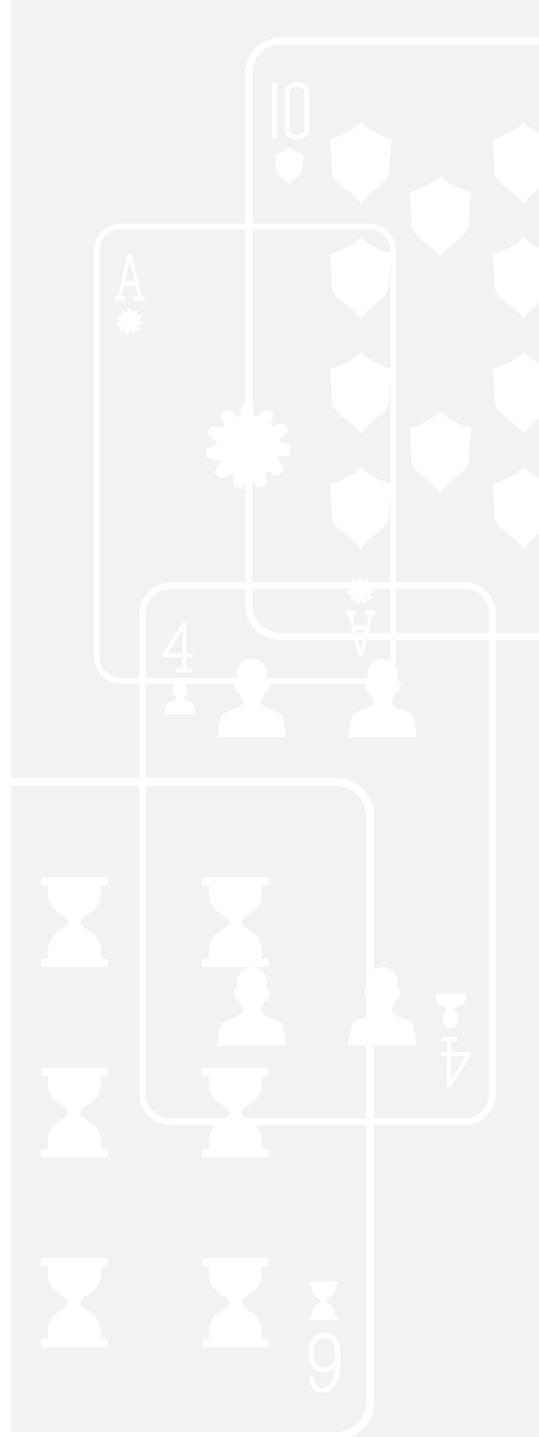


A Winning Hand:

21 Cards to Play for Total MSP Success

Contents

Introduction	Lessons on Acheiving Managed Services Growth	3
Chapter 8	MSPs: Making Sure the Price is Right	4
Chapter 9	Building Effective Service Bundles	10
Chapter 10	22 Critical Metrics and KPIs for MSPs	14
Chapter 11	Finding and Keeping the Best Employees	19
Chapter 12	Contracts, SLAs and Master Services Agreements for MSPs	24
Chapter 13	Making Statements of Work, Work For You	30
Chapter 14	Mastering the Complexities of Successful Customer Onboarding ...	35



Introduction

Lessons on Achieving Managed Services Growth

Smart MSPs never stop learning. In today's MSP 2.0 world, this means MSPs who want to succeed need to master more than just ever-changing technology. The business of managed services is hotly competitive, so even if you are the Bill Gates of technology, without constantly improving your business skills and processes you'll find that you're playing a losing hand.

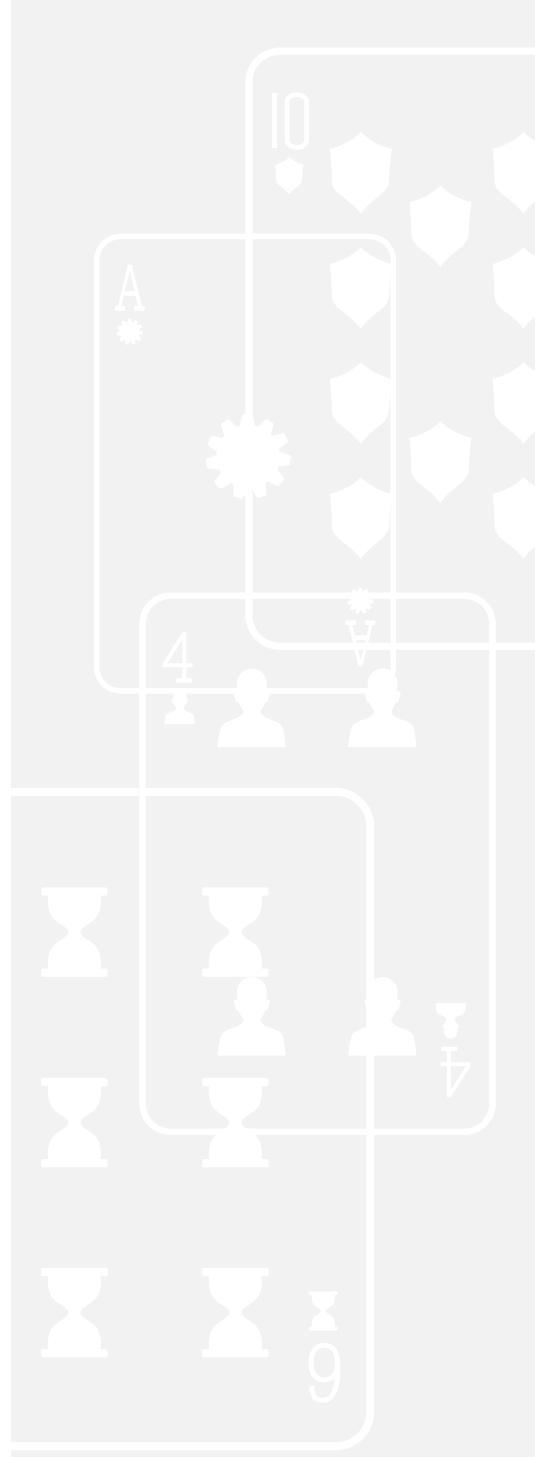
Here's the deal. There are all levels of managed service providers – and some companies are now thinking about joining the game. VARs, for instance, are dependent upon large one-time payments from clients for projects, with little or no recurring revenue. This model has served them well for decades. However, two things have happened that threaten this business. Major hardware and software vendors, through direct sales, are increasingly competing with VARs, and the cloud model is cutting into VARs on-premises infrastructure business. A double whammy indeed.

Small- and mid-size MSPs, meanwhile, are now squaring up against larger regional and global service providers sometimes called 'Super MSPs.' To keep pace, these MSPs must double down on better ways of selling, marketing and delivering services to clients.

Large 'super MSPs' have their own issues. The larger they grow the more they are put in conflict with large vendors with consulting organizations, cloud services and even managed services akin to what dedicated MSPs offer. To keep growing and stave off this competition, large MSPs must constantly up the ante if they want to come up aces.

Our 21-part guide to total MSP success is designed for MSPs at all levels, as well as those considering entering this market. In this guide, we shuffle through everything from building a business and developing a high-level strategy, to sales, marketing, metrics, contracts and statements of work. You'll also learn the ins and outs of hiring and retaining workers, bundling services, targeting verticals and delivering security that trumps your competition.

We hope you enjoy our 'A Winning Hand: 21 Cards to Play for Total MSP Success' eBook and that it increases the odds of your ultimate success.



MSPs: Making Sure the Price is Right

Pricing is never easy. Set a price too low and you leave money on the table. Too high and the competition will eat you for lunch. Not only that, but as the technology and services market moves forward, there are an array of pricing approaches to choose from. This chapter will review the basic analysis you should do to make sure the prices you set for your services will support your business goals and objectives.

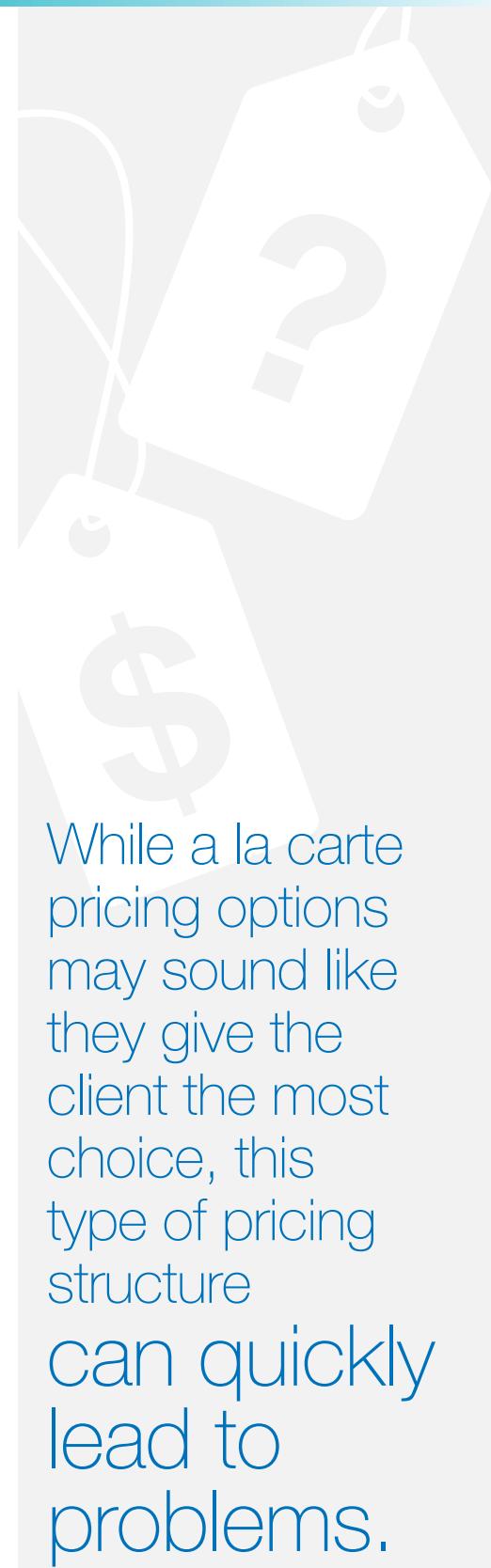
First Determine Your Target's Needs

Before pricing any service it's important to determine the needs of your target market. Smaller companies have lower revenues in general and are constrained in their ability to fund expensive services. They look for low-priced offerings providing basic levels of support. Nevertheless, all businesses are interested in getting the best value for their investments (read largest ROI) and most will favor higher value, versus a lower price, if the value price fits within their budgetary constraints.

While a la carte pricing options may sound like they give the client the most choice, this type of pricing structure can quickly lead to problems. First, it can quickly become a service delivery nightmare for your technicians to manage and support a growing number of unique customer engagements. Second, most customers prefer to select from among a small number of service bundles/tiers with increasing levels of capability. SMB customers want more comprehensive services and see strong value in attractively priced bundled managed services.

Establish clear business value for each offering. SMBs buy on value to their business – price is important but not paramount. Know your prospect's or customer's business and how you can add value. When you have this information, you can price based on the specific value you can deliver to each customer.

Consider differentiating with advanced and specialized services that include system availability guarantees. MSP customers are interested in getting more from their managed service providers than just a promise to respond rapidly to problems. If they are going to outsource portions of their IT management they want their providers to have "skin in the game" and to take on some of the responsibility for IT service delivery by providing service availability and/or performance guarantees.



While a la carte pricing options may sound like they give the client the most choice, this type of pricing structure can quickly lead to problems.

Is There a Way to Specialize?

Take some more time to research the needs of your potential target market. One way to increase profitability is to target a smaller number of larger customers rather than a larger number of smaller customers for greater efficiency and profitability in your service delivery processes. Of course, larger customers will have more complex IT needs, so you need to make sure that your MSP can support these needs.

Perhaps there's an opportunity to focus on a particular vertical, in order to help make your sales and marketing more efficient and more effective. By specializing, you can also develop an in-depth understanding of your customers' business environment. This specialized knowledge can translate to higher value services and the higher pricing that goes with those services.

Price by the Value You Deliver

Buying an ongoing service requires a level of trust; customers will pay more for providers they trust to provide good service. Pay attention to competitive price ranges but don't be fooled into thinking that the lowest price always wins. It doesn't.

Faster growing MSPs will tell you that the best value service usually wins.

In fact, according to Kaseya's annual MSP Pricing Survey, MSPs that grow at double digit annual rates predominantly adopt value-based pricing strategies. In contrast, MSPs experiencing lower rates of growth are more likely to adopt cost-based or market-match pricing strategies.

The biggest value of managed services to a small company may be doing things they do not have the skills or resources to do themselves. In this case, your differentiation must focus on how effectively you will provide the service and why you are so much better than your rivals.

- Do your skill levels provide a more certain outcome?
- Will you be quicker or just more effective than your competition?
- Will you pass on knowledge or help train internal personnel?

In comparison, mid-sized companies will likely pay more for their managed services. But, as we've said, they usually have more complex needs. They may need proof of regulatory compliance or training, liability insurance coverage for service provider staff visiting their locations, guaranteed service levels and any number of other items.

If mid-sized companies are your target market, understand what these needs are and don't be fazed by low-priced bids from other MSPs who don't understand the more advanced requirements of this target market.

MSPs that grow at double digit annual rates predominantly adopt value-based pricing strategies.

The Value of Value-Based Pricing

The plain fact is, while every purchaser wants to make sure they pay the lowest price for a commodity, most business decision-makers elevate value over price when purchasing products or services for their business (particularly if it's their own business). Small- and medium-size businesses are much more concerned about buying from a trustworthy service provider with skills and expertise beyond what they have in house. It's only if they perceive they're buying a commodity that they will assign a low value to the service and be more concerned about its price.

Value-based pricing allows MSPs to compete on the basis of their skill as an MSP (e.g., the ability to provide guaranteed business outcomes and to demonstrate how the contracted results will be delivered). For example, consider the pricing of a remote monitoring service. A cost-based pricing approach might result in a per-device price of \$X, where X is some multiple of the cost of providing the service. Without any additional information, a client might see no difference between MSP A's managed monitoring service and MSP B's service. Both MSPs will talk about the number of prestigious clients they have, the number of devices they monitor successfully, and their ability to respond and deal with issues. If there's no real differentiation, the likely outcome is that the client will choose the cheapest option.

However, a value-based pricing approach is designed to provide higher gross margins and prices services based on their value to the client. In the case of a remote monitoring service, what does the client hope to achieve by outsourcing monitoring?

Perhaps the client wants to:

- Free-up internal resources
- Gain 24x7 coverage without having to resort to shift work or overtime pay
- Benefit from fewer employee disruptions and help desk requests created when users download untested patches or inadvertently introduce malware

These changes would drastically increase their employee productivity, generating savings right there. Moreover, the positive financial and business impact could be even greater.

Showing clients how MSP services will reduce disruptions and how they can be reliably delivered, enables the price of the monitoring service to be positioned against the business cost of doing nothing or of using in-house staff. Correctly done, the value delivered will be an order of magnitude more than the price of the service.

Describing the processes used, the details of prior experience, and how the MSP's

Value-based pricing allows MSPs to compete on the basis of their skill as an MSP.

unique approach will ensure that benefits are achieved, generates trust, demonstrates differentiation and provides value even during the sales process.

Seeing that value, clients are more likely to compare capabilities and service attributes to those of competitors, rather than to directly compare prices. If the comparison is favorable, they will happily pay a higher price for the additional, but very real, value delivered.

Other Considerations to Price for Profitable Growth

The pricing of managed services, like the pricing of any complex solution, is a topic to which we could devote an entire book. Our goal in this chapter is to provide some general guidelines and to identify key areas for consideration. As with most pricing decisions, there is no single correct answer or approach. Much depends on the nature of the services in question, your reputation within your target marketplace and customer set, and the level of competition you face.

Eliminating Unplanned and Non-Paid Work

An important success factor for growing a profitable managed services business is managing and controlling unplanned and unexpected workloads. What this means, in reality, is being confident that the resources allocated to manage the services contracted by each client will be totally adequate to meet their needs.

Knowing what resources will be needed, together with the cost of those resources, means that you can price your services profitably. Also, understanding how much technical and engineering staff time will be needed leads to optimized utilization, enabling your staff to reliably service multiple customers per time period. Finally, by constantly working on staff productivity, you'll be able to support new service offerings and generate more revenues, from both new and existing customers, without big increases in your workforce.

Numerous steps can be taken to minimize unplanned work. Some of the most frequently cited include:

- Take a proactive stance to end-user training particularly with respect to security and new application deployments.
- Consider producing simple written guidelines to address common issues, such as password management, that can be easily accessed and readily understood.

A large portion of helpdesk calls relate to lost or forgotten passwords.

An important success factor for growing a profitable managed services business is managing and controlling unplanned and unexpected workloads.

- Insist on standardized device configurations (including the actual devices) and software sets. These are much easier to manage, troubleshoot and rebuild when issues do occur.
- Mandate standardized policies and processes for software updates and downloads – restrict end-user administrative rights. By strictly controlling end-user actions and the applications that can run on their devices through policy. Our most successful MSP customers suggest being flexible yet consistent with pricing.

For more insight on how to eliminate unplanned and non-paid work, check out this Kaseya blog - [8 Ways MSPs Increase Profits by Eliminating Unplanned Work](#).

Calculating Existing Service Delivery Costs and Gross Margins

Using value-based pricing will ensure that you are maximizing profits but you must know the cost of your service delivery efforts first.

The cost of service delivery is the sum of the (monthly) cost of your billable employees plus the monthly (amortized) cost of your infrastructure and other expenses. These two costs then can be summed and divided to determine an average cost per user or per device per month. For ease of description we'll refer to this as "cost per seat per month" and leave you to decide if that means per user or per device.

It's important to have a full understanding of your service delivery costs so that you can pick a pricing approach that maximizes your profit. It's useful to first allocate your services to categories, as each category requires different skill levels, tools and other expenses:

- General support
- Centralized monitoring, management and remediation
- Administrative
- Strategy and planning

Sum up the total of all appropriate costs per category on a monthly basis and divide by the total number of seats to determine your average total service cost per seat per month. While you may price based on your per device costs today, consider developing a per-user approach for the future. Increasingly, employees have multiple devices that will need to be managed but the costs of supporting additional devices are marginal versus the cost of supporting additional users.

Next calculate your current average monthly revenue per seat by category. In an ideal world this would be your current price but if you have multiple service elements within a category or you allow discounting, the average revenue may differ from your

Using value-based pricing will ensure that you are maximizing profits but you must know the cost of your service delivery efforts first.

standard price. Your gross profit margin is the difference between the revenue and cost, divided by the revenue:

$$\text{(Revenue} - \text{Cost}) / \text{Revenue} = \text{Gross Profit Margin}$$

It's also helpful to know what your overall average cost and revenue per employee is and how additional services will affect those averages. Your average cost per employee is generally the total cost of running your business – payroll and expenses – divided by the number of employees, including yourself. Your average revenue per employee is your total revenue from services and service-related activities divided by your total number of employees. That's all employees, not just your technical team. Include all sales, marketing, finance, admin and management staff, etc.

New services should add to your average revenue per employee as quickly as possible but without adding significantly to your average cost per employee. That way you know you will be increasing your gross margins. If you are investing in new skills to expand your services, how quickly will the average new services revenue per employee add to the overall average? Any plan to add new employees that only increase service revenues from new customers, or only a portion of existing customers, needs to be carefully considered. Ideally, new services will quickly be taken up by both existing and new customers and will raise the overall average revenue per employee.

Kaseya's Annual MSP Pricing Survey

Unfortunately, there is no Magic 8 Ball that will tell you the exact price to set for your services. You need to research the average pricing in your target market, whether that is as limited as one city or as broad as the world.

One resource is [Kaseya's Annual Global Pricing Survey](#). Download the latest version and see how our survey respondents answered questions on pricing.

You need to research the average pricing in your target market, whether that is as limited as one city or as broad as the world.

Building Effective Service Bundles

MSP customers have more than one IT need. So why would you sell a client just one service? Since you already have a relationship, it makes sense to broaden it with more services and higher level consulting and advising.

The good news is that SMBs prefer bundled services – it's that whole “one neck to choke.” Research from AMI-Partners shows SMBs are 3-4 times more likely to opt for service bundles.

Meanwhile, results from the annual Kaseya MSP Pricing Survey shows that bundling is a key approach to success and that faster growing MSPs bundle their services. At the same time, they don't go overboard with options, but instead limit their offerings to a small number of tiered service bundles.

Bundled Services Increase MSP Efficiency

The rationale is simple. To be most effective, MSPs need to be able to monitor and manage as many aspects of a customer's IT infrastructure as possible. When there are large gaps in coverage or when there are several service providers involved, finger pointing becomes inevitable and diagnosing who did what and when they did it becomes a major portion of the support work. When an MSP can take primary responsibility for the production infrastructure and is able to monitor from a single IT management solution, cause and effect are much easier to identify; and process improvements can more easily be put in place to reduce the volume of disruptions and the subsequent unplanned remediation work.

By offering a comprehensive service bundle and discussing the value of having a single service provider, MSPs also avoid the challenge of being “nickled and dimed” by customers trying to get a better deal by taking a “one from column A, two from column B” approach.

Higher growth MSPs will even turn prospects away if they are not willing to buy a complete service. For those operating primarily in a confined location, e.g., a city, county or region, much will depend on the needs of clients and the level of competition.

Some MSPs find that they can do well by delivering only minimal managed service capabilities, such as remote monitoring and patching, while the bulk of their revenues



To be most effective, MSPs need to be able to monitor and manage as many aspects of a customer's IT infrastructure as possible.

come from time and materials contracts. Others, probably in larger cities and more competitive environments, find that clients are looking for MSPs to not only smooth their IT spending by offering consistent or fixed monthly rates but also to take on more of the risk of IT service delivery by offering service level guarantees.

Wherever you are, you are likely to find that clients look to trusted MSPs to offer more and more capabilities.

More on the Beauty of Service Bundles

Kaseya has been tracking MSP pricing trends and the growth of service bundles.

As shown earlier, high-growth MSPs are 24% more likely to offer a small number of comprehensive service bundles compared to their lower growth peers, according to Kaseya's annual MSP survey.

It's easy to see why this may be more than just correlation, and may actually be causal: standardization.

The Magic of Standardization

By standardizing offerings, MSPs can lower service delivery costs along many dimensions to support increased growth and margins:

Sales transactions

Offering a pre-defined suite of services lowers the transactional costs of doing business—from statements of work to SLAs to licensing agreements to onboarding, and so on. With a few comprehensive bundles, you don't have to start from scratch, building a customized list of services and deliverables.

Staff efficiency

IT staff can focus solely on helping solve client issues without having to research the details of the services, SLAs, etc. In addition, since services are standardized, IT staff proficiency improves and any service optimizations can be easily leveraged for all clients at once. In fact, most successful MSPs start managing by policies and machine groups versus client-by-client or machine-by-machine. They create, update and apply policies to groups of machines, managing exceptions while keeping systems in compliance of predetermined conditions. They aggregate management tasks and think how they can apply changes by machine group (i.e., Exchange servers) across their entire customer base.

Infrastructure

While not a requirement when creating pre-defined service bundles, MSPs should work to standardize devices and software sets across their client base. Again, this makes it

By standardizing offerings, MSPs can lower service delivery costs along many dimensions to support increased growth and margins.

much easier to manage, troubleshoot and rebuild when issues occur.

Scaling

By standardizing service offerings, high-growth MSPs are able to more easily scale their client base without having to increase their IT staff at the same rate.

Of course, you will have clients who demand—sometimes for very good reasons—exceptions to your pre-set service levels. However, there is a real difference between negotiating exceptions on occasion versus creating a laundry list of offerings that result in customized offerings for every client.

Setting Service Package Levels

Creating a small set of comprehensive service bundles is a key step to unlocking higher rates of growth and profitability. How should you establish your service package development efforts?

Unfortunately, the answer isn't the same for every MSP.

One MSP market can look very different from any other—varying by such things as size of clients, vertical requirements and localized expectations. No one expert, no matter how much experience they have building and running successful MSPs, can provide an answer that is exactly right for you. You have to do research with your current customers and with the customers you'd like to have in the future.

That said, here is a simple approach to help you start your own process:

Bronze Package

Generally speaking, this package is for clients who just want to make sure someone is tending the IT shop while they're busy running their business.

- Monitoring only
- Does not include onsite

Silver Package

This package is for clients who see IT performance and availability as integral to the success of their business, but who also have simple, straightforward IT network and infrastructure configurations.

- Monitoring
- Patching
- Anti-virus
- May include some defined onsite hours per month that do not roll over or accumulate over time if unused.

Creating a small set of comprehensive service bundles is a key step to unlocking higher rates of growth and profitability.

Gold Package

These clients may be very similar to Silver Package clients, except they just feel better knowing someone will be onsite occasionally. Or, these clients may have non-standard endpoints that can't be accessed via remote management.

- Monitoring
- Patching
- AV
- Includes onsite

Wait — There's More!

There is a way to add in a fourth package. But this package is not meant to be offered to all clients. This package (which we'll call Platinum, to keep the metals theme) is devised for those high-value clients who want to go even further in their services outsourcing.

Platinum Package

This is for clients who want everything the Gold Package delivers, but also have specific projects, such as replacing existing equipment. In addition, extra services—such as email, Office 365 or data backup—may be selected for Platinum customers. Of course, the more projects per client, the higher the cost of their particular Platinum package.

- Includes everything in the Gold Package but includes projects
- Not meant for all clients

Every year brings new changes to the technology landscape, and MSPs have to make sure they keep up. Over time, your particular package offerings will need to evolve. Security services, for example, could become a standard component of your Silver Package; or Mobility Management could become so pervasive that mobile monitoring is standard in your Bronze Package.

There are other areas of opportunity. Cloud services are huge, and you can help clients with their transitions, such as to Microsoft Office 365, which you can then manage for them. Another area is managing the networks which connect clients to the cloud, insuring uptime, performance and security.

By looking for ways to standardize and simplify your service packages, you can ensure that you're defining your clients' expectations, exceeding those expectations, and optimizing your company's growth and profitability.

Every year brings new changes to the technology landscape, and MSPs have to make sure they keep up.

22 Critical Metrics and KPIs for MSPs

In the MSP world, there are tens of dozens of possible metrics you can adapt. Try and do so, though, and you'll spend all your time measuring and precious little driving growth. The trick is to choose those metrics that work for your business and management style.

MSP consultancy Taylor Business Group (TBG) is focused on helping clients drive profit, and it has 10 metrics it says are the most important metrics to keep MSPs on track to achieve their goals. We took TBG's 10, and added a dozen more metrics of our own.

It's important to note that the first step to take before you start implementing any new metrics, is to ask what kind of company you own or work for. There are MSPs that are "lifestyle businesses." The owner knows and loves technology, enjoys working with a small close group of clients, makes a good living, and is perfectly happy running the business this way. In this case, the intense discipline of tight metric tracking may not be critical to this business' success.

Metrics are made for growth-oriented businesses, argues TBG's John Christophersen. These businesses are entrepreneurial, have a vision, believe in a high-horsepower sales engine, invest profits back into company development, and manage by numbers and metrics.

With that caveat out of the way, let's look at the metrics, starting with A and ending in T.

1. Administrative Expense

Administration is critical, but doesn't directly build the business the way sales and technical development can. As a result, these expenses should be controlled – and be less than 20% of revenue.

These expenses include administrative salaries, benefits, related taxes, internal IT costs, and building and office expenses. While TBG doesn't point this out directly, administrative expenses also include all IT systems which support the business, such as billing, CRM, finance, project management, etc.

On a related front, TBG stresses that MSPs should "eliminate or minimize all non-strategic costs!" And yes, the exclamation point came from TBG.



Metrics
are made
for growth-
oriented
businesses.

2. Agreement Profitability

This measures how much an MSP makes per client agreement.

3. Average Response Time

This key metric tracks how fast your techs respond to a problem.

4. Billing Resource Utilization

This is a bit like how partners in a law firm are judged – by billable hours. By measuring the ratio of billable- to wasted-hours, you can see how efficiently your staff is deployed. And by calculating their hourly rate, you can see how much money is lost when they are not working on billable jobs.

5. Client Contribution (CC)

This refers to how much an MSP earns from each client, less the cost of obtaining this revenue. The client revenue includes sales of products, fixed fees and services. The related costs include what the MSP spends to acquire the revenue (such as marketing and sales costs) and the labor costs of providing them.

6. Client Effective Rate (CER)

This metric measures how much you make from each client based on time spent servicing them. It is the monthly fixed fees you charge divided by how many hours you spent with that client. This will produce a revenue-per-hour result.

7. EBITDA

‘Earnings before Interest, Taxes, Depreciation and Amortization’ is a key measure if you are looking to sell your MSP operation. If your other vitals, such as Monthly Recurring Revenue (MRR), are good, you can, in some cases, expect a 10x multiple of your EBITDA when you sell your company.

8. First-Time Fix Percentage

This calculation measures the percentage of client problems that are resolved with only one contact to your help desk. It can help you track the efficiency and training levels of your support technicians.

9. Product Margin

Product margin is, to quote Investopedia, “the difference between the cost of the good or service and the retail price; the greater the difference, the higher the margin.”

TBG also uses this basic definition, with ‘product sales revenue’ substituting for the ‘retail price.’

According to TBG, the number to shoot for is over 17.5% margin, with over 20% being preferred. Beyond that, TBG believes that the margin should be at least based in part on product, with some products needing a higher targeted margin than others.

By measuring the ratio of billable- to wasted-hours, you can see how efficiently your staff is deployed.

However, calculating the true cost of goods sold can be the trickier for a services provider than a manufacturer. Include direct labor, any service delivery charges (such as transportation costs if there is any travel involved) and sales commissions. Don't include overhead or operating expenses such as rent, utilities, or salaried positions not directly tied to delivering the service.

10. Hourly Service Rates

This metric is pretty self-explanatory. To use this as a measurement, the MSP should have a clearly defined service organization structure. This involves clear job descriptions, well-thought-out career planning strategies, and "pre-defined compensation plans." Clarity on rates for different staff levels makes calculating this metric easier.

Meanwhile, your services rates should be what you charge before volume or other discounts are applied.

That said, the hourly rate an MSP gets should be 4.5 times the "hourly burdened salary rate," which includes taxes, supplies, insurance and other related worker costs.

11. MRR (monthly recurring revenue)

This is a key measure for MSPs that refers to the most critical revenue stream — revenue you can count on each and every month. Healthy MSPs make the majority of their money this way.

12. Net Operating Income

TBG is a huge fan of Net Operating Income, which is a metric that pretty much sums up the current health of an MSP business.

Operating income is similar to EBITDA, except that EBITDA also considers amortization and depreciation. Net operating income is more commonly used because it is a bit easier to calculate than EBITDA.

According to TBG, your net operating income should be at least 10%. At the same time, TBG likes for services to be more than 60% of total income. And when it comes to service revenue, Monthly Recurring Revenue (MRR) should be more than 60% of the total.

13. Outstanding Issues

How many issues are still unresolved on a weekly, monthly and quarterly basis? If the number is too high, you need better processes, more automation, or more employees. In fact, keeping track of outstanding issues is one of the recommended ways to identify processes ripe for automation.

MRR is a key measure for MSPs that refers to the most critical revenue stream — revenue you can count on each and every month.

14. Revenue/Compensation (RpC)

This is a simple measure of employee productivity. Essentially, you divide the revenue from each employee by how much they make. Of course, not all employees are equally involved in driving revenue, but it can be a good measure of which employees are moving the company forward.

15. Sales Compensation

You should invest in sales and compensate properly, including offering a base salary, commission and bonuses. At the same time, you shouldn't spend more than a third of your gross profits on sales.

16. Sales Expense

Building on the topic of sales spending, TBG believes that no more than 10% of your total revenue should be spent on sales. That expense should be fully loaded with salary, commission, and bonuses. It should also include sales training expenses, advertising and marketing spending, and miscellaneous sales expenses.

17. Service Level Agreement (SLA) response times

In general, you don't want to spend more than 55% of your gross profits on service. Similar to Product Margin, you calculate this by adding up all your services revenues and subtracting the cost of goods sold – or cost of services sold. Calculate the salary expense that is directly related to delivering services such as training or travel expenses, sales commissions, and any transaction fees associated with annuity revenues. Again, overhead costs such as rent and utilities, and any salaried expenses not directly related to delivering services is not included in the cost of goods sold.

So, an MSP that received \$1.2 million in services revenue and had \$540K in expenses tied to delivering these services would reach the minimum of 55% gross profit on services.

MSPs must keep a close eye on pricing and expenses to make their goal.

18. Service Department Profitability

This refers to how fast an MSP responds to service level performance issues.

Not actively managing this metric could result in an SLA penalty for the MSP. Even if you don't support guaranteed SLAs, understanding response times is the first step toward improving processes and service delivery.

19. Service Salaries

Service roles and titles can include help desk, NOC technicians and engineers, service managers, overall engineers and technicians, and service coordinators. The salaries of these staffers should be no more than a third of overall service revenues.

MSPs must keep a close eye on pricing and expenses to make their goal.

To make service efficient, TBG recommends clearly defining the structure of the service organization. This involves clear job descriptions, well-thought-out career planning strategies, and “pre-defined compensation plans.” The company also recommends hiring entry-level workers, and then promoting from within. By doing this, you can train new employees to your specific work processes (and not have to retrain technicians used to doing processes another way). But, more importantly, by providing a career path – and actively promoting from within – you increase morale and employee retention rates.

20. Service Utilization

First, let's define service utilization. According to TBG, it is the “percentage of service inventory time that is billable per technician.”

This notion is similar to another metric we described in a recent blog “The Encyclopedia of MSP Measurement”. In this blog, we described Billing Resource Utilization which also focuses in billable hours. In this case, the MSP judges staff efficiency by calculating the ratio of billable- to wasted-hours. If you add in your tech's hourly rate, you'll discover how much money is lost when techs are not working on billable jobs.

21. SLA Compliance

This metric rates how well you satisfy your client SLAs and what (if any) penalties you incurred as a result of not meeting these SLAs. Tracking this metric can provide insight into how well you are setting SLAs versus your business' ability to meet them; whether some individual clients or services are more challenging in terms of meeting SLAs; or whether penalties incurred would be capital better invested in better systems, solutions and training programs.

22. Tickets Opened vs. Tickets Closed

This measures how efficient your organization is at resolving problems, and can also highlight areas where your team's technical skills need improvement.

Want to Learn More?

Check out TBG's on-demand version of their **“Ten Most Important Numbers”**

talk for more details.

A big part of MSP success is getting the numbers right, since this means the most important number – the price you charge – will also be right. Learn what your peers are doing by downloading our **2016 Global MSP Pricing Survey**.

Looking to reduce your administrative expenses and increase efficiency?

Check out **Kaseya BMS** – a next-generation business management solution that was built specifically to help MSPs spend more time selling and delivering services, and less time on non-revenue-generating tasks like billing and project management.

Finding and Keeping the Best Employees

Managed Services Providers tend to be relatively small organizations, which makes each and every hire absolutely critical. At the same time, teamwork among such a small and hard-working staff is key, so your employees must be both technical and able to get along well with other – coworkers and customers alike.

Another issue is that, being relatively small, most MSPs don't have dedicated HR staffs and aren't trained in the ins and outs of hiring.

Whether you are a fast growing outfit, or have just been experiencing normal turnover, you probably have a job or two open at any given time.

So let's get to hiring!

1. Start Spreading the News

First, you have to let local job seekers know you have an opportunity. Job sites are an obvious choice, and you can further narrow your audience by using LinkedIn. Often, it's more effective to harness you and your employees' network of contacts. A hiring bonus helps when using your employees to find additional staff.

2. Create a Positive Image

When you decide to make an offer, you clearly want that candidate. At the same time, you want that candidate to desire to work for your company. So, just as you want customers to view your shop positively, you must roll out that same red carpet for job candidates. All your employees should put their best foot forward and demonstrate what a great workplace your MSP is.

You should also make sure your web presence represents your company and staff well. This doesn't mean you need to invest lots of money on a huge website. However, make sure your digital presence is professional, up-to-date, and reflects the true nature of your business and work environment.

Beyond these impressions, the reality of working at your company is also critical. Clearly lay out the job expectations through a highly detailed job description, with salary range and key benefits so a candidate can bow out early if there isn't a fit.

Another key criterion to success is to lay out a growth path so the candidate knows your shop will be a great place to work for the long run.



Often,
it's more
effective
to harness
you and your
employees'
network of
contacts.



3. Know When to Ask for Help

Hiring can be a time-consuming process, and you and many of your workers charge at a pretty high billable rate. Is this process a smart use of your time economically, and do you have the skills to do a good job hiring? If the answer to either is no, consider getting a staffing agency or headhunter to handle the heavy lifting such as advertising, sifting through resumes, pre-screening and setting up formal interviews. Of course, you and your staff should handle the interviews, and check the references so you know exactly what you are getting.

4. What to Look For

There are many specializations with MSPs, so your candidates' skills should match each particular opening. What you need in a service director is very different than what you need in a technician. But don't over focus on skills. There is a lot to be said for pure talent as well. Talent is what lets some employees easily learn new skills and move up the ladder.

Of course, for MSP employees, technical skills and a passion to master new technologies are critical.

Other skills and attributes include:

- Problem solving ability
- Ambition
- Flexibility
- Work ethic
- Positivity

5. Where to Look

With the internet and social media, there are such a plethora of places to post jobs it can be overwhelming.

There are other ways to attract talent. You could:

Hold an open house: This is a great way to put your company's best foot forward, and to meet candidates in a relaxed comfortable setting. The candidates, meanwhile, get to see your company closely and socialize with employees.

Go to events that pertain to your industry: There are often local events that cater to MSPs, cover the verticals you participate in, and focus on the types of technology that you use such as security. Go well stocked with business cards and pass them out freely.

Employee referrals: Technical types are often friends with other technical people.

They also join peer groups where they meet others of like mind. Don't be afraid to tap into this extended network.

With the internet and social media, there are such a plethora of places to post jobs it can be overwhelming.

6. Hire at the Bottom, Train and Raise them to the Top

One of the bottom rungs, but a critical function nonetheless, is the service and help desk function. These folks don't just man the technical front lines; they are the face of your business. You need to choose techs with personality and knowledge.

Many MSPs prefer to do most of their hiring at the lower service desk levels such as an analyst, and then nurture these new MSP pros into higher level positions. This way, the worker is trained in your technology and how you do business, and is part of your company's culture.

7. How to Keep Staff

As we mentioned above, many successful MSPs like to promote from within. As a result, they hire new employees for the lowest level positions such as a Problem Technician, train them, and then help them rise through the ranks. This is great for morale, and your future service desk managers will be steeped in your technology and company culture.

For that approach to work, training is a key way to retain and develop staff. The training has to have a purpose. It should be aimed at the services you have and the ones you intend to develop. At the same time, staff should be rewarded for their learning through new opportunities, promotions, raises and bonuses. This should be the basis of a defined career path for lower level staffers to move up the ladder one day.

8. Hiring to Scale

Once an MSP organization reaches a certain size or ambition, it becomes time to contemplate hiring higher level executives that can bring your company to the next level and even prepare an exit strategy. This isn't to say that you can avoid these functions at any time! However, as your business scales, you will need to hire experienced executives who can focus on these responsibilities.

These C-levels can include:

Chief Financial Officer (CFO): This person can bring discipline to your business, handling accounting, budgets, and cash flow. Just as important, they can handle reporting and implement tracking through key metrics which can lead to changes in strategy, and pricing.

Chief Operating Officer (COO): A COO can make sure that all the wheels keeping turning, that processes are as efficient as they can be, and that nothing gets overlooked. While the CFO may establish metrics, the COO lives and breathes these same metrics and uses them to optimize processes.

Many MSPs prefer to do most of their hiring at the lower service desk levels such as an analyst, and then nurture these new MSP pros into higher level positions.

Chief Marketing Officer (CMO): An MSP that desires growth has to have an aggressive marketing machine. The best person to drive this is a CMO. These leaders understand the new social and lead stimulating techniques, as well as the role of strong, authoritative content.

Chief Information Officer (CIO): There are two advantages to hiring a CIO. First, this person can rationalize all your systems and technology. More important, the CIO will look toward the future and build systems that offer serious competitive advantage.

Virtual CIO (vCIO): Many MSPs now offer vCIO services where they serve as a virtual CIO for SMB clients. Your CIO could help establish such a program, and even hire peers to handle the work.

Chief Executive Officer (CEO): This is one of the toughest decisions an MSP founder can – to give up the reins to a highly qualified and talented business executive. If that time is near or has come, make sure this hire is a perfect one!

9. Have the Right Technologies!

You are interested in hiring because you want to grow. That's why it pays to have the right technologies in place so these new employees are immediately productive. On the service/help desk side, make sure there are solutions in place so the service desk can support internal staffers with a rich knowledge base and ways to collaborate. This all feeds into the help desk, which should provide self-service and allow technicians to quickly solve client problems.

At the core of an efficient MSP are next-generation RMM and PSA solutions. Make sure you have already established best practices for each, and then train new workers on the solutions they'll use to get their jobs done.

Two Service Desk Hiring and Retaining Tips

Hiring Service Desk Staff

Your service desk staff doesn't just man the technical front lines: they are the face of your business. You need to choose techs with both good people skills as well as technical knowledge.

Larger service desks have defined hierarchies which can be many levels deep. Some MSPs have service desk analysts who interact the most with customers. These analysts update clients when there's a problem, such as an outage, then log the incident and see it through till it is resolved, whether or not they do the problem resolution work.

You are interested in hiring because you want to grow. That's why it pays to have the right technologies in place so these new employees are immediately productive.

With this high-level view, analysts can make sure that SLAs are maintained, and to work with customers if the SLA is in danger of being violated or if there is a service problem where reimbursement is required.

Many MSPs have team leaders in the service desk operations. This high-level position oversees customer service position and is responsible for identifying service desk improvements. It's critical these team leaders have the ability to manage a technical staff, as well as being technical themselves.

Above the team leaders might be a Service Desk manager. The Service Desk Manager is ultimately responsible for customer service, managing overall operations and responsible for all hiring.

Retaining Service Desk Staff

Many successful MSPs like to promote from within. As a result, they hire new employees for the lowest level positions such as a problem technician, train them, and identify career advancement plans to help the technicians rise through the ranks. This is great for morale, and also ensures that your future service desk managers will be highly knowledgeable of your services, technology solutions, processes, and company culture.

How to Craft Contracts, SLAs and Master Services Agreements for MSPs

You might think the root of MSP revenue is services, and that is true. But it is contracts that define these revenues and, properly written, ensure the money you earn keeps rolling in on a regular basis.

In fact, contracts are a cornerstone to any thriving MSP, serving many essential functions, including acting as a bond between client and provider. As such they should be treated and crafted with care.

Mastering Master Service Agreements

Many MSPs prefer a Master Services Agreement (MSA), which is a more detailed style of contract. Because MSAs tend to be highly technical, some half of these contracts are prepared without help from an attorney, according to the MSP Alliance. The main issue is the cost of legal counsel. However, MSPs sometimes believe these MSAs are good to go because the MSP professionals who wrote them understand their business and technology.

But a good MSA also covers many legal issues not normally dealt with in simpler contracts – which is another reason legal oversight is critical. These legal issues are far beyond purview of MSP staffers. Consequently, whether it's a simple contract or a richer Master Services Agreement, a lawyer and an experienced accountant should take a deep look at the documents before any signatures are placed.

In addition, MSAs and Service Level Agreements (SLAs) don't just help the relationship run more smoothly they can be a key part of the sales process. That's because they should detail for the clients the precise value they will obtain from your services as well as your commitment to deliver them.

Contracts such as MSAs are also a key way to build and sustain revenue, and increase the value of your business. "The contracts an MSP has with its customers represent the primary component of the business' value. The reason the contracts are so vital is the value of the business is determined by some multiple of the monthly recurring revenues," wrote attorney Robert J. Scott in *A Legal Guide to Managed Services*. "Strong monthly recurring revenues generated under sound contracts are the key ingredient of business valuation."



MSAs and Service Level Agreements (SLAs) don't just help the relationship run more smoothly they can be a key part of the sales process.

Scott & Scott detailed key items that should be in the MSA's Statement of Services, including:

- "Term of Agreement
- Holiday Availability
- Proprietary Rights
- Intellectual Property Rights
- Independent Contractor
- Client Covenants
- Insurance
- Taxes
- Non-Solicitation
- Warranties
- Limitations of Liability
- Termination of the Agreement
- Integration Clauses"

Here is one example of a provision that could or should be in your MSA, according to the law firm:

"MSP will provide the following services:

- *Perform necessary remediation steps associated with the daily alerts and tickets*
- *Prepare and implement a maintenance checklist.*
- *Make recommendations based on weekly reports*
- *Review and maintain all network related documentation*
- *Review monitoring scripts/tools required for daily review and make recommendations for improvements"*

The Importance of a Rigorous SLA

SLAs are the other key contract an MSP may have with a client. Because the MSP is committing to a particular level of service, and penalties are attached, these contracts should, obviously, be well thought out.

Partner advocacy organization CompTIA agrees. "One of the most contentious issues in managed services is availability. No matter what you think the verbal agreement was, don't be surprised if the customer later develops a different understanding about your availability. Maybe they'll want 24/7 support, or have unrealistic expectations about response and resolution times," CompTIA explained. The only answer is a contract that clearly establishes SLAs and protects both parties.

Meanwhile, here is a quick legal SLA checklist from Robert J. Scott:

"There are a number of ways to calculate a service level for purposes of an SLA.

Successful availability provisions will include:

- *The definition of availability, including any exclusions*
- *The time period that will be used to measure availability (e.g., monthly, quarterly, etc.)*
- *The method in which the availability will be calculated, and what, if any computers will be excluded from the calculation of availability*

No matter what you think the verbal agreement was, don't be surprised if the customer later develops a different understanding about your availability.

- *The percentage of availability the MSP is promising*
- *Consequences for availability failures*
- *If monetary credits are available for availability failures, the method by which the credit will be calculated and the maximum credit available for the applicable time period"*

May the “Force Majeure” Be With You

Projects are not always 100% predictable. You could make a good faith effort to complete a project, and have the effort delayed through no fault of your own. This, in legal terms, is called “force majeure” and if your contract has this provision, you should still be paid for the work despite the unforeseen delay. Of course, the best approach is to keep the client in the loop –they probably want the work done at least as much as you.

Protecting Your Intellectual Property

You may not realize just how much of your intellectual property ends up in clients' hands. It may be as simple as scripts to drive automation, or larger pieces of software your team has developed. Some of these items could, or may already, be patented. To protect this, the contract should specify that that intellectual property belongs to you, and you alone.

Protecting Confidentiality and Trade Secrets

The same protection is critical for trade secrets such as pricing, discounts, SLA terms, warranties, and special technologies. Your contract should include a non-disclosure clause to protect these secrets. And since fair is fair, you should consider a similar clause protecting client confidentiality if asked.

CompTIA Lends a Hand

CompTIA has significant resources to help service providers with contracts, with some free and others, such as contract templates, available to registered or premium members.

The partner organization also has a useful free overview of why you should use contracts (many MSPs don't and usually come to rue that decision) and the basics of how to go about it in How Written Contracts can Help your Business.

CompTIA argues that contracts are an essential protection for MSPs, and should be dispensed with only in limited circumstances – such as ultra-simple engagements. Partly, this is because of the implied contract in doing work for another party.

CompTIA argues that contracts are an essential protection for MSPs, and should be dispensed with only in limited circumstances.

"Most people believe there is no contract if they didn't sign something. But there is. It is called an oral agreement and they are just as enforceable as written ones. The problem is you won't necessarily be the person deciding what the terms of an oral contract are, if there is a dispute. A judge or jury will do that for you. The question is: do you really want to accept that risk?" the group asked.

Another issue is that if you don't craft a contract, your customer may do so anyway in the form of a PO. "You may have been in the position of agreeing to provide services to a customer, and shortly thereafter the customer sends you a purchase order. You turn it over and notice a full page of legal terms on the back," CompTIA mused. "You now have a written contract whether you wanted one or not. It's highly unlikely the terms on the PO are to your advantage. They were drafted from the customer's perspective. But if you had a written agreement it wouldn't be an issue."

Such a contract, crafted by you and representing your interests, can negate and void the items listed in legalese on the client PO.

A contract should not be one-sided. Instead it should treat clients with respect, spelling out what you are responsible for, where those responsibilities end, and do so in a multifaceted way.

Here are some areas CompTIA suggests your contracts cover.

- *"If you install software how long is it expected to function?"*
- *"If you do break/fix work, how long will the equipment remain up and running?"*
- *"What level of service are you guaranteeing? Are you promising absolute perfection, or merely that the work will be in accord with generally accepted IT standards?"*
- *"What happens if the customer starts doing things that you feel should void the warranty? For example, what about customers who decide to tinker with software or hardware you installed, and wind up making a problem worse?"*

How to Say Goodbye

Breakups can come from either side, and either way you want to be protected.

Sometimes you are the one to call it quits, and you want to make sure there are no negative repercussions. Your contract should specify under what circumstances you can break it. Maybe the client is slow in writing checks or refuses to pay, implements their own conflicting technology, or has employee behavior that works against your efforts. Or perhaps they demand work that isn't called for in the contract.

On the other hand, you also need to be protected if the client breaks the contract.

They may back out before the duration of the contract is complete, and you are holding costs related to the entire duration. Or maybe you started a major project,

A contract should treat clients with respect, spelling out what you are responsible for, where those responsibilities end, and do so in a multifaceted way.

made investments, and the contract was broken before the services were rendered and paid for.

Here CompTIA weighs in. "You've just booked new business. Say you have to make some up-front investments before you can begin the work. Maybe you need to buy equipment or perhaps license new software. Maybe you need to hire additional help, or get some additional training. What if you make these investments, and then receive a call from the customer stating he's decided to go with another provider. You can't demand payment for the work because you didn't do it yet," the organization argued. "What are your options? Without a written contract there are not many. A written contract will specify what expenses you are entitled to be compensated for. More importantly a written contract gives the road rules for how, why, and when a party is allowed to back out of a deal."

Don't Make These Mistakes

Gary Pica, an MSP veteran and leading pundit, has been through countless client engagements, and highlights mistakes you must avoid. The first is setting the wrong price. "If you incorrectly price and package your services, there are going to be negative ramifications for your employees and the client you've just signed. You may over-promise on what your employees can actually deliver, or you could end up in a situation where the client isn't getting the level of service they were expecting," Pica, president of TruMethods, an MSP consultancy, wrote.

Pica also believes that less is more. "Transparency is key to avoiding future lawsuits that may arise from broken MSP business agreements. The longer and more complicated your agreement is, the less your client is going to trust you. Don't create a 10-page agreement that deals with a variety of items that will never happen or that you can't control," Pica argued.

While Pica advises a bit of brevity, don't take this too far. "Sometimes an agreement covers a lot but misses a few critical items for protecting your MSP. The most important role of a business agreement is to safeguard your MSP from liability in the event that things go wrong, so including a liability clause is essential. Protecting your employees is also important, so it's a good idea to formulate a non-compete clause. Start with the most important items to protect you and your business," Pica wrote.

Final Thoughts

Contracts are essential to the ongoing health of your MSP. Crafted well, contracts are the building blocks for successful, ongoing business engagements with your growing list of clients. Clear, well-documented expectations on both sides mitigate confusion on

The longer and more complicated your agreement is, the less your client is going to trust you.

service levels, and point to solutions when problems, inevitably, arise. Contracts are not the place to scrimp – make sure your contracts, MSAs and SLAs are carefully thought out, and fully vetted by legal and financial counsel.

Making Statements of Work Work for You

A Statement of Work (SOW) is sometimes confused with a Master Services Contract (MSA), and indeed some use the terms interchangeably.

On the other hand, an SOW is an ideal way to scope out a project, especially a complex project, as opposed to an MSA, that details a long-standing services arrangement.

Many times a client will specifically require an SOW, so you should be prepared to craft one that suits both parties.

If you already have a contract or MSA with a client, your SOW can encompass some of the same issues and reinforce those bonds.

SOW General Overview

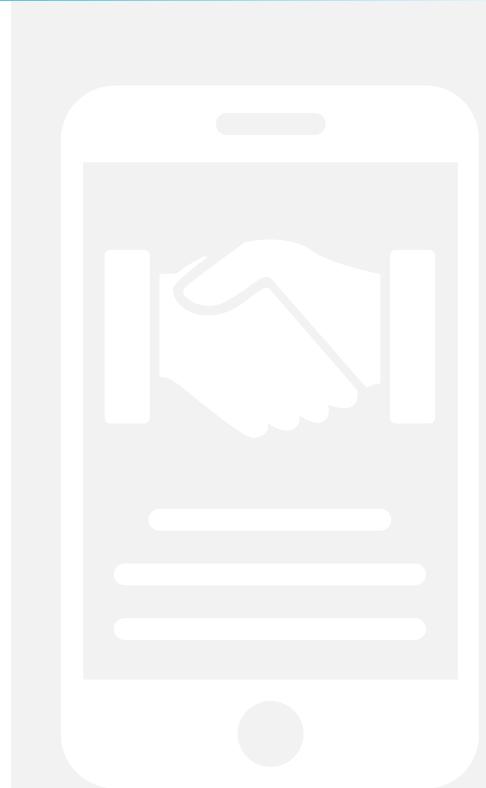
An SOW, being most often project-based, focuses on defining what the deliverables are and when they should arrive.

Just as important, the SOW defines all the milestones that are behind the deliverables and who does what. This requires timetables, a way to review progress, and a means of tying payment to project progress. In addition, all resources critical to the project are defined in the SOW, as well as which parties bear which costs.

There also needs to be agreement on how the project is managed and governed, by what methods, and what defines success or failure. Sometimes these measurements will include KPIs; other times there are other ways to define whether the project is progressing properly and these measurements depend on the scope or style of the project. Some, for instance, may be more infrastructure or network related, while others deal entirely with new services. Obviously these would be measured very differently.

For instance, measuring an infrastructure project may require making sure the hardware is installed, configured, has good network performance and security. A service would be judged on whether it is properly customized for the client, that end users can exploit the service such as with cloud backup, and that there is confidence the service can meet SLAs.

It may be a good idea to establish a change management procedure to deal with changes in the scope of the project, unforeseen difficulties out of either party's control,



An SOW,
being most often
project-based,
focuses on
defining
what the
deliverables
are and
when they
should arrive.

or other circumstances. This way, you have a mechanism to deal with requested changes accommodating both parties.

However, an SOW can't always cover every aspect of the project. For complex endeavors, there may be a number of related documents and addendums to handle details, such as specifications in the case of a software project or contract addendums related to service guarantees.

How an SOW Leads to Other Work

Just like a simple contract, MSA or SLA, a SOW is used to measure a service provider's performance. If you perform well, that SOW is a key sales tool to acquire new business. Not only have you proven you can do the project, you also understand the client and are fully prepared to do more. And you can demonstrate this in a detailed manner by showing how you handled all aspects of the project and prove your top-notch performance.

Legal Aspects

As with a contract or MSA, any SOW should be carefully reviewed by legal counsel. At the same time, the language includes both technical and legal aspects. Since the SOW is a document used by many folks, including managers and other business pros, it should be written using clear, non-jargon language as much as possible. It's important that the document be comprehensible to all readers, not just lawyers and technical experts. To achieve this, have a literate member of your team or a third party read it for clarity and make the appropriate edits.

Here are some of the legal aspects the SOW should cover.

Intellectual Property

In many cases an MSP will create unique intellectual property for clients, inventions that have market value. This could include techniques, scripts, code and complete software tools. In the section, the client should agree that even though there are rights to usage, you as the creator own these inventions.

Confidential Information

Your business practices, prices and discounts can be just as valuable as your intellectual property.

Your clients should not share this information with your potential customers and especially competitors.

The same is true for the MSP. As a trusted service provider, you are privy to confidential client data and strategies. It is not just in your professional interest, but legal interest as well, to protect this knowledge.

As with a contract or MSA, any SOW should be carefully reviewed by legal counsel.

Contract Termination

Termination can harm either side. If you terminate, the client doesn't get the project or service they may desperately need. For you, you may not get the revenue you counted on and may have trouble recovering sunk costs.

The SOW should determine, for both sides, what is just cause for termination and whether and how either party may be compensated for work promised or delivered at the time of termination. It should establish who owns what property, such as physical hardware, and whether (and by when) this needs to be returned to the true owner.

Some MSP Specifics

The government of the State of Texas works with Managed Service Providers and Cloud Services Providers who help with applications and IT operations. Under a document "How to Write an Effective Statement of Work," the government offers MSPs advice. One example is particularly germane as it talks about an SOW contract pertaining to core MSP functions.

Here is that example: "Customer desires and vendor provides site monitoring and maintenance that include remote network equipment monitoring and alerting, remote and on-site repair and maintenance, and on-site outage response services in Houston, Dallas and El Paso," the document reads.

Here is how the responsibilities divide.

- "Customer Roles and Responsibilities
 - Site access at all three locations
 - Purchase and delivery of network equipment
 - Configuration design for all network equipment
- Vendor Roles and Responsibilities
 - Respond to network outages in accordance with SLA's
 - Respond to customer requests in accordance with SLA's
 - Provide any network drawing updates as changes occur"

The vendor, or MSP, must:

- "Conduct site inventory and provide updated inventory list and schematics.
- Weekly status reports."

Texas also requires SLAs as part of the SOW. "Service Levels enable the customer to specify service level expectations for the services being performed. Service Levels may be tied to response times for service, uptime of a network, mean time to repair (MTTR), or similar measures.

- Vendor will respond to outages within two hours of notification.

Contract termination can harm either side. If you terminate, the client doesn't get the project or service they may desperately need.

- Vendor will provide a status within 4 hours of outage notification.”

Texas also has specifics and what is required for it to accept the work and, if these are not met, the state will withhold payment.

- “Conduct site inventory and provide updated inventory list and schematics.
- Weekly status reports.”

Tying payment to work performed is also critical to Texas, and their document details: “Pricing and Payment Schedules/Milestones may be tied to Deliverables as noted above, but may also be tied to completion of phases of a project as long as vendor demonstrates task completion and tracking toward project goal.

Example: Project phases that may generate payments:

- Report of current business practices
 - May include personnel interviews, write ups, review of IT platforms, etc.
 - Gap analysis report
- This would include the vendor tasks of identifying the end goal of the customer, analyzing current systems and processes, and drafting the gap report.
- Final assessment report”

CompTIA to the Rescue

For many MSP issues, CompTIA is chockfull of resources. In the guide “Incorporating a Statement of Work”, the organization offers guidance on the fundamentals of crafting an SOW and why you may need one.

Solving Disputes

Like with any contract, a SOW helps protect both parties in the event of a dispute, especially one that seems to be moving toward the courtroom.

“If there is a dispute about a contract, one of the first things a court does is try to understand what the parties intended. The Statement of Work is the place to tell them. Every agreement should have some kind of description of what is being sold, what kind of work will be done, or objectives to accomplish; it doesn’t have to be any more elaborate than the circumstances warrant,” CompTIA argues.

Core Assumptions

CompTIA believes much of the SOW can be based on the information in your original quote, but then you add details about how contingencies are dealt with. “You, no doubt, quoted your price based on what you would do for the customer, what the customer or a third party might do and when or how often. Often these assumptions are based on

Like with any contract, a SOW helps protect both parties in the event of a dispute, especially one that seems to be moving toward the courtroom.

what you have control over and what you do not," CompTIA explained.

The group cites the example of onsite repair that should take one day. However, that schedule assumes that you recommended the client keep replacement parts in inventory. If that doesn't happen that one-day repair can turn into many.

The Larger the Scope, the More Plentiful the Issues

For smaller projects or tasks, a simple contract may suffice. But broader, more complex projects introduce more variables. "Installation raises a number of issues when added to the contract. Turnkey? Time and Materials? Milestone payments? Coordinating contractors? Performing help desk functions injects a separate set of problems," are some of the issues CompTIA raised. "What packages will you have to support? How much training do their users have? How old is their system? The nature of the customer's business, and the laws that regulate it, also complicate the equation. Health care and financial business often have significant amounts of customer information that is highly sensitive and potentially damaging if compromised."

Conclusion

MSPs pour their hearts into the services they provide. At the same time, customers are not always perfect. They can be difficult to deal with, and miscommunication can arise because they don't understand technology as well as you do.

That's why contracts such as SOWs and MSAs are so important. These offer legal protection for you in the case of a misunderstanding, and give the client a roadmap to what you provide. They can also be living documents which change as you add new or higher level services.

SOWs and MSAs
offer legal
protection
for you
in the case of a
misunderstanding,
and give the client
a roadmap to
what you provide.

Mastering the Complexities of Successful Customer Onboarding

Many MSPs believe they have customer onboarding taken care of. There are best practices guides that MSPs follow to a tee, and experts to guide them. This is the foundation of detailed onboard plans that include timelines and checklists. The aim is to make new customers confident and make it easier on the MSP through standardized processes for client engagement.

That is all a good start, but there are other critical onboarding considerations that could result in even more satisfied clients, less client churn, and, perhaps most importantly, stronger margins.

Here are five ‘common sense’ ideas on onboarding that you should avoid.

Common Sense Idea #1

Onboarding starts when the contract is signed

On the face of it, this makes sense. Onboarding is by definition about how you take on new clients – working with them to implement systems and processes to facilitate a smooth transition toward your full management of contracted services.

However, a documented onboarding plan also enables you to control and manage client expectations. And, sometimes, the ‘overpromising’ ship has sailed well before the contract is signed.

Far better to start the onboarding process – especially the network and device discovery process (including a full inventory of software versions, patch history and configurations) – before the prospect is a client. By having discussions about the current infrastructure during the sales process, you get to more deeply understand the client’s true requirements. Consequently, you can better match your services to their needs, have greater confidence in your pricing model, and maybe even identify potential additional required services.

In the past, this full discovery and inventory process would have been unthinkable for MSPs, given the time and effort that was needed. However, there are IT systems management solutions that can now transform a full network and device discovery – including devices behind VPNs or firewalls – into a quick, easy, low-cost process.



By having discussions about the current infrastructure during the sales process, you get to more deeply understand the client’s true requirements.

Common Sense Idea #2

Onboarding's primary goal should be the efficient ingestion of new client devices

Again, this idea makes sense. That is, until you realize that efficiency ≠ effectiveness. While efficiency refers to how well something is done, effectiveness refers to how useful something is.

You don't want to just do a good job. You want to do such a useful job, such an essential job, that the client cannot imagine life without you as a partner.

What does this mean for onboarding? To quote Einstein, “everything should be as simple as possible, but not simpler.” Translation? Streamlining is good until it isn’t. So, don’t rush over steps. Don’t miss out on opportunities to educate the client. In addition, it’s important to show your client not only what you found but what you were looking for and why those things matter. For example, why does knowing every device’s patch status and warranty information matter to the client? Let him know this explicitly; don’t expect him to intuit it for himself. Otherwise, he may think you are just looking to make your life, and not his life, easier.

As you expand your client communications and education efforts, find efficiencies elsewhere, through technology solutions that automate and streamline the technical onboarding process.

Common Sense Idea #3

Meeting 30- and 90-day onboarding plans are the best way to delight clients

Many MSPs have detailed 30-day and 90-day onboarding processes. At these pre-defined checkpoints, they meet with their client to review progress, and generally make sure the client is still happy he selected this MSP.

30- or 90-day plans are great. But there are two limitations to this tactic in terms of delighting new clients.

First, it’s a good thing when a vendor meets expectations and action items that they themselves have set. However, while the client is pleased about this, they aren’t delighted. What would delight them? Regular reports showing how they are saving time and money, improving IT performance, and increasing the client’s employees’ satisfaction.

Second, even a 90-day timeline merely delimits the start of any client engagement.

You need to have documented processes and supporting technologies that enable you to delight the client after 90 days, including regular reporting, review meetings, and strategy sessions, etc.

You want to do such a useful job, such an essential job, that the client cannot imagine life without you as a partner.

Common Sense Idea #4

Making the client decision-maker happy is the main goal of onboarding

While making the client decision-maker happy is necessary, it's not sufficient to long-term client success. Don't forget to carefully onboard end users while you're also deploying agents and discovering devices.

Users can be your biggest advocate as well as your biggest headache. If the users are unhappy with either the initial transition or the service delivery in general, your client is at risk no matter how well you've met expectations of the decision-maker.

So, during onboarding, be open and direct with the end users. Have a documented process for reaching out and educating them as to what will change for them on a day-to-day basis.

Will there be new icons on their devices? What software will they need to install or select? Are reboots required? How will tickets be submitted and what is the expectation for resolving those tickets? Will there be remote control? If yes, how will it work?

Document and communicate again and again and again. Reach out in different ways, leveraging email announcements, documented FAQs, training webinars, etc.

Common Sense Idea #5

Onboarding ends once the new client is being actively managed

During the initial discovery phase, you may have identified devices that are no longer under warranty; servers and other infrastructure devices that are from multiple vendors or have differing configurations; and multiple antivirus and security applications running on various devices.

Clearly, you will want to streamline all clients' hardware, software, and procedures in order to better predict your staffing requirements. While some clients may be open to replacing hardware right away, many may not be able to make that change as quickly as you'd like. Developing ongoing 'sprints' (to borrow a term from Agile software development) will enable you to get the standardization you want on a timeline best suited for each client.

And what does this mean? Successive onboarding projects as you prioritize and transition these new components.

Onboarding, you see, never really stops. It's only the beginning of any successful client lifecycle.

Want to learn more? [Download the full ebook](#)

Onboarding,
you see,
never really
stops.
It's only the
beginning of any
successful client
lifecycle.

Learn
more.
**Click for
Part I & Part III**