POWERED SERVICES PRO

TruMethods
A Kaseya COMPANY

FRAMEWORK
FOUNDATIONS

STEP 5
Inventory of Time

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INTRODUCTION

Unbelievably, there is a finite amount of time to complete tasks throughout the day. And while that time is limited, you must ensure the right qualities of your business occur during that time. Your technical time is inventory—a resource that has no shelf life and once it passes, it is gone. What amount of time do you spend on reactive support? And what is left over for proactive work?

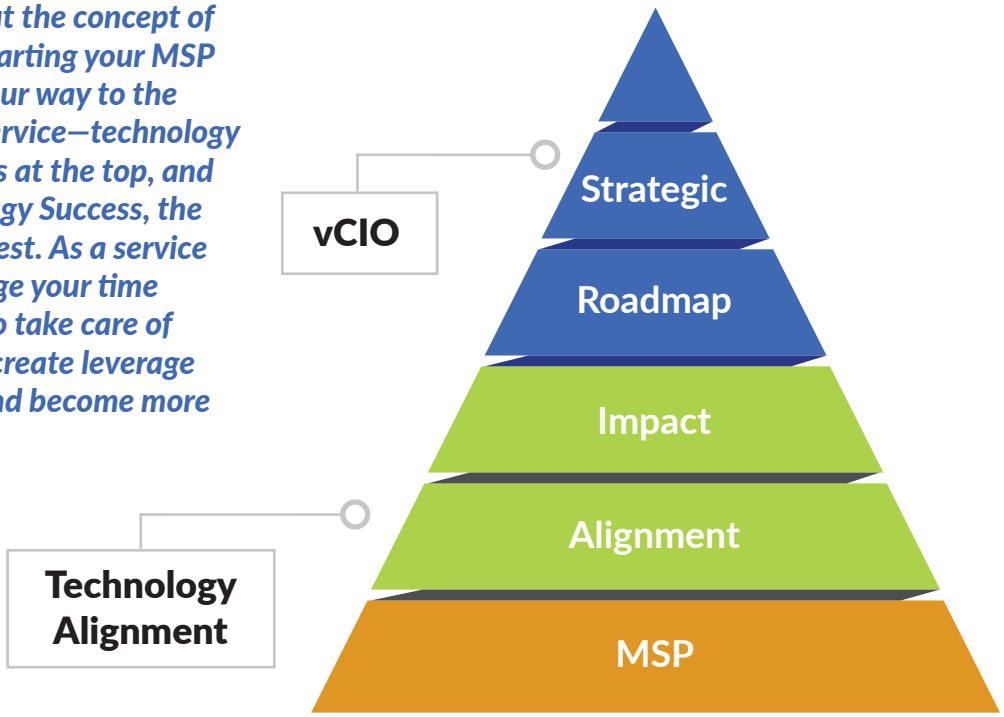
Inventory of Time is a concept that prioritizes specific concepts to guarantee your valuable time is spent doing the right things. Our customers' needs have changed and the amount of time we have has not, leading us to be more proactive and controlling our reactive noise. The more time you spend on reactive tasks, the less time you can spend at the top of the value stack.

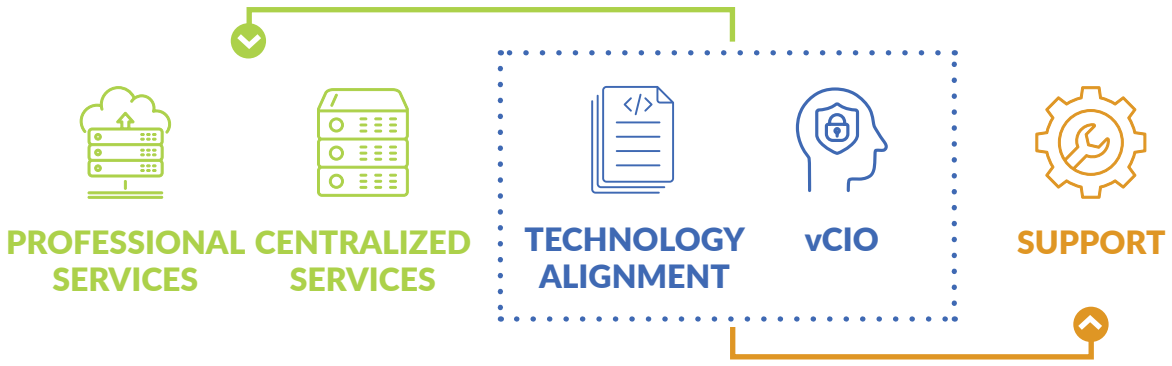
This guide reintroduces the earlier topic of Inventory of Time, but dives deeper into reactive noise. We touch on Micro Picanomics and how your costs for support directly influence your seat price. Then, we lay out an action plan for lowering Reactive Noise per End User per Month (RHEM) while putting it all into perspective.

Time is a valuable resource, and it is important to use it wisely. Once you lower reactive noise to a reasonable level, you can trust Technology Success to keep the reactive work down and continue your proactive process.

INVENTORY OF TIME & REACTIVE NOISE

Earlier on, we talked about the concept of moving up the stack by starting your MSP at the top and working your way to the bottom. The high-value service—technology alignment and vCIO—lives at the top, and once you master Technology Success, the MSP business fills in the rest. As a service provider, you must leverage your time and tools. You use them to take care of customers, supply value, create leverage through delivery areas, and become more profitable.





The TruMethods Framework puts people in delivery areas—separating proactive from reactive—and supplies the right mix to connect customer relationships and results. Moving up affects the three big numbers: average All in Seat Price (AISP), average Monthly Recurring Revenue (MRR), and RHEM. These numbers show how reactive time plays a role in the equation. Reactive time cannot be controlled unless you influence it by delivering high-value services.

Inventory of Time is a TruMethods concept to show how you spend time on reactive and proactive items. Inventory of Time is a simple idea: what time you spend performing certain tasks and how is that time distributed among your technical staff. Reactive time comes with opportunity cost—the loss of potential gain from other alternatives such as proactive work.

YOUR TECHNICAL TIME IS INVENTORY

There are only so many hours in the day your technical team can use.

YOU HAVE A FINITE AMOUNT OF INVENTORY

The amount of time inventory is limited by your number of technical staff.

YOUR INVENTORY HAS NO SHELF LIFE

You cannot take extra time and bank it—it goes away if not used efficiently.

WHAT PERCENTAGE DO YOU SPEND ON REACTIVE SUPPORT?

The idea is to reduce the amount of time spent on reactive work so you can concentrate on proactive support and projects.

WHAT IS LEFT AFTER REACTIVE SUPPORT?

MSPs should have 75% or more of their technical time dedicated to proactive work.

YOU ONLY HAVE A FINITE AMOUNT OF TIME.

YOUR INVENTORY OF TIME IS DISTRIBUTED TO SEVERAL AREAS.

HOW MANY TICKETS DO YOU CLOSE IN A MONTH?

This is the total number of tickets closed by all delivery areas over the course of the month.

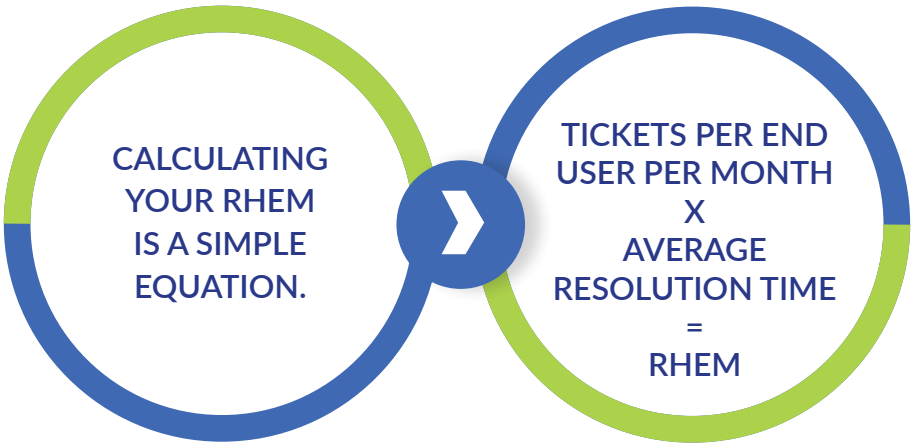
HOW MUCH TIME DOES IT TAKE TO CLOSE?

The amount of time spent to close every unique ticket.

HOW MUCH OF YOUR TOTAL AVAILABLE TIME IS REACTIVE?

Based on the number of tickets closed per month and the time it takes per ticket, this total should be less than 25% of your total technical time.

These three factors are what we use to calculate RHEM. The higher your RHEM value, the more reactive work your MSP performs each month and the less time you can spend on proactive work. As you scale, you will learn how much time you spend per client. Once you have this data, you can see your progress and evaluate different clients against each other.



For example, if you receive 1 ticket per end user per month and it takes 1 hour to close that ticket, your RHEM is 1 hour. A takeaway from this calculation is if your RHEM is 1 hour, you are too focused on reactive noise.

COMMAND
MICRO PICANOMICS

Micro Picanomics calculates your cost per seat, gross margin, and leverage goals. MSPs should target 70% gross margin on managed services agreements, and the costs of labor and tools is a factor in deciding your AISP. Micro Picanomics works on these points:

- **Determine the cost per seat by delivery area:** Costs include labor and tools required to perform that role at peak performance.
- **Based on your AISP, what is your Gross Margin?:** Using your cost calculations, you can settle on an AISP that provides 70% or more in gross margin.
- **This is a modeling exercise, not a point in time:** Prevent miscalculating your AISP by focusing on your target cost and seats managed and not your current position.

To get an idea of your total labor and tools costs, perform a simple gut check. The gut check calculations will not be exact, but if it is off by a few dollars then find out why.

	Cost per Month per Seat
Support	$15
Centralized Services	$20
Technology Alignment	$11
vCIO	$6
TOTAL	**$52**

TOOLS COST GUT CHECK
Divide your total tools cost (monthly) included in your MSP offering by the number of seats managed.

LABOR COST GUT CHECK
Divide your total labor for managed roles by the number of seats managed.

ALL IN SEAT PRICE
Multiply the total tools and labor costs by 3.33.

Using the table above as an example, every $1.00 of seat cost requires $3.33 of seat price to achieve 70% gross margin. That is, if your tools and labor costs equal $52/seat/month, your AISP is $174.

SCENARIO	A	B	C
Tickets/User/Month	1	0.5	0.5
Average Resolution Time	1 hour	1 hour	0.5 hours
RHEM	1 hour	0.5 hours	0.25 hours
Support Resources	6.25	3.1	1.55
Seats Managed/Resource	160	320	640
AISP	$100	$140	$174
Support Desk Leverage	$16,000	$45,000	$112,000

TO PUT RHEM INTO PERSPECTIVE, WE WILL LOOK AT THREE SCENARIOS A, B, AND C—THROUGH THE EYES OF AN EXAMPLE MSP. WE WILL ESTABLISH THE FOLLOWING VARIABLES WHEN LOOKING AT ALL THREE SCENARIOS:

- Each company supports 1000 seats.
- A full-time resource is dedicated to the support role at 160 hours/month.
- Our baseline (scenario C) assumes the AISP of $174 as shown earlier.
- An efficient support resource should support at least 250 seats/month. *Note: This value is more of a guideline than an actual rule. It doesn't matter how many seats a support resource can support if you achieve your 70% gross margin.*

This is a list of the math equations used to calculate the values in the scenario table. The ***MSP Seat Price Calculator*** automatically computes some of them, but these references show you how we generate those values.

Average Resolution Time
=
Total Time / **Total Number of Tickets**

RHEM
=
Tickets per End User per Month
x
Average Resolution Time

Support Resources
=
Total Supported Seats / **160**

Seats Managed per Resource
=
Total Supported Seats / **Number of Support Resources**

AISP
=
Total Cost per Month per Seat
x
3.33

Support Desk Leverage
=
Seats Managed per Resource
x
AISP

In scenario A, our example MSP has 1 ticket per user per month with an average resolution time of 1 hour, giving them a RHEM value of 1 hour. This means that supporting 1000 users, they need 6.25 support resources. Scenario B has half the number of tickets per user per month (0.5) with the same resolution time, cutting their RHEM and support resources in half (0.5 hours and 3.1, respectively). As we move to scenario C, it displays how the MSP reduced their average resolution time in half, populating a 0.25-hour RHEM value with only 1.55 support resources.

The fewer number of people needed to solve reactive tickets means you have more time to do proactive work. A reason we relate the average time to a user is so that it is relative. The example shows 1000 users, but your noise at this level is relative to higher numbers as well. That relative number compared to what you charge is how you get your Macro Picanomics numbers.

Scenario A charges $100 per seat, and with each support resource handling 160 seats per month, leverage per resource is very low at $16,000. In scenario B, support desk leverage is higher at $45,000 because the lower RHEM value leads to more seats managed per resource, creating more value (by lowering reactive noise) and commanding a higher seat price of $140.

In our third scenario, our MSP retains the same number of tickets per user per month (0.5) but reduces the average resolution time to 15 minutes.

This means a support resource can handle 640 seats per month, generating $112,000 in support desk leverage. Much like scenario B, the reduction in reactive work allows our MSP to focus on technology alignment an vCIO, driving down the cost per seat per month and commanding an even higher seat price.

Evaluating support often brings up questions such as defining a good tickets per user value or good resolution times. The tickets per user and average resolution time matter in relation to getting to your goal RHEM. There is no difference between a higher ticket count with lower resolution time or vice versa. If your RHEM is at your target, then your MRR and leverage are correct.

	Monthly Cost per Employee			Seats Managed	Cost per Month per Seat
Support	$4,800			320	$15
Centralized Services					
per Employee	$5,000			1000	$5
Tools (total)	$15,000			1000	$15
TAM	$5,500	20	25	500	$11
vCIO	$6,750	45	25	1125	$6
TOTAL COST PER MONTH PER SEAT					**$52**

AISP - Total Cost per Seat = **Gross Margin Calculation**

All-In Seat Price	Total Cost per Seat	Gross Margin	Gross Margin %
$174	$52	$122	70.11%

When you know the costs of your labor and tools, you can use the ***MSP Seat Price Calculator*** (shown above) to find your All in Seat Price that gets you to 70% gross margin. The calculator adds up the individual costs of your delivery areas and the result is the total cost per month per seat. Once you know these costs, the amount you should charge your clients is calculated for you.

In this example, Support has a monthly cost per employee of $4,800. This is only the cost of labor since the cost of tools is listed under Centralized Services. At 320 seats managed per support resource, the cost per month per seat is $15. Occasionally, you must perform a support cost gut check.

Note: The cost of $15 per seat for support is a baseline value. If you are above this value, aim to get here before attempting to go lower. If you are already below this threshold, your goal is to remain there.

MONTHLY COST PER EMPLOYEE

NUMBER OF SEATS MANAGED

=

COST PER MONTH PER SEAT

To calculate the cost per month per seat, divide your monthly cost per employee by the number of seats they manage. The result is a dollar amount that shows the average cost per seat managed by that resource.

	A	B	C
Seats/Support Resource	160	320	640
Cost/Seat for Support	$30	$15	$8

In our example, we see how as seats per support resource increases, the cost per seat decreases. As you cross the threshold of 500 seats per support resource, the cost per seat is less than $10. A best practice is to spend less than $10 on support per seat, but you must always remember that you live with your averages. Do not focus on the number of devices being serviced—focus on how many tickets you receive per end user. MSPs that try and line up their numbers per device tend to have lower margins across the industry.

To tie the support gut check back to Technology Success, remember the three simple numbers:

1. **Average AISP**
2. **Average MRR**
3. **Seats per Support Resource**

You want to start at the top of the stack. The result is a position where you can have a process and strategic relationship with every customer. Rather than focus on what your competition is doing—starting at the bottom of the stack—you want to work backwards and start at the top, working your way to the bottom. The average MSP that starts at the bottom never makes it to the top.

The three simple numbers need every decision, priority, person, role, and process aimed at it to move up the stack. Once you fuel the process, you begin to see real, tangible results.

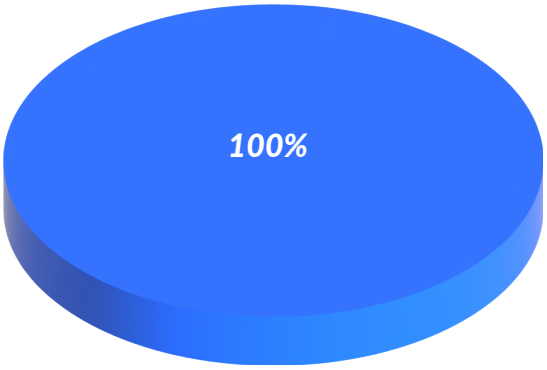
When we look at RHEM from a visual perspective, you begin to see how time spent on reactive noise deprives your other delivery areas of the resources necessary to function. The proactive delivery areas can concentrate on what they are designed to do once the noise is lower and you keep reactive tickets in support.

SCENARIO A

1 HOUR RHEM

- Reactive Support

In this example, scenario A spends their available time on reactive support. This gives the proactive delivery areas zero time to prevent those problems.

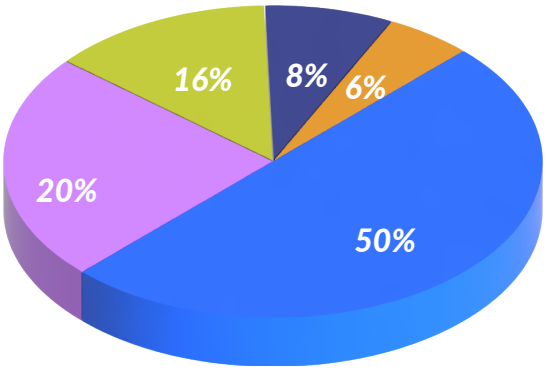


SCENARIO B

0.5 HOURS RHEM

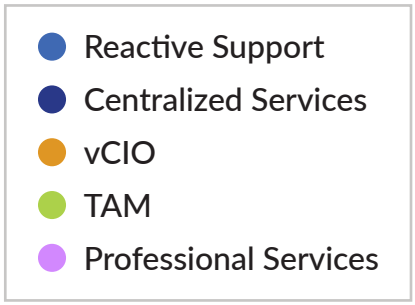
- Reactive Support
- Centralized Services
- vCIO
- TAM
- Professional Services

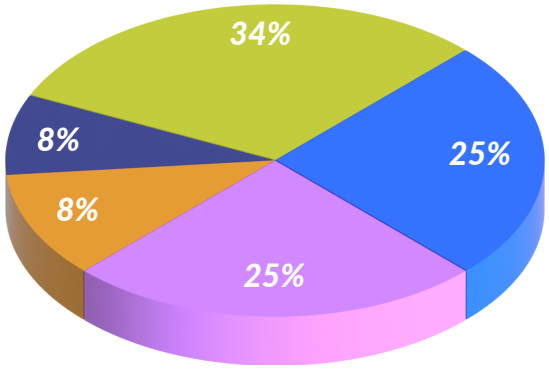
Here we can see scenario B manages to lower RHEM to 0.5 hours, distributing more time to proactive roles.



SCENARIO C

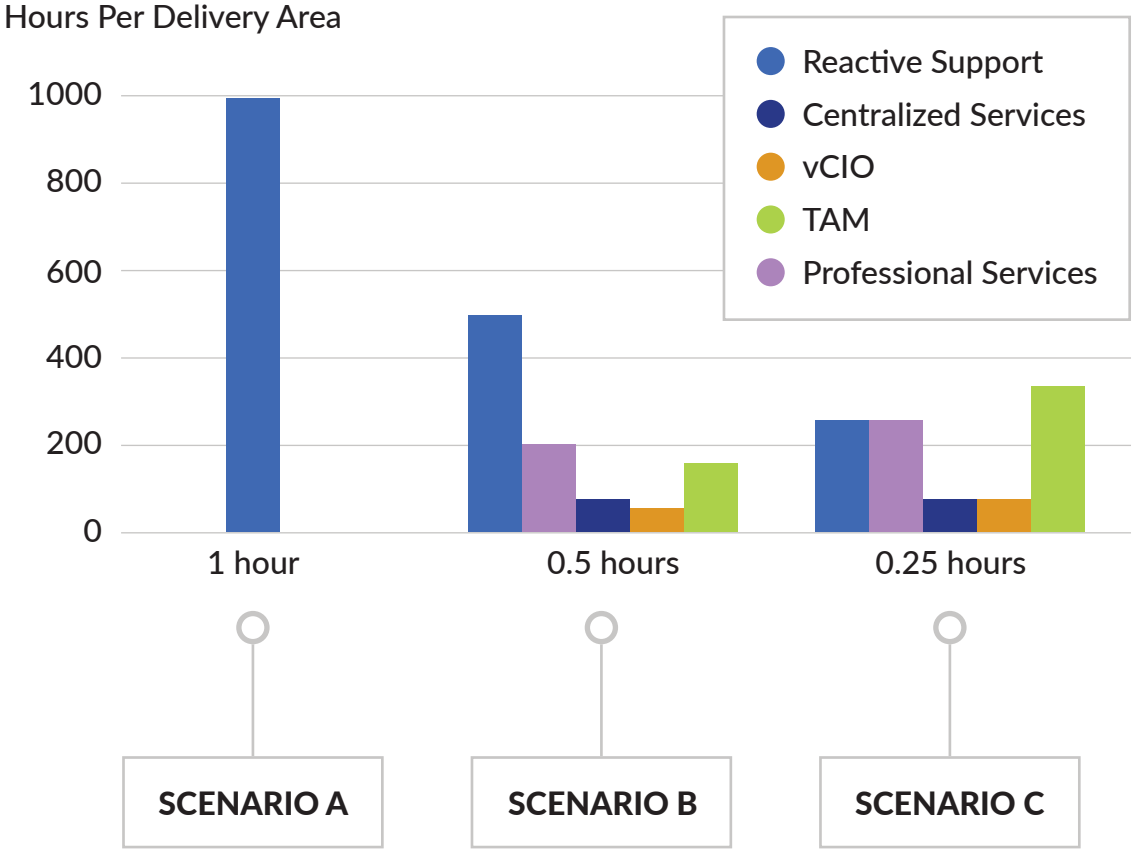
0.25 HOURS RHEM





Scenario C lowered RHEM even more, to 0.25 hours, achieving optimal proactive time dedicated to customers.

Hours Per Delivery Area



If we look at the distribution of reactive support as a bar graph, you can see how the decrease in RHEM increases the percentage of proactive time available.

DO NOT LET THE NOISE PERMEATE!

The biggest issue with service delivery is letting the noise permeate throughout the organization. The four blocks and the five delivery areas make the most sense when they work as designed. However, most MSPs have every delivery area working on tickets. When reactive noise is not confined to support, you cannot focus on the delivery of other areas.

Every delivery area becomes reactive because tickets must be closed, otherwise, you lose customers. Getting noise confined to the support delivery area is crucial. If your reactive noise is spread among your delivery areas, you cannot say that you have scheduled proactive delivery areas—they are overly focused on reactive work.

If you find yourself in a spot where the noise is permeating throughout the organization and tickets flow to different delivery areas:

CONFINE THE NOISE

Ensure all reactive tickets are confined to a single delivery area.

USE YOUR SUPPORT DELIVERY AREA

Take advantage of tools like your queue and ticket board to funnel everything reactive through Support.

DEDICATED ROLES

Have someone commit to the role full time rather than split responsibilities between personnel.

IMPLEMENT SUPPORT METRICS AND GOALS

- **Ticket counts**
  The total number of tickets received by the support desk.
- **Response time**
  The time between receiving the ticket and responding to the requestor.
- **Resolution time**
  The time between contacting the user and solving the issue.
- **Same day close prcentage**
  Opening and closing a ticket within the same day.

ACTION PLAN FOR LOWERING RHEM

Before you put a plan into action, you must know where you are today. There are steps to perform that help create an action plan for lowering your RHEM.

DO YOUR QUARTERLY BUSINESS REVIEW

Have metrics and look at them regularly. Although this report is quarterly, be sure to look at them daily, weekly, and monthly to keep them on track.

SET GOALS FOR TICKETS PER END USER PER MONTH, AVERAGE RESOLUTION TIME, AND RHEM

To set proper goals, see where you are today and figure out where you want to be at a given point in time. Incremental changes over time lead to big results.

TECHNOLOGY SUCCESS PROCESS

Technology Alignment and vCIO—along with Centralized Services—is the best way to perform proactive work to reduce the number of reactive tickets.

PRIORITIZE CLIENTS (NOT ALL MRR IS GOOD MRR)

Getting customer buy-in on your Technology Success process is a key factor in prioritizing clients. Those that understand your process and can tie it to the results of their business goals are the ones you should concentrate on first.

ACCOUNTABILITY & RHYTHM

Look at each delivery area and put meaningful accountability, rhythms, and metrics in place.

PUTTING IT INTO PERSPECTIVE

INVENTORY OF TIME IS REFLECTED IN SEAT PRICE

Your seat price directly reflects how effectively you use your time. A lower seat price tends to lean more towards reactive support without much effort to lower that noise.

WE LIVE WITH THE MIX BETWEEN PROACTIVE & REACTIVE

As an MSP, you and your customers live with the mix between proactive and reactive. The purpose of Technology Success allows you to dictate what influence you have over your reactive time.

MSP CYBERSECURITY RISKS

Targeting of MSPs is exponentially increasing due to the fewer number of proactive roles. The average MSP may have zero or one proactive role and that makes them valuable targets to malicious actors.

DISCLAIMER: ACCURACY OF REPORTING ON TIME

Everyone's RHEM is overstated or understated due to the ever-constant fluctuations in ticket volume which leads to a margin of error. People are different and track items differently.

SUMMARY

Time is valuable. As each minute passes, you can never get it back. Without efficient use of your time, every moment gone is a missed opportunity to be proactive, generate revenue, or get recommendations approved. And since this time cannot be stored and used later, it is important to make effective use of it now in the event of a crisis later.

Emergencies occur and there is no reason for you to ignore them. A sudden influx of tickets causes an overwhelmed support desk and pulling resources from other delivery areas to suppress that noise is acceptable. However, those events should be rare, temporary, and out of your control (e.g., COVID, natural disaster). There is nothing wrong with pulling personnel to help when needed, but it should not be a daily habit.

If you focus on process and Technology Success, you are less vulnerable to chaos when the emergencies inevitably occur. This is where your every day functions relate to the transformation of your business.