

# Service-Delivery Software Underserves Leadership

Evidence from a cross-benchmark meta-analysis of Managed Service Providers and Professional Service Organizations



clairify.

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# The Generalist's Trap

According to **Canalys**, the average MSP is a small operation of just eight people: Seven technicians and one owner who handles everything else.<sup>1</sup> That owner is typically a skilled technician, who by virtue of starting a business, is forced to become a generalist, juggling HR, finance, operations, sales, and strategy. In the early stages, the business tends to revolve around their personal effort<sup>2</sup>, but the goal is to transition from doer and firefighter to leader and visionary.

**Service Performance Insight** (SPI) notes, unless founders evolve — or bring in new leadership — the firm hits a growth ceiling.<sup>3</sup> Longitudinal data from **Service Leadership** proves that while brilliant at solving technical problems, few are able to complete the transition and eventually the business stalls.<sup>4</sup>

Many owners respond by seeking an exit through M&A. **The20**, which has acquired 40 MSPs since 2022<sup>6</sup>, confirms that owners often leave not because they want out of the industry, but because the grind of running the business is unsustainable. They are “tired of running the show and having to wear all sorts of hats” and find relief in passing the reins to larger players.<sup>7</sup>

# The Widespread Problem

What starts as an individual trap scales into an industry-wide condition. A **TSIA 2024 Report** reveals that “60% of professional services organizations fall outside the ‘optimized’ maturity quadrant,”<sup>8</sup> confirming that the majority of the market is struggling. **Jay McBain** points out the impact on growth and profitability: “The long tail of MSPs that haven’t really engaged in marketing and selling and operational and financial growth, who still operate the business like they did five or 10 years ago, are not seeing growth. And by the way, they’re losing money.”<sup>9</sup>

## Net Profit

**Jeff Farr** drives the point home on profitability. From his talk at Robin’s Big Seminar 2024: “The average MSP makes 7 and a half, 8% profit. That is in the industry. I do not want you below 15% ever. I really want you at 20%.” His standard is validated by the **SPI 2023 Benchmark**.<sup>10</sup> The report shows that Americas PSOs average 15.5% net profit, with IT Consultants — the closest peer group to MSPs — at 13.1%. More importantly, Level 3 firms average 16.1%, demonstrating that once an organization reaches basic process maturity, sustaining margins above 15% is the norm. Only Level 1–2 firms, which SPI classifies as immature and reactive, fall significantly below that threshold at an average of 9%.<sup>11</sup> If MSPs typically report just 7–8% profit, they sit not only below industry norms, but even below the floor of SPI’s least mature peer group.

**Things have changed:** Profitability has eroded sharply across the industry. The 2024 SPI Benchmark reported Americas PSOs at 15.3% and IT Consultants at 12.9%, with Level 3 firms at 13.8% — proof that double-digit margins remained achievable, but that Jeff’s 15% floor was becoming ambitious.<sup>12</sup>

By 2024, however, margins collapsed across the board: Americas fell to 9.3%, IT Consultants to 7.8%, and even Level 3 firms to just 9.1%.<sup>13</sup>

In other words, what Farr once held as the minimum acceptable standard has now become an aspirational target, attainable only by outperforming the industry by a wide margin. His bar still defines operational excellence, but in today’s climate, achieving it marks a firm as exceptional rather than average.

## Growth

Farr also echoes McBain on growth as well. “The typical MSP is going to grow somewhere around 5 to 10% a year. It’s hard to get anywhere if you’re only growing 5 to 10%.” He frames this through the Rule of 40, which combines profit and growth. By his standard, firms need 15–20% profit and 20–25% growth to reach the healthy 40 benchmark. The **SPI 2023 Benchmark**<sup>14</sup> bears this out: High performers (Levels 4–5) report 17.3% revenue growth and 20.4% EBITDA — essentially Rule of 40 territory. The rest, Levels 1–3, achieve only 8.6% growth and 13.6% EBITDA, a sum of just 22. This is precisely what Farr warns against: Most MSPs never get beyond single-digit growth, leaving them far short of sustainable performance.

## Net Effect

This gap between what MSPs achieve and what sustainability requires explains why so many struggle to survive. **Robin Robins’** take is that it’s worse than it appears: “28% of MSPs aren’t profitable.”<sup>15</sup> Her point rests on a hidden truth: In small MSPs, owner pay often isn’t fully counted in expenses, so EBITDA looks healthier than it really is. Once you factor in a fair salary, anything under 10% is effectively break-even. Her conclusion is blunt: “Most MSPs will never reach 1M, let alone 10M+.”

# Mounting Pressure

The owner's internal role conflict is compounded by escalating external pressures. The market is evolving rapidly, and the bar for a "good" MSP is getting higher.

## Client Demand

According to a **Canalys 2025 Forecast**, client demands are shifting from basic IT support to high-value services like advanced cybersecurity, complex compliance management, and specialized cloud solutions.<sup>16</sup> This is expertise that a generalist, absorbed by daily operations, might never have the bandwidth to build.

## Competition

At the same time, the market is becoming more crowded. **Datto's 2024 Report** found that 35% of providers cite competition as their biggest challenge, up from 29% just two years earlier.<sup>17</sup> **ScalePad's 2025 Report** adds that 38% of MSPs feel they are being underpriced by rivals.<sup>18</sup> Staying competitive increasingly means reinvesting in sales and marketing<sup>19</sup> while cutting prices to win deals — a combination that erodes margins even faster.

In **Datto's 2025 Report**, competition is ranked 12th with 4% of respondents citing it as their top concern, but this could be because it's baked into other answer choices: acquiring new customers (#1), revenue growth (#2), and customer churn (#6).<sup>20</sup>

## Inflation

The **SPI 2025 Benchmark** notes that inflation has been a persistent headwind, raising both the cost of talent and the cost of tools, while revenue shrunk.<sup>21</sup> **ScalePad's 2025 Report** echoes this, finding that 55% of MSPs cite increasing costs as their top business challenge, while 39% say client budgets are shrinking.<sup>22</sup> Providers are again being squeezed from both sides, with expenses rising even as customers can afford less.

## Talent

There's a war for talent. The **SPI 2025 Benchmark** shows attrition as high as 14%.<sup>23</sup> The average time to fill a vacant position is about 80 days with an additional 60 more to become productive.<sup>24</sup> Headcount growth has slowed to just 1.9%, driving increased reliance on subcontractors, which now account for 10.9% of revenue.<sup>25</sup> Demand for consulting capacity is growing<sup>26</sup>, but the supply of skilled labor remains scarce and expensive. For MSPs, this means delivery costs rise while service quality is constrained by the people they can realistically staff.

## Net Effect

The **TSIA Maturity Model** shows how this pressure plays out. Inflation and the talent shortage push costs up; shrinking client budgets and intensifying competition push achievable pricing down. To cover the gap, many MSPs chase new client acquisition. Nearly half expect to drive expansion this way, making new client acquisition their single most common growth lever.<sup>27</sup>

On the surface, that promises fast growth, but the foundations underneath are weak: Expansion is fueled by spending and underpricing, meanwhile over a third report retention rates below 50%, meaning much of this "growth" is simply replacing churn rather than compounding into durable recurring revenue.<sup>28</sup>

Few have the financial rigor to see the problem clearly: Fewer than 20% track EBITDA<sup>29</sup>, leaving profitability opaque even as the topline grows, and only a quarter track their Service Multiple of Wages<sup>30</sup>. Reporting discipline is so lacking, only 18% believe that better data would give them an advantage in 2025.<sup>31</sup> Without visibility, many MSPs price services without realizing that labor costs are overtaking what they charge.

**Service Multiple of Wages** measures how many dollars of service revenue are generated per dollar of billable wages, combining pricing and delivery efficiency. Unlike service gross margin, it's a labor-centric efficiency multiple rather than a profitability percentage.

This dynamic of growth over operating discipline is what TSIA calls overheated—the numbers look impressive but rest on shaky economics.

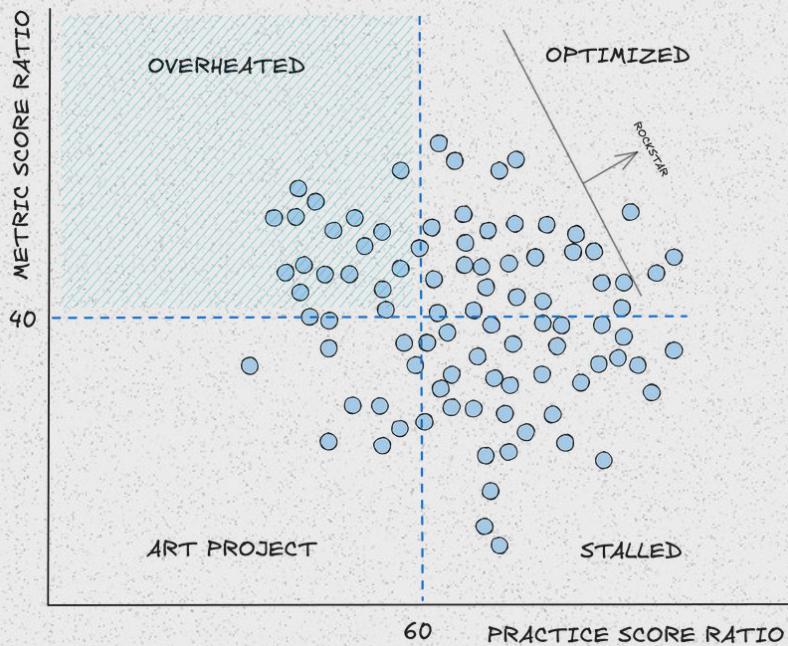


Figure 1 - TSIA Managed Services Maturity Model, 2024<sup>32</sup>

Owners are expected to deliver sophisticated new capabilities, compete in a crowded field, and master go-to-market disciplines they've never had to before. And while they are working harder and carrying heavier burdens, the **SPI 2025 Benchmark** confirms that financial performance is actually moving backwards in the face of these economic headwinds: All-PSO data shows revenue growth slowed to 4.6%, well below the five-year average of 8.7%; and EBITDA margins fell from a peak of 16.1% in 2022 to 9.8% in 2024.<sup>33</sup>

# The Failure of Existing Solutions

For years, the industry has chased growth through partial answers. Each school of thought promised to break the cycle of stagnation:

01

**Go-to-market plays — build a real sales engine.** Robin Robins argues the key to growth is sales and marketing, urging MSPs to professionalize their go-to-market with campaigns, offers, and a repeatable acquisition system

02

**Efficiency plays — do more with what you have.** Kaseya positions its all-in-one PSA and IT operations suite as the answer, promising higher technician productivity and streamlined service delivery.

03

**Scaling plays — augment what you have with automation.** Rewst leads here, promoting robotic process automation as a way to expand capacity and throughput without adding headcount.

04

**Discipline plays — enforce profitability through measurement.** Gary Pica champions rigorous financial discipline, making KPIs the lever for predictable margins and growth.

05

**Shared-services plays — centralized ops and common methods.** The20 unifies members on a shared back-office platform with centralized resources like NOC and help desk, while providing playbooks and coaching to align sales, marketing, and service delivery methods.

06

**Community plays — borrow wisdom from peers.** Peer groups like Pax8's promise accountability, shared benchmarks, and exposure to best practices, giving owners a structured environment to compare and improve.

Each approach has merit and offers incremental gains. But the results speak for themselves: The **Service Leadership 2025 Report** in Figure 2 shows that over a 12-year horizon the typical MSP operational maturity has flatlined and median EBITDA has been stuck in single digits.

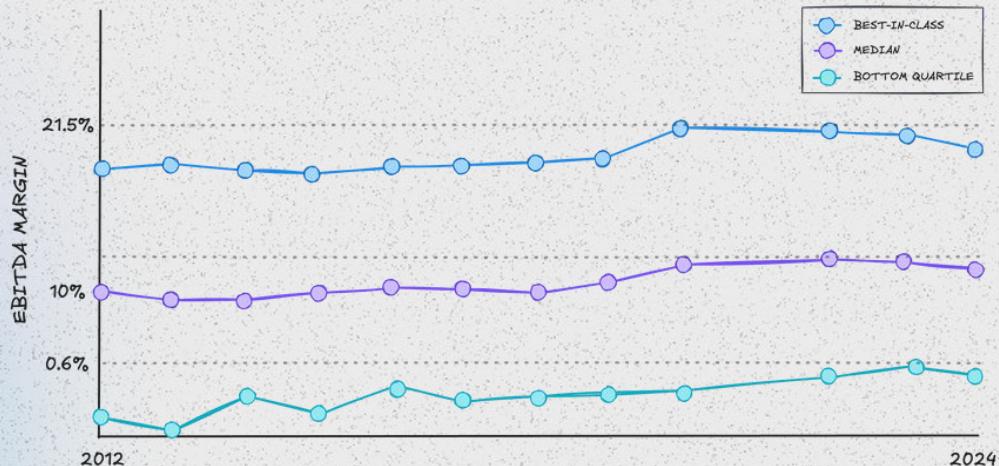


Figure 2 - SLI Historical EBITDA Per Quartile<sup>34</sup>

Figure 3 from the same report shows that over the last two decades, despite industry evolution and external pressures, relatively few MSPs have shifted into the higher maturity levels. If most firms were successfully making the transition from “doer” to “visionary,” we would expect to see a clear migration upward into Operational Maturity Levels (OML) 4 and 5. Instead, the majority of providers remain concentrated in the lower maturity bands. That persistence over time is the strongest possible evidence that only a few are able to complete the leadership transition.

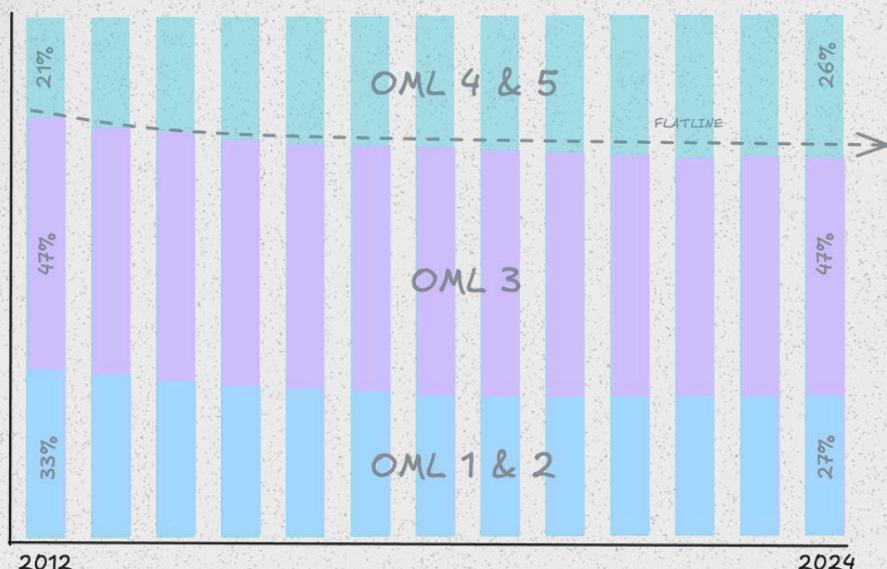


Figure 3 - SLI Historical MSP OML Distributions<sup>35</sup>

# Artificial Intelligence Is No Panacea

The latest wave of optimism centers on artificial intelligence. Vendors promise copilots, chatbots, and agents as the breakthrough that will finally lift MSP performance. The **Service Leadership 2025 Report** lists “mainstream awareness and early adoption of RPA and generative AI” as one of the tailwinds for profitability [throughout 2024].<sup>36</sup>

The **SPI 2025 Benchmark** shows that the typical PSO utilizes Generative AI for 19% of projects. Survey respondents further noted that Generative AI has had a measurable impact on productivity and efficiency, rating it at “just above moderately important” on a five-point Likert scale, underscoring that firms are moving beyond experimentation into tangible improvements in delivery.<sup>37</sup>

From **ScalePad’s 2025 Report**, “[t]he most popular use cases for AI are streamlining communications, monitoring, and client engagement, followed closely by reporting, task automation, and code scripting.”<sup>38</sup> MSPs that leverage AI across their business have higher CSAT, ARPU, projected growth rates, and revenue, meaning that adopting AI is an increasingly important growth lever.<sup>39</sup>

While today’s AI can reliably triage tickets, respond to emails, and generate documentation<sup>40</sup>, a **2025 Service Leadership** report calls out that 2024 was a slower revenue growth year for MSPs worldwide.<sup>41</sup> Median MSP EBITDA was ~9.9% (the bottom quartile is barely above 0%)<sup>42</sup>, and revenue growth was a paltry 7.1% (Figure 4). If AI were truly transformative, we’d expect to see movement in those median/bottom quartile numbers after a few years of AI hype.

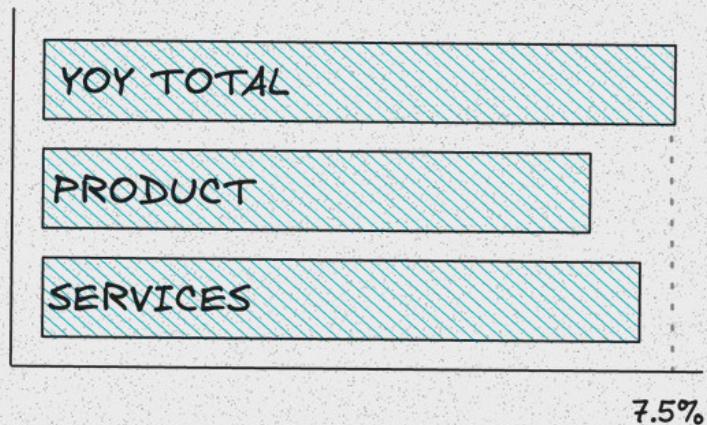


Figure 4 - MSP Average Revenue Growth, 2024<sup>43</sup>

Service Leadership concludes flatly: “*It is not where you are, which client segment you serve, what you do, or how big or small you are; it’s how you run your business that makes the difference in performance. Management skill makes the biggest difference ... and this is learnable.*”<sup>44</sup> That’s a quiet but powerful rebuttal to the idea that any tool — AI included — is decisive.

The **TSIA Maturity Model** offers a visual confirmation of the same reality. Its scatterplots comparing 2021 and 2024 show virtually no movement in the industry’s position. The center of mass — where practice maturity intersects with performance — has not shifted, and the performance gap between the best and the rest endures.

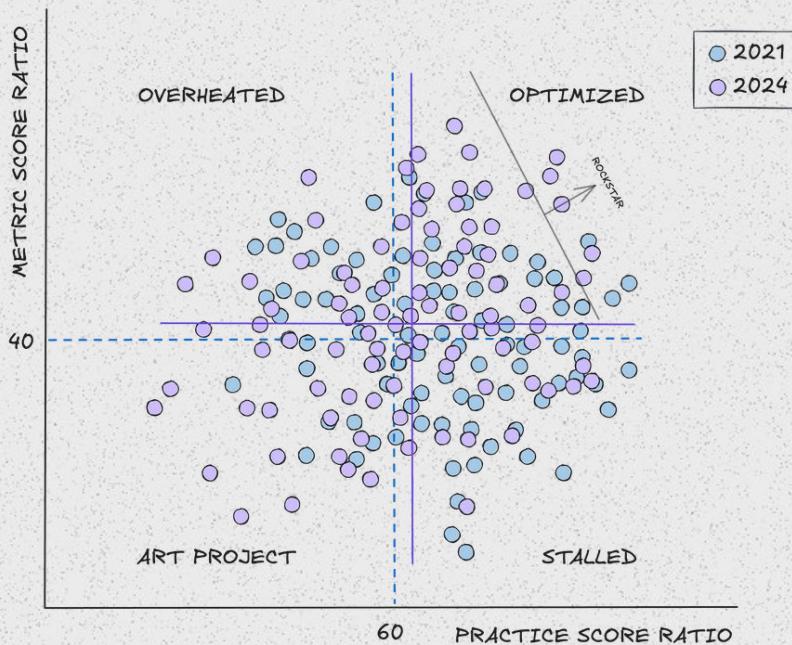


Figure 5 - Managed Services Maturity 2021<sup>45</sup>, 2024

# The Real Root Cause

For over a decade, the managed services industry has been told that the key to profitability is operational maturity. Benchmarking firms like Service Leadership, TSIA, and SPI have developed maturity models that plot the progression from immature to best-in-class, and show that higher maturity levels correlate with higher net profit.<sup>46</sup> According to SPI, “[I]f the organization is profit-motivated (which most are), increasing maturity levels do show up in significant bottom-line profit.”<sup>47</sup> **Service Leadership** shows that top-quartile firms deliver roughly three times the EBITDA of median performers.<sup>48</sup>

The logic has been persuasive: Improve processes, measure performance, and scale operations, and profits will follow. In step with this logic, new tools promised to wring more efficiency from operations — better ticket routing, faster documentation, streamlined back-office functions. Yet the data is clear: The operational maturity distribution has not changed. The majority of firms have remained concentrated in the lower maturity levels, unable to break through to higher bands. And as expected, revenue growth and net profit have been stuck in the single digits.

Why is it that, in light of the correlation between maturity and financial outcomes, and despite advances in tooling, the ceiling continues to hold? It’s because operational maturity is an output variable; the reality is that leadership maturity is the input variable that makes or breaks performance. According to **SPI**, “[m]ore than any other factor, good or poor, leadership impacts all facets of the business driving stronger growth, profits, and both client and employee satisfaction.”<sup>49</sup>

In their **2025 Benchmark**, leadership maturity levels are highly correlated with key financial metrics, including EBITDA margin<sup>50</sup>, revenue growth, and on-time project delivery.<sup>51</sup> They show that firms with mature leadership grow twice as fast, deliver 13% more projects on time, and generate 8% more revenue per billable consultant than their less mature peers.<sup>52</sup> These are not marginal differences — they are decisive advantages, proving that leadership maturity is the upstream lever behind financial success.

The **Service Leadership OML** framework reinforces this point: “Management skill makes the biggest difference in financial performance, and this is learnable.” The difference is not that they are doing radically different things; all firms face the same irreducible set of business practices. The difference is that these practices only take root when leaders consistently define the standards, model the behaviors, and hold the organization accountable.

Service Leadership is explicit that outcomes are not tied to time-in-market: “Regardless of the size of the company, best-in-class performers exist at all size ranges and they are able to achieve [best-in-class] profitability.”<sup>53</sup> **TSIA** reaches the same conclusion: “When it comes to ‘maturity,’ age doesn’t matter. How long a Managed Services practice has been in place is not a statistically relevant factor in determining the maturity of organizational capabilities or financial performance.”<sup>54</sup> In other words, a five-person firm with strong leadership can outperform a fifty-person firm with weak leadership because the traits that constitute maturity only exist when leaders insist on them.

Operational maturity is not the cause of success, it is the evidence. Leadership maturity is the cause. This is why the ceiling has held for decades despite new tools, new processes, and more time-in-market. It is leadership, not the machinery around it, that determines which firms break through and which remain stuck.

# Leadership Is Struggling

If leadership maturity is the upstream driver of operational maturity, and operational maturity has stagnated, then it follows that leadership maturity must also be in trouble. In fact, the **2025 Professional Services Maturity Benchmark** shows that, across the last five years, leadership effectiveness is deteriorating across nearly every dimension.

While the SPI benchmark has captured steady declines in leadership KPIs only over the past five years, the underlying pattern of stalled maturity, profit, and growth captured by **Service Leadership** goes back for more than a decade, as shown in Figure 3.

On a five-point Likert scale, scores below 4.0 represent “less than effective” leadership. Not one of the leadership indicators tracked in Figure 6 clears that bar, and all have fallen by roughly 6% since 2020. Across the core dimensions that define effective leadership – vision, communication, confidence, alignment, and execution — there is both a pattern of steady decline as well as anomalies in 2024.

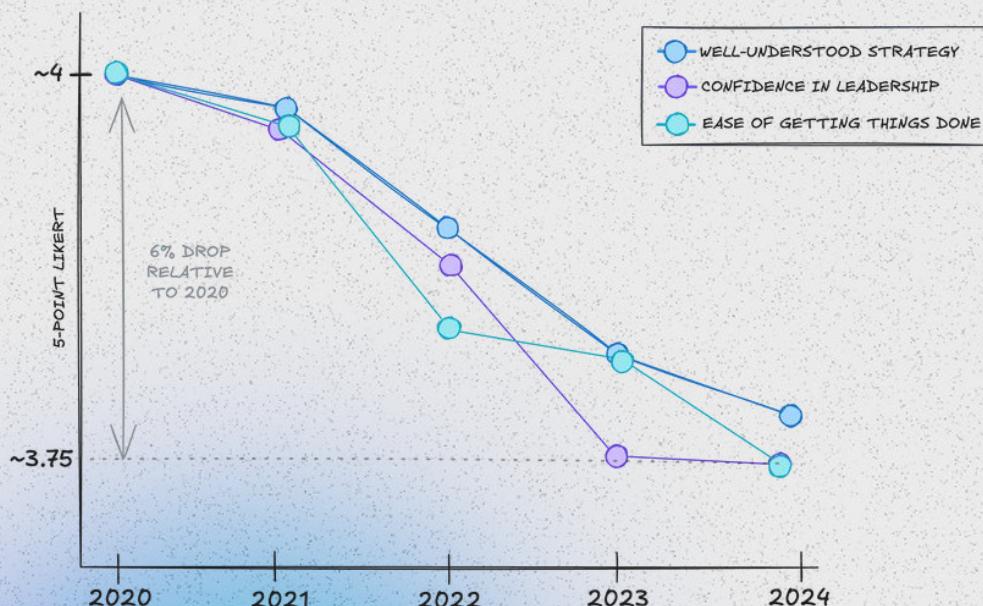


Figure 6 - 5-Year Leadership Maturity Trends<sup>55</sup>

## Well understood vision, mission, and strategy

The all-PSO decline in this metric was 6%, but among IT consulting firms, the largest participating market in the SPI benchmark, the ability of leaders to communicate a well-understood vision, mission, and strategy fell by 4% in 2024 alone. For firms with 10–30 employees — a size range that represents roughly 40% of MSPs — the decline was even steeper at 5%.<sup>56</sup>

SPI notes, “clear leadership direction and effective **bi-directional communication** are critical success factors.”<sup>57</sup> Employees who lack an understanding of the vision, mission, and strategy cannot work toward realizing it, while those who do “work tirelessly to realize it.” Clarity of direction is directly correlated with revenue and headcount growth, on-time delivery, and employee advocacy.

## Communication

The implication of employees not understanding the vision is that it is either not well thought out or not being communicated effectively. According to SPI, “[o]rganizational communication helps align organizations to achieve common goals and objectives.”<sup>58</sup> As firms grow, maintaining clear, bi-directional communication becomes more difficult, yet the need for it only increases. Over the last five years, effectiveness in communicating with employees fell from 4.03 to 3.88 (-4%)<sup>59</sup>, slipping below the threshold of effectiveness. SPI warns that poor or absent communication “profoundly impacts marketing, sales, and service delivery,” and low project margins are often the result.

## Employee Confidence

The breakdown in communication and vision then forks in two directions—toward confidence and alignment.

Employees lose trust in leadership when they don’t understand how their own work connects to growth strategy. Confidence in leadership fell from 4.21 to 3.94 (-6%), and confidence in the organization’s future from 4.07 to 3.78 (-7%)<sup>60</sup>. SPI finds that every critical KPI worsens as confidence in leadership diminishes, making it the single best indicator of organizational health.<sup>61</sup> When trust erodes, so do morale, engagement, client satisfaction, and revenue growth.<sup>62</sup>

Goal and measurement alignment—SPI's proxy for how well strategy translates into execution—fell 3% over the period.<sup>63</sup> This measure reflects the systems that define objectives, assign ownership, and ensure accountability via practical measurements and compensation. When these systems weaken, priorities compete and functional silos appear making it harder to keep teams coordinated and accountable.<sup>64</sup>

## Getting things done

“Getting things done” captures employee sentiment around the ability to assign qualified resources quickly and easily, and incorporate new tooling to become efficient and effective. “[Firms] that provide an infrastructure supporting employee productivity enhance employee satisfaction and financial success.”<sup>65</sup> This score collapsed by 6% for IT Consulting firms in 2024<sup>66</sup>, reflecting how friction accumulates when communication, confidence, and alignment break down. It shows that what appears as operational inefficiency is, in fact, the visible manifestation of leadership failure—a loss of communication cascading through every layer of the organization.

# Because of Cognitive Load

Leaders know what is required, yet they are failing to deliver it. Why? The problem is not a lack of intelligence, discipline, or motivation. It is cognitive overload.

Cognitive load theory, originally developed to explain how humans process information, holds that the mind has limited working memory. When that capacity is saturated by extraneous input, there is little room left for the deep, strategic thinking required for learning, decision-making, and problem-solving. For executives, this limitation is not theoretical, it is the reality they contend with every day.

As MSPs scale, complexity multiplies. A typical owner begins as a hands-on technician but quickly becomes the sole decision-maker across every dimension of the business. With each new client, hire, and tool, the mental burden grows heavier: communication surfaces expand, notifications multiply, and the number of urgent choices accelerates. A recent survey found that senior executives receive nearly three times more messages and twice as many emails as individual contributors, and more than 80% report feeling pressure to be “always on.”<sup>67</sup> Constant interruptions, context-switching, and the flood of digital communication consume the raw material of leadership — **attention**.

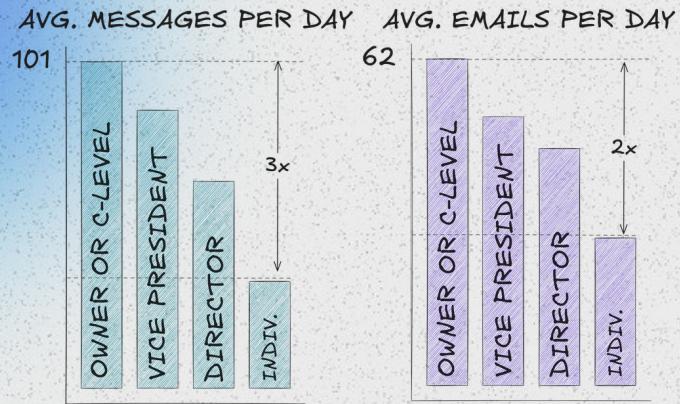


Figure 7 - Who gets the most emails?<sup>68</sup>

The strain on attention is in no small part due to tool sprawl. IT and services firms rely on dozens of systems across sales, service delivery, finance, and HR. “The average managed service provider has 40-plus applications that they use to run their business. Very few of those talk to each other … With 40 applications and another 15 security tools, [Arnie Bellini says] it’s very hard for [MSPs] to grow their business.”<sup>69</sup>

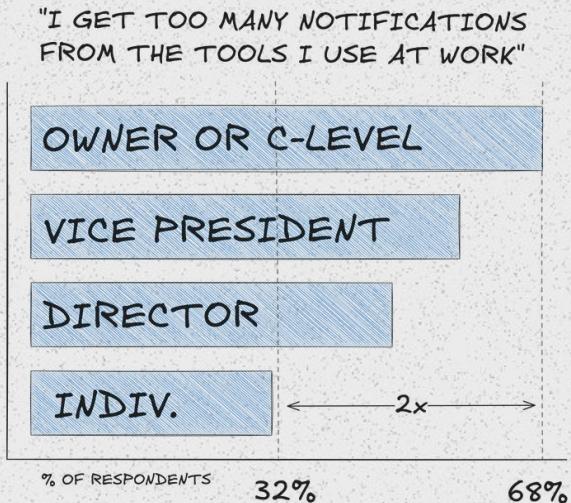


Figure 8 - Who gets too many notifications?<sup>70</sup>

That anecdotal estimate from ConnectWise founder Arnie Bellini may be on the high end, but notionally still true. Reporting from ScalePad: “The number of apps MSPs have in their tech stack increases as the company grows, with small MSPs more likely to have 10 or less, medium MSPs more likely to have 6-15, and large MSPs slightly more likely to have 10-20.”<sup>71</sup> The increased demand on leadership attention caused by tool sprawl is measurable. “Nearly half of MSPs (47%) say the hardest thing about tech stack management is keeping up with new tools, while a third (33%) feel they have too many different applications to manage.”<sup>72</sup>

## Switching Cost

Each additional tool adds switching costs and friction. Every time you jump between conversations in Slack or Teams, your brain pays a tax. Psychologists call this the **switching cost**: the mental effort required to “unload” one context and “reload” another.

In practice, this means:

01

**Memory Reset Overhead** — Each switch forces your working memory to drop the details of one thread and reconstruct the details of another. Even if it’s a small shift (“from the budget channel to a hiring DM”), your brain burns energy rebuilding context.

02

**Attention Residue** — After switching, part of your attention stays stuck on the previous task. This residue makes it harder to fully engage with the new task, leading to more mistakes, slower progress, and a sense of mental fog.

03

**Fragmentation of Focus** — Dozens of micro-switches accumulate throughout the day. Instead of blocks of deep work, you get fractured fragments of shallow engagement. The result isn’t just lower productivity — it’s higher fatigue, because your brain has been “gear-shifting” all day.

04

**Perceived Busyness vs. Real Output** — Because switching produces constant activity (pings, replies, reacts), it feels like work is happening. But in reality, the cognitive load of switching prevents you from reaching deeper, higher-value thinking.

Hours that could be spent on pricing strategy, talent development, or innovation are instead lost to navigating interfaces, resolving disconnects, and managing alerts.

This dynamic — the chronic depletion of **executive attention** through fragmented, always-on work systems — has been called cognitive load capitalism.<sup>73</sup> Modern organizations, saturated with technology and designed for hyper-responsiveness, erode the capacity leaders need to **think clearly**. The fingerprints of this overload are visible in the **SPI 2025 Benchmark**:

- The 5% decline in communicating vision and strategy reflects leaders who no longer have the space to think ahead.
- The 3% drop in confidence in leadership — mirrored by falling confidence in the organization's future — reflects employees losing faith in leaders who appear perpetually reactive.
- The 6% decline in ease of getting things done reflects firms bogged down in tool friction and context-switching.

Leadership is the only system that touches every lever of performance; when that system is compromised by overload, the entire organization stalls, no matter how efficient its tools or processes appear to be. Cognitive overload has become the silent constraint hollowing out executive bandwidth and, with it, the industry's capacity to mature and grow.

# The Market Opportunity

The evidence is unmistakable. Operational maturity and profitability have flatlined. Leadership is the decisive factor that allows firms to break through the ceiling. Yet leadership itself is deteriorating, its effectiveness hollowed out by cognitive overload. The result is an industry stuck in stasis — aware of the levers it must pull, but unable to summon the clarity or bandwidth to pull them.

And yet, despite leadership's central role in performance, it remains the least supported domain in the technology stack. Finance has ERP systems. Sales has CRMs. Service delivery has PSA platforms. Marketing has automation suites. Each core function has long since been productized. Leadership has not. Owners and executives are left to navigate their responsibilities with little more than email, chat, and an ever-growing sprawl of dashboards.

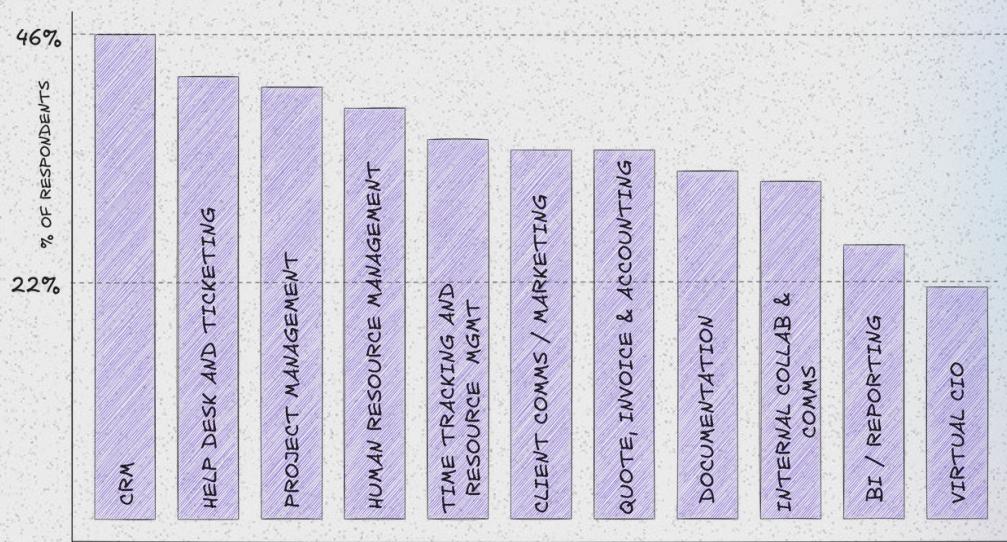


Figure 10 - Top tools for non-technical business management<sup>74</sup>

This absence is not trivial; it is causal. Leaders cannot scale their attention. They cannot manufacture more cognitive bandwidth. And without tools designed to reduce cognitive load, create clarity, and focus attention on what matters most, leadership capacity remains capped. The **SPI 2025** data shows what this looks like in practice: declining confidence, weakened vision, slower execution, fading innovation. These are not failings of character. They are failings of infrastructure.

Here lies the opportunity. If leadership is the only system that touches every lever of performance, then creating a category of solution that directly improves the leadership experience has the potential to unlock growth across the long tail of MSPs. Such a solution would not replace leadership but would augment it — filtering noise, streamlining information, surfacing priorities, and creating the mental space for leaders to think and act strategically. By reducing extraneous load, it would restore the capacity for germane load: the deep, high-value work of vision, decision-making, and growth.

**Extraneous Load:** Cognitive load theory distinguishes between three types of cognitive burden: intrinsic (task complexity), extraneous (poor instruction or presentation), and germane (effort toward learning).

No existing platform is designed to do this. Leaders today are forced to stitch together personal hacks — notebooks, email flags, sticky notes, Slack reminders — to cope with a workload that outstrips human attention. But the market is signaling its need. Leadership is failing not because the people are incapable, but because **the role has become unscalable**. The organization that productizes leadership — that builds the system to reduce cognitive load and expand executive capacity — will not just create a tool. It will create the missing category that breaks the industry out of its twenty-year ceiling.

# References

<sup>1</sup>McBain, J. (2024). *A quick primer on the \$488 billion global managed services industry*. LinkedIn. Available at: [https://www.linkedin.com/posts/jaymcbain\\_a-quick-primer-on-the-488-billion-global-activity-7142882936571195392-FxOb/](https://www.linkedin.com/posts/jaymcbain_a-quick-primer-on-the-488-billion-global-activity-7142882936571195392-FxOb/) ("McBain 2024 LinkedIn Post").

Canalys research cited in this post shows there are more than 335,000 partners globally with at least one managed service contract, of which 86,546 derive over 30% of their revenue from recurring services. The average MSP is a small firm of just eight people—seven technicians and one owner who must handle operations, finance, sales, marketing, CX, and HR—underscoring the generalist burden placed on owners.

<sup>2</sup>Service Performance Insight (2025). *Professional Services Maturity™ Benchmark Report*. Service Performance Insight. ("2025 Professional Services Maturity Benchmark"). The Level 1 maturity level is literally called "heroic," the implication being that performance has an outsized dependency on individual competencies and effort.

<sup>3</sup>Service Performance Insight. (2020). *2020 Professional Services Maturity Benchmark*. SPI Research. ("2020 Professional Services Maturity Benchmark"). The report notes: "Most independent consulting firms can easily grow from 20 to 50 consultants, but after that things get more interesting. This is when firms must move from heroic to repeatable and founders must move from doers and fire fighters who wear all the hats to leaders and visionaries. The leaders who can't make this transition must have the courage to bring in new talent who can take the firm to the next level."

<sup>4</sup>Service Leadership. (2025). *Solution Provider Industry Profitability Report*. Service Leadership Index. Available at: <https://www.service-leadership.com/solution-providers/industry-profitability-report/> ("2025 Solution Provider Industry Profitability Report"). The Operational Maturity Level™ Trends chart in this report shows that over nearly two decades, despite industry evolution and external pressures, relatively few MSPs have shifted into the higher maturity levels by the following logic: If most firms were successfully making the transition from "doer" to "visionary," we would expect to see a clear migration upward into the higher OML tiers (levels 4 and 5). Instead, the chart reveals stagnation: The majority of providers remain concentrated in the lower maturity bands. That persistence over time is the strongest possible evidence that only a small minority — in other words, "few" — are able to complete the leadership transition.

<sup>5</sup>The20. (2024, May 6). *From Owner to Employee: Navigating a New Role After Selling Your MSP* [Blog post]. The20. Available at: <https://www.the20.com/blog/from-owner-to-employee-navigating-a-new-role-after-selling-your-msp/> ("Why Owners Sell and Stay"). This article explains that many MSP owners decide to sell not because they want to leave the industry but because running the business has become exhausting. It notes that some owners are "tired of running the show and having to wear all sorts of 'hats' just to keep their companies afloat" and prefer to focus on a single aspect of the business the20.com. Selling offers these entrepreneurs a more manageable workload and a specialized role that aligns with their strengths, effectively allowing them to become employees in the acquiring company. The post also points to competitive pressures—Datto's Global State of the MSP Report found that 35% of MSPs cite competition as their biggest challenge—and highlights that consolidation can "level up" services, teams and market reach. These structural pressures help explain why many MSPs are built to sell: because they were not able to build to last.

<sup>6</sup>CRN (2025). *40 Acquisitions In Under 3 Years: The 20 MSP Continues Its Roll-up*. Available at: <https://www.crn.com/news/channel-news/2025/40-acquisitions-in-under-3-years-the-msp-20-continues-its-roll-up> ("CRN 2025 The 20 Roll-up"). The article reports that ADC was The 20 MSP's 40th acquisition in about 33 months, underscoring the pace of its roll-up strategy.

<sup>7</sup>*Why Owners Sell and Stay.*

<sup>8</sup>Di Muccio, B., & Young, D. (2024). *The State of Professional Services 2024*. Technology & Services Industry Association (TSIA). <https://portal.tsia.com/portal/report/3yYUqUa0h4RfMgF0N0X6yV/the-state-of-professional-services-2024> ("The State of Professional Services 2024"). The 60% statistic is a direct quote from this report.

<sup>9</sup>MSPSuccess. (2024, December 17). *2025 survival predictions for MSPs and how to preserve profits, revenue, and clients* [Blog post]. MSPSuccess. Available at: <https://mspsuccess.com/2024/12/2025-survival-predictions-for-msps-and-how-to-preserve-profits-revenue-and-clients/> ("MSP Survival Predictions 2025"). In this post, Canalys analyst Jay McBain notes that although 72% of MSPs are optimistic about the year ahead, there is a "long tail" of MSPs that haven't engaged in marketing, selling, or operational and financial growth. These firms still operate as they did five or ten years ago, are not seeing growth, and are losing money. This observation underscores how many smaller MSPs remain stuck in outdated practices and reinforces the idea that structural stagnation—rather than market conditions—is driving their struggles.

<sup>10</sup>Service Performance Insight. (2023). *2023 Professional Services Maturity Benchmark*. SPI Research. Available at: <https://spiresearch.com/wp-content/uploads/2023/06/2023-Professional-Services-Maturity-Benchmark.pdf> ("2023 Professional Services Maturity Benchmark"). SPI shows that the average North American PSO earns 15.5% (Figure 2), and even IT Consultants — a category closest to MSPs — report 13.1% (Figure 6). More importantly, Level 3 firms average 16.1% (Figure 7), demonstrating that once an organization reaches basic process maturity, sustaining margins above 15% is the norm. Only Level 1–2 firms, which SPI characterizes as immature and reactive, fall well below that threshold at an average of 9%. If MSPs on average report just 7–8% profit, they sit not only below industry norms but even below the floor of SPI's least mature peer group.

<sup>11</sup>Jeff Farr asserts that MSP profitability should never fall below 15%. From his talk at Robin's Big Seminar 2024, "The average MSP makes 7 and a half, 8% profit. That is in the industry. In our world, there are 120, 130,000 MSPs. About half of those are one man shops or below. So if you cut that in half, you go to 60,000 MSPs and you look at the average profit, it's going to be about 7 or 8%. I do not want you below 15% ever. I really want you at 20%." This is validated by SPI's *2023 Professional Services Maturity Benchmark*.

<sup>12</sup>Service Performance Insight. (2024). *2024 Professional Services Maturity Benchmark*. SPI Research. Available at: <https://www.sage.com/en-ca/sage-business-cloud/intacct/resources/white-papers/professional-services-maturity-benchmark-report/> ("2024 Professional Services Maturity Benchmark")

The report shows that Americas PSOs average 15.3% net profit (Table 197), with IT Consultants — the closest peer group to MSPs — at 12.9% (Figure 47). More importantly, Level 3 firms average 13.8% (Table 206), demonstrating that once an organization reaches basic process maturity, sustaining double digit margins is the norm. Only Level 1–2 firms, which SPI classifies as immature and reactive, fall significantly below that threshold at zero or negative margins.

<sup>13</sup>Service Performance Insight. (2025). *2025 Professional Services Maturity Benchmark*. SPI Research. Available at: <https://www.sage.com/en-us/sage-business-cloud/intacct/resources/white-papers/professional-services-maturity-benchmark-report/> ("2025 Professional Services Maturity Benchmark")

The SPI 2025 Benchmark shows Americas fell to 9.3% EBITDA (39% decline, Table 270). IT Consultants fell to 7.8% (41% decline, Table 270). Level 3 fell to 9.1% (a 43% decline, Figure 5), while Level 1-2 averaged 4.2% (increase from close to 0% in 2024, Figure 5). PSO between 10-30 employees fell to 12% (22% decline, Table 274).

<sup>14</sup>*2023 Professional Services Maturity Benchmark*. SPI found that high-performing (Levels 4–5) professional services firms reported an average 17.3% year-over-year growth in PS revenue (Table 30) alongside 20.4% EBITDA (Table 35), effectively operating at the Rule of 40 benchmark. By contrast, the rest (Levels 1–3) managed only 8.6% growth (Table 30) and 13.6% EBITDA (Table 35), a combined score of just 22. This disparity validates Jeff Farr's argument: 5–10% growth may be the norm among average MSPs, but it falls far short of the growth required to sustain long-term performance.

<sup>15</sup>Robins, R. (2024, August 27). *The profitability crisis for MSPs: Why your margins are shrinking and what to do about it* [Blog post]. Technology Marketing Toolkit. Available at: <https://www.technologymarketingtoolkit.com/blog/the-profitability-crisis-for-msps-why-your-margins-are-shrinking-and-what-to-do-about-it/> ("Robins 2024 MSP Profit Crisis"). Robin Robins is referencing reporting from Service Leadership, with an assumption 10% EBITDA is break-even. The context for this assumption is that in a small MSP, the owner often minimizes their official salary and instead pays themselves through dividends or distributions. This approach reduces payroll tax liability, since dividends are often taxed more favorably than wages. The result is that EBITDA appears higher than it really is, because a fair market salary for the owner is not included as operating expense. For example, an MSP might show an 8% EBITDA margin, but once you account for a realistic \$120k owner salary on a \$1M business, that "profit" effectively disappears, leaving the business at break-even.

<sup>16</sup>Canalys (2025). *MSP Trends 2025*. Available at: <https://canalys.com/insights/msp-trends-2025-es> ("Canalys MSP Trends 2025"). The report observes that "client demands are shifting from basic IT support to higher-value services" and singles out "advanced cybersecurity, complex compliance management, and specialized cloud solutions" as the top growth areas for managed service providers. It warns that MSPs that remain focused on traditional infrastructure and break/fix models "risk stagnation," while those investing in expertise around these high-value domains are "best positioned for long-term profitability."

<sup>17</sup>Why Owners Sell and Stay.

<sup>18</sup>ScalePad. (2025). *2025 MSP Trends Report*. ScalePad. Available at: <https://6811231.fs1.hubspotusercontent-na1.net/hubfs/6811231/2025-MSP-trends-report.pdf> ("2025 MSP Trends Report"). The report notes that "many MSPs say that increasing costs (55%), shrinking client budgets (39%), and being underpriced by competition (38%) are obstacles." "The biggest challenges MSPs say they face when it comes to acquiring new customers are too many competitors in the market (41%), shrinking client budgets (39%), and being underpriced by competing solutions or firms (38%) (page 54).

<sup>19</sup>2025 MSP Trends Report. "For those projecting growth in the year ahead, nearly half (47%) attribute this to acquiring new clients. That could be why over a third (36%) plan to start, increase, or improve their marketing efforts."

<sup>20</sup>Datto. (2024). *State of the MSP Industry 2025 Look Ahead: Trends, Growth and Strategies for Success*. Datto. Available at: [https://www.datto.com/wp-content/uploads/dlm\\_uploads/DAT-2024-State-of-the-MSP-Report-1.pdf](https://www.datto.com/wp-content/uploads/dlm_uploads/DAT-2024-State-of-the-MSP-Report-1.pdf) (p. 7) ("State of the MSP Industry 2025").

<sup>21</sup>2025 Professional Services Maturity Benchmark. "Inflation, elections, rate hikes, and geopolitical tensions slowed growth again in 2024. Finding and retaining talent is still difficult (page 30)." "The war for talent continued in 2024, with high levels of attrition, a record number of vacancies in hard-to-fill roles, huge consulting demand, and wage growth. (page 147)." "Inflation (managing cost increases in people, tools, travel, and other expenses)" is ranked an "Important (3.98)" concern going into 2025 (Table 90). "Year-over-year revenue growth plummeted to 4.6%, a significant drop from 7.8% in 2023 and well below the five-year average of 8.7% (page 8)."

<sup>22</sup>2025 MSP Trends Report. The report notes that "many MSPs say that increasing costs (55%), shrinking client budgets (39%), and being underpriced by competition (38%) are obstacles."

<sup>23</sup>2025 Professional Services Maturity Benchmark. Figure 5.

<sup>24</sup>2025 Professional Services Maturity Benchmark. Table 40.

<sup>25</sup>2025 Professional Services Maturity Benchmark. "With headcount growth stagnating at 1.9%, reliance on subcontractors increased to 10.9% of revenue, signalling a shift toward flexible staffing (page 8)."

<sup>26</sup>2025 Professional Services Maturity Benchmark. Increase in demand inferred from "record number of vacancies": "The war for talent continued in 2024, with high levels of attrition, a record number of vacancies in hard-to-fill roles, huge consulting demand, and wage growth. (page 147)." Plus utilization (page 1) is down and deal pipeline is up (Table 1), while attrition is steady (Table 2); albeit "new clients" is down (Table 1).

<sup>27</sup>2025 MSP Trends Report. "For those projecting growth in the year ahead, nearly half (47%) attribute this to acquiring new clients. That could be why over a third (36%) plan to start, increase, or improve their marketing efforts (page 17)."

<sup>28</sup>2025 MSP Trends Report. "About a third of MSPs (36%) have customer retention rates below 50%—meaning they have to replace half of their clients annually (page 47)."

<sup>29</sup>2025 MSP Trends Report. Page 10.

<sup>30</sup>2025 MSP Trends Report. Page 10. Service Multiple of Wages is kind of like Service Gross Margin, but the former is a ratio. It measures delivery efficiency and pricing power in a single scalar value: service revenue over billable wages. According to BrightGauge, "[the] most efficient firms [are] pushing 2.5x - 3.0x." Available at: <https://www.brightgauge.com/blog/msp-key-performance-indicator-service-team-w2-ratio>

<sup>31</sup>2025 MSP Trends Report. Page 7.

<sup>32</sup>Synoptek. (2024, November). *TSIA Study Highlights Synoptek's Managed Services Excellence* [Press release]. Synoptek. <https://synoptek.com/about-us/news/synoptek-managed-service-excellence-tsia-study/> ("Synoptek TSIA Excellence 2024")

<sup>33</sup>2025 Professional Services Maturity Benchmark. Pages 8, 10.

<sup>34</sup>Service Leadership (2025). 2025 Annual IT Solution Provider Industry Profitability Report<sup>TM</sup>: Executive Summary. ConnectWise. Available at: <https://www.connectwise.com/resources/sli-annual-profitability-report-exec-summary> ("Service Leadership 2025 Executive Summary").

<sup>35</sup>Service Leadership 2025 Executive Summary.

<sup>36</sup>Service Leadership 2025 Executive Summary. The report notes "mainstream awareness and early adoption of RPA and generative AI models such as ChatGPT" as one of the factors behind profitability in 2024 (page 4).

<sup>37</sup>Service Performance Insight (2025). *Professional Services Maturity<sup>TM</sup> Benchmark Report*. Service Performance Insight. Two key tables in the *Professional Services Maturity<sup>TM</sup> Benchmark Report (2025)* provide the quantitative foundation for these findings. Table 75 breaks down the perceived importance of Generative AI by market segment, showing that IT consulting leaders emphasize its role in increasing efficiency, enhancing client engagement, and reducing costs relative to other potential uses. Table 34, on the other hand, shifts from perception to adoption, reporting that 19% of professional services projects already employ Generative AI, with respondents rating its impact on productivity and efficiency as "just above moderately important" on a five-point scale. Taken together, these tables illustrate both the sector-specific priorities of IT consulting and the broader industry trend of moving from exploration to measurable implementation.

<sup>38</sup>2025 MSP Trends Report. Page 33.

<sup>39</sup>2025 MSP Trends Report. "High performers leverage AI across a number of areas: 1) Those with high CSAT scores are more likely to use AI than average, especially for ticket analysis and categorization; automating complex tasks; and code scripting. 2) High-revenue MSPs are more likely to use AI than average, especially for sales and marketing support. 3) Those with higher ARPU and projected growth rates are more likely to use AI overall, especially for task automation (page 34)."

<sup>40</sup>2025 MSP Trends Report. Unnumbered Figure on page 33.

<sup>41</sup>Service Leadership 2025 Executive Summary. "For MSPs worldwide, 2024 was a slower year overall for revenue growth than in past years."

<sup>42</sup>Service Leadership 2025 Executive Summary. Unnumbered table on page 6.

<sup>43</sup>Service Leadership 2025 Executive Summary. Median MSP EBITDA slipped from 10.6% in 2023 to 9.9% in 2024, and the bottom quartile barely was 0.2% (2023) and 0.3% (2024). (Figure 2).

<sup>44</sup>Service Leadership 2025 Executive Summary.

<sup>45</sup>TSIA Managed Service Maturity Model.

<sup>46</sup>TSIA Managed Service Maturity Model. The TSIA Managed Services Maturity Model shows a clear relationship between maturity and the financial role of managed services. At the lowest levels, Art Project firms derive just 5% of company revenue from managed services, while Rockstar firms average 25%, underscoring how maturity transforms managed services into a core business driver. Growth rates tell a similar story: Overheated firms show the fastest near-term recurring revenue growth at 25%, while Stalled firms struggle at just 2%. By contrast, Rockstar providers combine scale with sustained expansion, posting 21% growth alongside their strong revenue mix. Together, these data points illustrate how maturity not only shifts revenue composition but also determines the trajectory of growth. So the link is correlational: being more mature in capabilities is associated with both higher managed services revenue share and stronger growth.

<sup>47</sup>2025 Professional Services Maturity Benchmark. Page 21.

<sup>48</sup>Service Leadership, Inc. (n.d.). *The What and Why of Operational Maturity Levels™*. Service Leadership, Inc. "Disregarding for a moment the differences between PBMs (more on that below), the Service Leadership Index® reports that SP/MSPs in the top quartile of profit performance consistently deliver Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) % about three times (3x) higher than those with median profitability. The bottom quartile SP/MSPs meanwhile, regularly operate at zero profit or below (at least until they either improve towards median or cease to exist in their current form)."

<sup>49</sup>2024 Professional Services Maturity Benchmark. Page 75.

<sup>50</sup>2024 Professional Services Maturity Benchmark. Figure 34.

<sup>51</sup>2025 Professional Services Maturity Benchmark. Inference based on Table 98 and Table 100.

<sup>52</sup>2020 Professional Services Maturity Benchmark. Table 39.

<sup>53</sup>Service Leadership 2025 Executive Summary. Page 9.

<sup>54</sup>TSIA Managed Service Maturity Model. "One of the main findings was that when it comes to "maturity," age doesn't matter. How long a Managed Services practice has been in place is not a statistically relevant factor in determining the maturity of organizational capabilities or financial performance."

<sup>55</sup>2025 Professional Services Maturity Benchmark. Figure 20.

<sup>56</sup>2025 Professional Services Maturity Benchmark. Table 99.

<sup>57</sup>2025 Professional Services Maturity Benchmark. Page 101.

<sup>58</sup>2025 Professional Services Maturity Benchmark. Page 106.

<sup>59</sup>2025 Professional Services Maturity Benchmark. Table 78.

<sup>60</sup>2025 Professional Services Maturity Benchmark. Table 101.

<sup>61</sup>2025 Professional Services Maturity Benchmark. Page 102.

<sup>62</sup>2025 Professional Services Maturity Benchmark. Table 100.

<sup>63</sup>2025 Professional Services Maturity Benchmark. Table 78.

<sup>64</sup>2025 Professional Services Maturity Benchmark. Page 105.

<sup>65</sup>2025 Professional Services Maturity Benchmark. Page 104.

<sup>66</sup>2025 Professional Services Maturity Benchmark. Table 103.

<sup>67</sup>Flock. “Communication Overload Hits Executives Hardest.” *Flock Blog*, 2024. Available at: <https://blog.flock.com/communication-overload-hits-executives-hardest>. (“2019 Flock Study”) According to Flock’s survey, senior executives receive far more messages and emails than non-executives, often fail to reply to all of them, and experience pressure to be “always on.”

<sup>68</sup>2019 Flock Study

<sup>69</sup>Bellini, Arnie. “It’s Time for Some Good Old-Fashioned Competition to Shake Things Up.” *CRN*, 2024. Available at: <https://www.crn.com/news/managed-services/2024/arnie-bellini-it-s-time-for-some-good-old-fashioned-competition-to-shake-things-up>.

<sup>70</sup>2019 Flock Study

<sup>71</sup>2025 MSP Trends Report. Page 8.

<sup>72</sup>2025 MSP Trends Report. Page 8.

<sup>73</sup>*Cognitive Load Capitalism: How Modern Work Design Exhausts Executive Function and Undermines Organizational Intelligence*, Pyrrhic Press, 25 July 2025. (“Cognitive Load Capitalism”). According to the article, the pressures of speed, fragmented workflows, tool proliferation, and constant interruptions impose a systemic “cognitive load capitalism” that erodes executive function and drains institutional intelligence.

<sup>74</sup>2025 MSP Trends Report. Page 19.