

How to Choose the Right IT Partner (even if it's not us)

So, you've decided to break up with your current IT provider.



Or maybe you're dipping your toe in the Managed IT Services pool for the first time.



Or perhaps you're looking to partner with a company to augment (or replace) your internal IT team.

If any of those scenarios apply, you've come to the right place.



This publication aims to provide unbiased assistance in understanding the Managed IT Services landscape and the choices available to you as the consumer of those services.

So, let's dive in and get to the questions you should consider asking any potential IT Partners.



1

How long have you been in business?

The managed IT industry has changed and evolved and continues to do so rapidly. MSPs that have been around for a while may be better suited to provide technology guidance for their clients since they have successfully demonstrated the ability to navigate change in their own businesses.

That doesn't mean newer companies can't compete, though. Sometimes they can learn quickly from industry mistakes and adapt without having years of "baggage" to carry.

2

What type of Managed Service Provider (MSP) are you?

90% of the Managed IT Services industry has under \$1M in annual revenue. Why is that important? There are many reasons this could factor into your decision.

Companies in this category often have these (and many other) challenges:

- Lack of operational maturity shows up in their processes (or lack thereof).
- Problems with properly pricing and structuring their services. Which can lead to:
 - Difficulty in attracting, paying for, and retaining top IT talent.
 - Lack of a deep technical bench.
 - Being under or uninsured can create extra risk and exposure.
 - Service delivery issues.

According to LinkedIn, Forbes, and CIO.com, the tech industry has the highest turnover rate (close to 14%), and in Managed Services specifically, we've seen companies reporting as high as a 40% annual turnover rate. Companies in this 90% bucket typically have higher turnover rates.

The remaining 10% of Managed IT Providers are a mixed bag. A large pool of investment capital and several prominent players seek a regional or national market. Since 2020, the industry has had over 2500 mergers and acquisitions. This can be quite disruptive for the clients of these providers who are consolidating. It also could result in a dramatic change in the way services are delivered.

To be fair, if you have operations in multiple states, going with a larger Private Equity backed MSP might be the right fit for your needs. These providers may be less flexible in delivering their services (a tradeoff for the lower price), so it's best to ask questions upfront.

3 How big is your company?

This question comes up almost every time. The logic and reasoning behind it seem fair. More people = better service. But that's not always the case. We all have the same 24 hours in a day, so it comes down to things like efficiency and bandwidth that determines whether an IT provider will have resources available.

Factor in the skillset and competency of those resources, which will get you in the ballpark of whether a provider can handle your business.

How they measure and manage their resources also depends on their growth strategy, which we'll discuss in another talking point below.

A good metrics-based question you can ask would be, "How many tickets per endpoint (or user) per month do you average?" The industry averages are around 0.25 for endpoints and 0.75 for users. Many things can impact this number, some of which are out of the MSP's immediate control:

- **Lack of process**

If the MSP isn't spending more time proactively maintaining the environment, it will become reactive over time, generating a lot of noise and tickets (and risk!).

- **Disconnected teams**

Some MSPs offshore the support function of their business, which can lead to a disconnect in understanding the client systems and infrastructure.

- **Poor documentation**

If there isn't proper up-to-date documentation, support engineers will be at a disadvantage, resulting in longer resolution times or poor outcomes.

- **Client's unwillingness to invest consistently in their infrastructure**

The older equipment and technology become, the more problematic they are, generating more tickets over time. Older technology is also a more significant security risk.

4 Do you have a defined service area?

This question makes the list because it's essential when onsite service is required.

Some providers offer nationwide service. In this case, the question is whether they outsource or perform that task themselves. Sometimes, MSPs outsource field tech work to a third party or another MSP they have a "boots on the ground" relationship with.

It's important to know who and how they will be accessing your infrastructure and data.

5

Do you have an ideal client profile?

This question typically separates the operationally mature MSPs from those still finding their way.

Technology can vary widely by vertical market, and in some cases, like the not-for-profit sector, knowing how to navigate the vast array of donated or discounted services (Like TechSoup, Microsoft, and Amazon, for example) can make a big difference in cost and outcomes in the relationship.

It's also challenging, if not impossible, to be all things to all people, so looking for a provider who knows what they are good at and ensuring that expertise aligns with your organizational needs can be a key piece in the success puzzle.

6

How many new clients do you plan for each month?

This question can help you determine how well the relationship will go after the honeymoon period is over. It's common for new clients to get a lot of attention initially. But what happens if a provider oversells relative to its capacity? When that happens, resources must be borrowed from other teams, day-to-day support, and IT project deliverables suffer for existing clients.

A good provider should have metrics to understand their capacity to properly onboard a new client and be able to measure them to ensure existing clients don't suffer from an MSP's explosive growth. This means sales and marketing teams must be on the same page with service delivery. And when sales are involved, that likely means commissions, which leads us to our next question.

7

Do you allow commissions on sales in your organization?

You may want to ask this question in any business relationship, not just with IT providers. The reason for it is simple. When someone has a financial incentive to sell you something or get you to say yes, whose best interest is being served?

Now this isn't to say that all commissioned salespeople are corrupt or selling you something you don't need. It's just an important piece of information you should be entitled to so you can ask additional qualifying questions during the process.

8

Are you properly insured?

If you ask that question, you'll likely get the response of "yes." That's not going to be enough, though, to check this box off. Here are some metrics you'll want to verify with any MSP you consider working with.

At a minimum, the MSP should carry 3 types of business insurance: **General Liability**, **E&O (Errors and Omissions)**, and **Cyber Liability**.

With cyber liability, this is where you'll want to dig a little deeper. The insurance industry has been cracking down on their requirements across the board, but in the case of Managed IT Services, more than a few insurance carriers have tapped out of the market altogether, such as Lloyd's of London. That should be an eye-opener for everyone when a carrier deems an entire industry too risky to cover.

This means costs have increased, so MSPs have only a few choices. The first and best option would be to demonstrate to a carrier that they are following best practices according to one of the main recognized security frameworks in America (NIST CSF or CIS Controls). This should allow them to get proper coverage which we'll discuss in the next paragraph. The other options MSPs have, if they can't afford proper coverage, is to be underinsured or, in a worst-case scenario, uninsured.

As of early 2023, you'll want to look for an MSP with at least \$2M of cyber liability, AND their policy has both first and third-party coverage.

First-party coverage includes anything their staff does that could cause a breach or data loss. Third-party coverage refers to any tools or vendors they include as part of their service who may suffer a malfunction that leads to a breach or data loss (or other security events).

Coverage varies by insurance carrier, and the industry continues to change and evolve, so you're looking for someone who can speak intelligently on the subject and understands their role in the risk chain.

9

How do you define Managed IT Services?

The chances of getting the same answer from any two providers are probably slim.

Some providers offer an "all-you-can-eat" style of service where everything under the sun is included. And at the other end of the spectrum, there are "bare bones" providers who offer the most basic services, but everything is an add-on.

So how do you determine which service offering is right for you? This is where we can only offer an opinion, but it's based on logic, so it should provide a good starting point for your conversations.

Typically, Managed IT Services consists of 4 primary areas:

- Support
- Maintenance
- Strategy
- Professional Services (Project work)

Anything outside of that could be considered additional services, such as Managed Security. The reasoning for this is, taking security into account, you need a different set of skills and tools to deliver security services, and having that bundled in makes it more difficult to understand what you're getting for what you're paying.

Some providers will also bundle in things like Microsoft 365 licenses. Microsoft sets the pricing for that service. You'll want to consider subtracting the cost of the Microsoft 365 subscription if it's included. This way, you can see what the provider charges for their core services that they should be competent in.

Remember, if a provider isn't charging enough to deliver their core services, service quality will likely degrade as they struggle to attract and retain top talent, pay for the right tools needed, and keep proper insurance coverage.

10 How is support provided?

You'll want to look for a few things when asking this question.

- **What are the standard business hours for support?**
- **Is support unlimited?**
- **Is the help desk U.S. based (this can be relevant where certain regulatory or compliance requirements are in play depending on your industry)**
- **How are escalations handled?**
- **Is remote and onsite support included?**
- **How are after-hours requests handled?**

Most companies don't need 24x7 support unless they are running 3 shifts. Support differs from network and security monitoring, but they often get confused. Like any business, staffing for 3 shifts is more expensive, so expect to pay a premium if you require 24x7 support.

11 How do you manage risk?

If you're hitching your wagon to a company that will most likely provide services to help secure your business, knowing how they manage risk is essential.

In the United States, there are 2 long-standing proven security frameworks. NIST CSF and CIS Controls. They are both mature frameworks with a proven track record of success, so much so that the insurance industry has largely adopted them as baselines for cyber policy application questions.

What you're looking for with the question is to see if they have a different methodology, perhaps a process they created, or, worst case, are absent a real strategy.

Also, do they follow their own advice? How are they securing their tools, especially those used to provide remote support to your organization?

On July 2nd, 2021, the remote access tool VSP provided by MSP vendor Kaseya suffered a major breach. This event impacted estimates of between 800-1500 companies. And the MSPs who weren't keeping their systems up to date were at the center of many of these incidents.

Security isn't just a service. It's a mindset coupled with a proven framework that can be measured. If your provider isn't following their own advice, could they be the reason your business is compromised in the future? It's a legitimate question you have the right to ask and should.

Where will your company be in 1, 3, and 5 years?

Changing IT providers every year is not something companies actively seek out. So, if you're looking to form a long-term partnership with another business, knowing their plans is probably a good idea.

Since 2020, there have been over 2500 mergers and acquisitions in the Managed IT sector. That number will continue to grow as private equity and venture capital money continue to pour into the industry in search of market share.

If your provider is acquired, how would that impact your business and its ability to deliver service? If you've ever had any dealings with M&A, the initial message put out by the combined firms is all positive with a "nothing's changing" slant. Over time that's rarely the case; otherwise, why merge in the first place?

The point is to ensure your potential partner has a plan and that their plan is acceptable with your goals over that same time.

Conclusion

We hope these questions will be helpful as you navigate the vast array of choices available in the Managed IT Service industry. No one company is a right fit for everyone, and you may have additional questions to ask that are meaningful for your specific needs. Please include those as you conduct your interviews and due diligence.



About WEBIT Services

With more than 25 years in the industry, WEBIT Services is a managed services and cybersecurity provider based in Naperville, IL. We proudly serve small and medium-sized organizations throughout the Chicagoland area.

As avid readers and life-long learners, we love helping libraries with their IT – and we have the unique skills and experience to do it right. At WEBIT, we support all sorts of businesses, but we specialize in libraries, non-profits, manufacturers, local government, architecture, construction, and engineering firms.

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