



CONNECTWISE™

CONNECTWISE
EBOOK SERIES

Scaling for Success

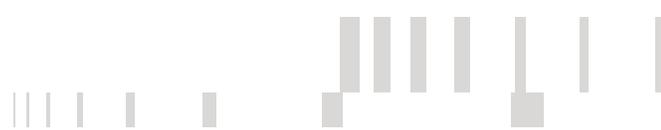
SOLVING FOR STAFFING,
SKILLS, AND GROWTH



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INTRODUCTION

Managed IT services have experienced a significant shift in a very short time. Today, managed service providers (MSPs) support a great number and variety of endpoints from anywhere. Advancements in cloud technologies have brought SaaS-based solutions—specifically remote monitoring and management (RMM)—to the forefront of service delivery.

It's safe to say that MSPs are always on their toes and have to quickly adapt to changes in technology and expectations of their clients. Even though many know the need for adaptability and scalability, not everyone is prepared. This has been evident in the growing demand for advanced cybersecurity. Many MSPs were unprepared to provide the security services their clients needed, and they paid the price.

But it doesn't stop there. The increase in remote workforces and reliance on data availability through backup and disaster recovery services have put the industry on notice.

Your MSP has likely evolved since you first started as well. You may have made the transition from break/fix to managed services or added new services to your growing practice. Change might not be new to you, but that doesn't mean it's always easy.

With change comes an opportunity to grow your business, but you need to make sure it's done in a scalable and profitable way. Those MSPs that hit both of those requirements can quickly mature their businesses, add more services along the way, and gain an advantage in the M&A market.

While you have the RMM and BDR solutions to support your clients, you need the staff and resources to use them. Unfortunately, staffing is one of the biggest challenges MSPs face today. The solution is ConnectWise Expert Services, including NOC, SOC, Help Desk, Dedicated Tech, and Tech Advantage services.

To capitalize upon that growth opportunity, you'll need to structure your organization to face the challenges that exist when growing your business, and have solutions to a variety of growth challenges you'll face, such as:

- How do you hire to meet current demand?
- Do you have the right skillsets in place?
- Can you successfully onboard new clients at a higher rate?
- Does your technology actually make you more effective and efficient?
- Are there processes you should automate to alleviate burdens from skilled techs?
- What is the best alignment for your organization to scale effectively?
- Can you maintain enough positive cash flow to expand your operations?

These are just a few questions that need to be answered, and a deep IT skills gap across all managed services, but specifically in cybersecurity, is yet another significant barrier to growth. With a vast pool of unfilled positions in the market, finding a qualified candidate is becoming increasingly rare, and expensive.

Scaling for Success

Solving for Staffing, Skills and Growth

Introduction

This eBook will cover the issues and challenges around staffing and growth, and how you can solve for them and grow profitably using ConnectWise Expert Services, including:

Help Desk, Dedicated Tech, and Tech Advantage services from ConnectWise Assist, formerly a Continuum solution

NOC support as part of ConnectWise Command, formerly a Continuum solution

SOC security experts as part of ConnectWise Fortify, formerly a Continuum solution

You'll be able to swiftly identify the most pressing issues you need to tackle, explore the root cause of those issues, determine the best way forward, and understand how that decision sets you up to scale for success.

"At least eight in 10 US businesses are being negatively impacted by the lack of technology talent."

—COMP TIA

Challenge:
"My staff can't support additional new clients, I can't find or afford qualified talent, and I don't have the right in-house skill sets to meet demand."

This is one of the most common issues that MSPs face, at any organizational size, and the demand for cybersecurity in the SMB market has crystallized this into the most pressing issue in the market today.

In a perfect world, with a healthy lead funnel and an active sales team, scaling a business wouldn't be much of an issue. However, on the operational side of the house, scaling presents a host of issues that can be very real challenges to growth.

Capacity planning is particularly difficult in managed services, as client demand requirements can change at a moment's notice—or a 100+ user opportunity may fall right into your lap without warning.

In both cases, success depends on your ability to provide immediate and high-quality support without missing a beat.



CHAPTER 1: THE X+1 PROBLEM

This is known as the "X+1" scenario, a problematic side effect of the traditional MSP model:

Your current staff is capable of performing a certain amount of work ("X")—but as soon as a new client, project or problem appears, capacity is maxed out, requiring you to hire additional resources ("+1") to support it.

Each of these "+1" hires is a significant investment in

- Time
- Training and onboarding
- Salary
- Benefits Infrastructure costs
- And more

All the investments above **cut into your profit potential and slow your operational efficiency.** And, this presumes that all in-house hires have the same experience, skill sets, certifications and talents, which just isn't true in any real-world scenario. It takes an even greater investment in time and resources to raise a new hire up to the same level as your veteran techs— not to mention a lot of luck that the person you hired is right for the job and will stick around for the long haul.

This means that, in reality, there are only small windows of time where your organization may be reaching its full potential: those moments where capacity is truly met, skill sets are adequate, and the organization is running smoothly—right before you're forced to hire additional staff and begin the process again.

The opposite scenario is equally problematic. If you were to suddenly lose a large client or a large ad-hoc IT project abruptly ends, you'll be overstaffed and overqualified, with techs who command larger salaries based on their skills and certifications that do not have enough work to do. You'll want to keep these valuable resources on your payroll, as they may be impossible to replace, so you need to bring in new business to balance things out.

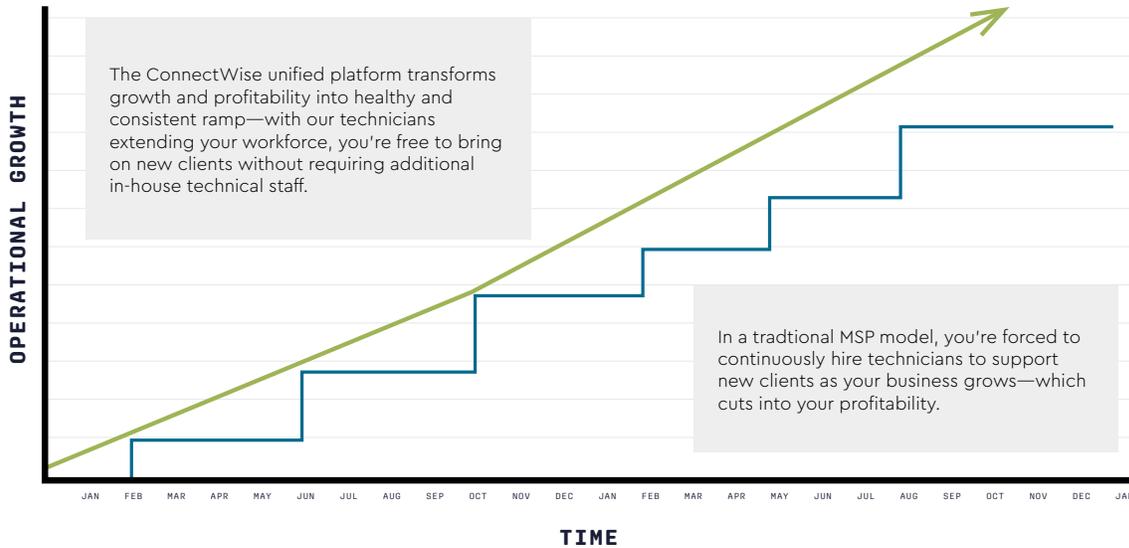
The effect of the X+1 scenario on the traditional MSP model leads to operational growth looking like a staircase, rather than a gradual curve—complete with steep budgetary and resource demands that are difficult to forecast.

Under this model, new client acquisition demands immediate upfront HR spending to hire new techs to service new endpoints. But, finding the right applicants to hire with the correct set of skills and qualifications only compounds the difficulty, as the current skills gap places a massive premium on qualified IT professionals. MSPs are forced to absorb these upfront hiring costs in to reach maximum profitability over time with a client.

This is where the staircase levels off into a mild incline. Profitability increases, costs vastly diminish, and absorbed costs are recouped. **However, the cycle begins again when adding any other new clients; another stair begins with another steep increase in spend.**



The Staircase Effect



Adding a new \$50,000 (USD) technical professional reduces managed services gross margin from baseline 49% to 43.9%—a drop of more than 10% in relative terms. To return to baseline after adding the new employee, \$150,000 in new revenue must be added, equating to 8.3 new contracts across 13 months, on average.

S-LI Report: “Address Challenges to Profitably Scale the SMB MSP Business Model”

“64% of managers don't think their employees are able to keep pace with future skill needs. Furthermore, 70% of employees say they haven't even mastered the skills they need for their jobs today.”

—GARTNER



CHAPTER 2: STAFFING AND SCALABILITY DILEMMA

Challenge:
"Should I staff robustly in preparation of client demand, risking low productivity, or maintain a lean organization to maximize profits, regardless of the risks to service quality?"

This staircase growth that's caused by the X+1 scenario means that the traditional MSP model is **less predictable to forecast in a budget**, due to a few obvious challenges:

- Spending/COGS
- Financial disadvantage from upfront costs
- Increased risk from unexpected issues
- Difficulty onboarding clients
- Investment into trainings and certifications

The dollar value of spend/COGS is entirely dependent on the size of a new prospect (and limited to the costs the MSP can absorb). Larger clients should mean greater growth for your business, but in reality it leads to larger proportional upfront costs and challenges.

It may seem counter-intuitive, but a 'hire-as-you-grow' method puts a damper on your efficiency, growth rate, and overall service delivery experience. MSP business owners are forced to spend extra cash up front and attempt to win it back (and exceed its value) over time with recurring revenue

And this model assumes that everything goes according to plan. If you find yourself unable to attract and hire enough IT professionals with the right experience and skills, your current staff will become overburdened and eventually burnt out, leading to mistakes and lower-quality service delivery.

Through the lens of cybersecurity, which has refocused managed IT services into a protective vanguard for SMBs, this is just not an option.

This staircase approach is risky at best and is limited by an MSP's ability to absorb these upfront costs in order to win new contracts. Such an approach puts a business at a financial disadvantage and makes it exponentially more difficult to handle any unexpected issues or problems while trying to continually acquire new customers.

MSPs therefore face a dilemma every time they acquire new clients and prepare for growth, and are forced to adopt one of two approaches:

Overstaff the business to guarantee you'll be able to support spikes in service requests and acquire new clients quickly, regardless of skill level or experience.

Understaff the business to maintain a lean operation and maximize profit while running the risk of missing out on new deals or losing existing business if customer experience suffers.

Neither is an ideal scenario for success.



CHAPTER 3: SOLUTION - TRANSFORM GROWTH

Fortunately, there's a third option—though it challenges much of the traditional thinking and resistance around labor outsourcing.

In the same way that cloud computing allows businesses to add or remove resources and capacity at the click of a mouse, a growing labor arbitrage phenomenon is granting service providers unprecedented access to technical and human resources as well. The most dramatic and effective means of eliminating the uncertainties surrounding workforce management is to **leverage a trusted and reliable third party who has the means to scale human resource capacity up or down at a moment's notice.** For MSPs, this means employing a network operations center that is integrated into and aligned with your managed services platform.

Using this proven method for profitable growth, you can streamline the efficiency of your internal operations with ConnectWise's flexible Expert Services offerings, **transforming your growth trajectory** from a rigid staircase into a healthy and consistent ramp.

This works because the ConnectWise Unified Platform is purposefully designed to allow MSPs to scale by leveraging a deep integration with our Expert Services offerings which include NOC, SOC, and Help Desk. As a ConnectWise MSP partner acquires more clients, and subsequently more endpoints, the support they're receiving from our technicians scales as well. Our Expert Services accurately meet the needs of service delivery offerings without any of the costs associated with infrastructure, technology, training, or benefits needed for an in-house staff.

So, MSPs who utilize ConnectWise's Expert Services, such as the NOC, are never investing in or paying for unutilized or unproductive labor. They can scale it up or down as needed to meet SLAs, and multiple service levels allow MSPs to decide exactly how they'd like to leverage the NOC on a per-site basis. And, the total cost of ownership over time is far less than hiring to scale.

Furthermore, making the switch to our NOC is not just about managing your employee's time and capacity. Overall, MSPs do not see direct profit from the tasks that would be characterized as routine, recurring, or mundane. These lower-level tasks are part of most basic service packages and are not significant drivers of revenue or profit, regardless of how frequently they're taking place. No matter how many or how few need to be performed for a client, the MSP does not see any profitable returns for performing these tasks; they're what 'need to be done.'

"It [our partnership with ConnectWise] both saves us money and helps us generate more revenue, and it's scalable. Staying the same size over time isn't a strategy-it's a hobby. We're growing at a ridiculous pace, and we're not done yet."

—JUAN FERNANDEZ, VP OF MANAGED IT SERVICES
ImageNet Consulting



Many service providers also may find that their staff spends so much time managing an RMM tool or conducting password resets for users that they may be missing out on potential additional revenue opportunities or project work. At the same time, these tasks are often the crux of an MSP's business, and one of the most valuable components they provide to clients daily. Ensuring this aspect of service delivery operates as steadily, continuously, and efficiently as possible—and continuously operating around the clock—all lend itself to delivering effective customer service.

This dynamic creates an inverse correlation between intensive labor and utility. MSPs are required to staff up their operations with techs to take on the demands of servicing large, profitable clients with many endpoints. However, those techs can never spend their time on additional projects that could generate additional revenue; they are entirely devoted to maintenance and upkeep.

And if, from a budgetary perspective, an MSP cannot take on the upfront costs of adding new hires to their staff to meet incoming demands of endpoints, then that MSP will lose out on opportunities that could further business growth.

"We're explaining to clients the value of having security handled by ConnectWise Expert Services all the way up the chain from the endpoint to the SOC - that really differentiates us from a lot of other vendors."

— MICHAEL BUCKNER, CO-FOUNDER & PRESIDENT,
PC Power Center



CHAPTER 4: HOW YOU CAN SCALE FOR SUCCESS USING CONNECTWISE EXPERT SERVICES

ConnectWise Expert Services **allow MSPs to take on clients of any size** because staffing and labor costs are scalable and proportional to the number of endpoints an MSP is required to service. Our infrastructure is designed for efficient scalability, with technology and training rolled into the overall price.

Using ConnectWise Expert Services isn't just about offloading work to an outsourced team of techs or a get-rich-quick scheme, especially since clients expect 24/7 monitoring and uptime. Instead, outsourcing allows MSPs to shift the day-to-day maintenance and routine work their in-house staff is currently stuck managing, freeing them to focus on client relationships and business development.

Basic functions, like networking monitoring, scripting, threat monitoring, and other low-value tasks, can take a significant amount of time away from Tier 2 and 3 techs who would be better utilized in other aspects of the business.

It also fills skills gaps that many MSPs are experiencing. It's a big investment—in both time and money—to find, hire, train, and retain top IT talent. ConnectWise Expert Services offerings come fully staffed and highly trained in the areas MSPs need most.

The result is that any MSP's staff can now **make existing clients more valuable and profitable**, allow new clients to ramp up faster, and generate larger monthly recurring revenue across the business.

All of this is accomplished through the services available with ConnectWise Command, ConnectWise Fortify, and ConnectWise Assist, including:

NOC* – Let us take care of day-to-day admin tasks, optimize performance, and help you be more productive—so you can scale your business without hassle.

SOC** – Deliver advanced security without the need for in-house expertise. Protect your clients with complete monitoring, mitigation, and full problem resolution

Help Desk*** – With Help Desk, gain access to IT resources that you would not otherwise have and repurpose your talented team of techs to more high- valued projects and work. Spend more time in front of your clients in a strategic manner and let us take care of 24/7/365 reactive support.

Dedicated Tech*** – Benefit from a skilled engineer assigned directly to your team who is trained on ConnectWise products and services. Elevate your end- client support at a price that makes sense for you.

Tech Advantage*** - Assign custom projects and ad- hoc work for our teams to complete during business hours, after hours, or on weekends. Free up your technicians for higher- value projects that empower strategic growth.

* Part of ConnectWise Command
** Part of ConnectWise Fortify
*** Part of ConnectWise Assist