

Guide to Outsourcing IT

The 4 Models of IT and Their Costs



**MAINSTAY
TECHNOLOGIES**

You will dramatically simplify your selection process and increase the chance of a successful fit if you understand the 4 categories of IT companies.

If you're considering outsourcing IT, you know that:

- IT is important: Every dollar of revenue and nearly every interaction relies on IT
- IT is complex: And growing more so
- IT is full of risk: Security incidents (and downtime) damage the organization

You also know that:

- You are concerned about being stuck and left behind your industry due to ineffective IT
- You lack the organization budget to staff a fully-staffed, multi-faceted, highly trained IT team in-house, led by a technical business leader
- You worry about the consequences of wrong IT decisions: selecting the wrong support model, overpaying for technology, or thinking IT is all set when it isn't

Choosing the right IT partner is critical. But there are so many companies! And every IT company loves acronyms and vendors and certifications and being called a "partner!"

How do you navigate this?

Start by understanding the 4 models. IT companies *sometimes* overlap but usually fall fully into one of these categories. Identify which model fits you the best and how to identify companies in that category.

No time for the full article? Use this pairing to identify your category:

Your IT Approach	Likely fit...
<p>I value issue resolution and keeping costs at a minimum. I am comfortable with some downtime, hassle, and security issues if it means saving costs.</p> <p><i>Typical size: Few employees</i></p>	<p>1. Break/Fix</p>
<p>I want proactive IT and security, and my organization isn't very complex. I am willing to manage a little more closely to save cost.</p> <p><i>Typical size: < 20 employees</i></p>	<p>2. Small MSP</p>
<p>I need strong security, steady uptime, and consistent IT that provides a positive experience for my team.</p> <p><i>Typical size: 10-500 employees</i></p>	<p>3. Mature MSP</p>
<p>I am highly technical and need direct access to sophisticated IT teams for projects and individual services.</p>	<p>4. Mid-market Outsourced</p>

The 4 Models:

#1 Break/Fix (Things break, they fix it).

These companies focus on technology *repair*. They are typically small shops (often 1-10 people) and are usually responsive and good troubleshooters. With a focus on resolving issues, they typically don't have the resources or sophistication to manage IT proactively. Their direct costs are typically low, it's the indirect costs to consider.

- *Break/Fix Benefits:* Cost savings. This approach has very low *direct costs*.
- *Downsides:* Potentially high hidden costs from no technology guidance, limited/no proactivity, and erratic service delivery. Minimal disaster recovery and security protections cause significant risk.
- *Might be a fit if you:* ...are looking for *home* computer support or are an organization that has all your data and infrastructure already provided and secured (so you simply need computer repair and some basic networking).
Example: franchisees, small real estate offices, and small businesses that use all cloud applications and have zero confidential data.
- *How to recognize:* Most of the literature, testimonials, and approach is on getting you *back to work*. Fixing the issue, take care of the problems. Billing is often hourly, or with a very loose agreement. The company is often very small, with 1 owner and a couple "helper" techs. If you're uncertain, ask a few follow up questions such as:
 - "Could you explain how you take on responsibility for all aspects of IT?"
 - "What processes do you follow to ensure proactive measures are done?"
 - "How will you balance our needs with the needs of other clients?"
 - "How do you monitor and get alerts on our environment?"
 - "How would you design a cloud infrastructure for our organization?"

- *What you should expect to pay:* An hourly rate, no contract. Typically ranges from \$85 – 135. If you purchase equipment, ask them to help spec it, but buy it directly, yourself.

#2 Small Managed Service Provider (MSP)

To be considered an MSP, the business must offer you some level of monitoring, security protection, proactive measures, and support. Most will advertise as a *partner* and will focus on differentiating from break-fix. “You do your business, we’ll do IT.” They will require an agreement with a recurring monthly cost (if they don’t, they aren’t an MSP). This cost pays for back-end tools, ticketing systems, some security layers, and staff.

The Small MSP and the next category (mature MSP) may both advertise as an MSP – it’s learning the differences between them that provides clarity.

The vast majority of MSPs are started by a technical professional who then grows a team around him/her. There are 46,000 MSPs in North America, and they are typically small, with 97% of them having less than 20 employees. In that group, there are many who care personally about their clients. The challenge for their clients is the *operational sophistication* of the MSP.

IT is complex. Running even a single IT department requires a command of *dozens of competencies* and *thousands of details*. In a single day, your cloud service may need reconfiguring, and while that’s happening, a security alert from the firewall needs investigation, and 3 of your employees need assistance *right now*. And during all this, backups need to be checked (and tested), patches installed, and all security layers must be verified. And of course, there’s planning for next month’s project, and there’s planning for the next 3 years, and then there’s the latest IT product that was just released, and uh-oh – a new security vulnerability was just reported that must be fixed immediately.

You get the idea. An MSP must run IT for not just one, but dozens (or hundreds) of companies. Doing that, while building one’s own

culture, recruiting, and retaining quality staff, and managing across that complexity is extremely difficult.

Small MSPs typically do some of that well but struggle to execute the complexities consistently across all their clients. They simply don't have the size or resources to invest in the technical and business sophistication.

- *Small MSP Benefits:* Provides proactive measures and a full team, typically with some security and planning. Provides a real IT partner. Often led by the owner who can understand your business and controls all aspect of service delivery.
- *Downsides:* The consistency over time can be erratic with staff turnover and growth without sophisticated processes. Response times can vary, without the business leaders able to deliver consistent service. With a smaller team, it's hard to have dedicated roles and the processes needed to not only take care of all of today's elements and to evolve. Many MSPs lag today's security threats, so this is a critical area of due diligence.
- *Might be a fit if you:* Are a business with less than 20 employees and don't have significant drivers of complexity (simple software, low security requirements). For larger organizations, success hinges on finding the highest quality partner and then managing them closely, paying attention to the details and asking the right questions.
- *How to recognize:* Their websites will clearly identify them as a "Managed Service Provider" focused on technical, so you can focus on your business. Marketing material may be heavy with technical vendors and solutions. Sales is typically led by the owner directly. To identify if a company is in this category or the next, ask questions around consistency of service delivery and processes that ensure the details are carried daily, such as:
 - "Can you walk us through your process for patching our systems and managing vulnerabilities?"
 - "What security measures will you implement in the first week?"
 - "How long before we are fully onboarded, and what are the hallmarks of us being fully in your model?"
 - "What kind of plan should we expect, and how is it updated, maintained, and aligned with us?"

- “What were your help desk response times in the worst month over the last 12 months?”
- “What percentage of clients left last year, and why do they typically move on?”
- “What is your staff retention? And why do employees come and stay with you?”
- *What you should expect to pay: \$75-125 per user per month for services.* Often agreements have many options (such as “gold, silver, bronze”). Agreements may include everything, or there may be extra charges for onsite visits, emergencies, etc. Ask questions around markup on hardware, software, and cloud services, as you will procure this through the MSP. Some pass on at-cost, some markup 25%!

#3 Mature MSPs

This is Mainstay’s category. It’s difficult to grow an MSP and improve quality at the same time (we have the scars from years of this to prove it!). MSPs who focus on *business maturity* develop the controls, processes, sophistication, and leadership team to ensure consistent quality. They have a deep and multi-faceted approach to delivering service which typically doesn’t scale down to very small businesses. Focuses vary across geography, industry, size. Most focus on reporting directly to a business leader (or a technology leader who isn’t directly hands-on), while also offering services to support a small IT team.

These MSPs are typically at least 40 employees in size, and they have invested in sophisticated security measures, training programs, and recruiting initiatives. Their focus is on consistency, security, disaster recovery, planning, and an easy support experience.

If you’re considering a mature MSP, it’s critical to get the right alignment of size, geography, industry, and cost.

- *Mature MSP Benefits:* A consistent IT team. The maturity to master the growing complexity of IT, with continuous evolution, while providing a personalized client experience.

- *Downsides:* Rarely a good fit for organizations with less than 10 employees. Often more directly expensive than a smaller MSP (category 2). These companies are also frequently acquired by Private Equity or larger MSPs, which can be very disruptive to the client base (and that is one reason Mainstay has committed to long-term internal ownership).
- *Might be a fit if you:* Have between 10 and 500 employees and are looking for IT to be a “solved problem” and IT isn’t led by a highly technical sophisticated business leader.
- *How to recognize:* Companies in this category have built a brand and have a defined way of providing service. Their marketing will mention leadership teams, metrics, and will tout BOTH their sophistication and the ease of doing business with them. Testimonials and references are for easily recognizable local organizations. To determine, ask the same questions as category 2, but expect sophisticated answers back:
 - “Can you walk us through your process for patching our systems and managing vulnerabilities?”
 - “What security measures will you implement in the first week?”
 - “How long before we are fully onboarded, and what are the hallmarks of us being fully in your model?”
 - “What kind of plan should we expect, and how is it updated, maintained, and aligned with us?”
 - “What were your help desk response times in the worst month over the last 12 months?”
 - “What percentage of clients left last year, and why do they typically move on?”
 - “What is your staff retention? And why do employees come and stay with you?”
- *What you should expect to pay:* \$135 – 200 per user per month. Costs vary based on company, complexity, requirements for onsite staff, and layers included. If you are under a strict compliance, costs are on the higher end. If you have simple software and simple requirements, costs are on the lower end.

#4 Mid-market outsourced IT companies

While they may say they serve all organization sizes, the ideal client for companies in this category is large enough to have an IT Director/Manager with technical staff, looking to outsource specific *projects* or *components* of their department. Success requires your internal IT staff to be sophisticated enough to know exactly what is needed and manage the integration of various pieces.

These Mid-Market Outsourced companies have impressive staff rosters, wide expertise, and significant project capabilities. They have many teams, deep sophistication, and the ability to scale up or down. They are often owned by private equity and serve a wide geography and every industry.

For sophisticated IT leaders, these companies can be great partners, providing critical security and staffing solutions. However, for those looking to outsource a holistic IT department, the experience is typically frustrating.

- *Benefits:* Deep expertise and a long menu of options. Many products, solutions, and offerings. Nationwide (and sometimes international) support. Can scale up or down based on the need.
- *Downsides:* They struggle to provide an intimate client experience. Your relationship is managed through a commissioned salesperson, and it feels that way. Quality can vary based on the service provided, and contractors are often utilized.
- *Might be a fit if you:* Are technical and are comfortable managing the relationship, navigating what is needed and the products that are offered. Can select the “best of breed” for various solutions (you might have a different vendor for security monitoring vs help desk escalations vs your cloud migration project).
- *How to recognize:* They are sales-led organizations with websites chock-full of options and types of technical services. The companies are typically well over 100 employees in size. Their clients are strongly mid-market – case studies and testimonials are from large, well-known organizations.

- *What you should expect to pay:* Tiers for different hourly rates, different projects, and different specific SKUs.

Working with the wrong IT provider is *painful*. Often the mismatch has more to do with the *type* of IT provider than it does the quality of the people or the company. You may work with an IT company filled with wonderful people who care about the relationship. But if their company model doesn't match your needs, the relationship won't be fully successful.

Selecting a category first streamlines the selection process dramatically, and it helps ensure that you (AND your IT provider!) will be well aligned for years to come.

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