



FRAMEWORK

FOUNDATIONS



STEP 1
The TruMethods
Framework

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**Stanley
Schnizzer**

INTRODUCTION

For more than a decade, TruMethods has been responsible for the success of hundreds of Managed Services Providers (MSPs). The TruMethods Framework helps IT companies move away from the break/fix model and implement a dedicated MSP process. In doing so, these MSPs have been commanding higher prices, increasing their profitability, decreasing the number of new and recurring tickets, and reducing overall time spent on reactive support.

The TruMethods Framework includes the functions necessary to reframe your clients and have them understand technology as a competitive advantage. The Framework consists of multiple aspects including the five delivery areas, accounting for all your costs, dealing with Reactive Hours per End User per Month (RHEM), and avoiding the reactive spiral of death. Establishing Technology Success within your organization will have you developing standards, aligning customers to those standards, and analyzing the business impact and strategy with a decision-maker, not just a point of contact.

This guide is an introduction to the TruMethods Framework and includes a general overview of its components. We outline the five delivery areas – Professional Services, Centralized Services, Technology Alignment Manager, virtual Chief Information Officer, and Support Desk—and how each produces an effect greater than their sum. We cover the topic of fixed versus variable costs and how each role is tied to Monthly Recurring Revenue (MRR). Lastly, a brief introduction to Macro Picanomics and Micro Picanomics, Anatomy of a World Class MSP, and Technology Success introduces familiarity with these sections of the framework.

WHEN YOU BECOME A WORLD CLASS MSP, NOT ONLY WILL YOU EXPERIENCE POSITIVE CHANGES, BUT YOUR CUSTOMERS BENEFIT, TOO.

When Technology Success increases overall efficiency, your clients spend more time on business needs and less time on IT issues. Despite competition and changing technology, the tools are here for you to break free from the reactive spiral of death, command higher prices, and increase profitability. You can reach your potential as a World Class MSP, but you're going to need a framework to make it happen.



An industry-leading program designed by MSP legend, Gary Pica

OVERVIEW

The TruMethods Framework has numerous components that take your MSP to the next level. The framework itself is a simple concept, however, your commitment to the process is what makes it bulletproof. This section covers the basics of the framework in an easy-to-understand format. The framework contains five delivery areas:

- 1 Professional Services**
A high-level technical team tasked with implementing new technology.
- 2 Centralized Services**
Administers proactive maintenance from a central location across clients.
- 3 Support Desk**
Provides a point of contact for reactive support and sets a client's expectations for quality of service.
- 4 Virtual Chief Information Officer (vCIO)**
Creates a business relationship with a decision maker.
- 5 Technology Alignment Manager (TAM)**
Perform assessments to align a defined set of standards and best practices across all clients.

*Every delivery area has a fixed or variable cost, and they are broken down into two categories **MACRO PICANOMICS** and **MICRO PICANOMICS**.*

Macro Picanomics is a top-down approach to analyzing costs — it determines the cost or ceiling for each delivery area.

Micro Picanomics is a bottom-up view and determines your total cost per seat.

Fixed	Fixed	Fixed	Fixed	Variable
Professional Services	Centralized Services	Technology Alignment	vCIO	Support

The benefit of fixed areas is they are known and controlled, giving you the assurance that these roles have costs and Key Performance Indicators (KPIs) that are consistent. Support is the only variable delivery area with unknowns such as reactive time per end user and your All In Seat Price (AISP). The goal is to make variable areas as fixed as possible by making them more predictable.

THE FIVE DELIVERY AREAS

Each delivery area has a role to play in the framework. When we look at them from the top down, we can determine KPIs and set realistic expectations. When you properly set your fixed areas, variable sections become easier to navigate and plan for in the future.

Fixed	Fixed	Fixed	Fixed	Variable
Professional Services	Centralized Services	Technology Alignment	vCIO	Support
- Hourly Rate - Utilization	- Endpoints - AISP	- # of clients - Avg. MRR	- # of clients - Avg. MRR	- AISP - Reactive Time/EP

A SUMMARY OF THE DELIVERY AREAS SHOWS HOW THREE SIMPLE NUMBERS AFFECT EACH PORTION

All in Seat Price (AISP)


The cost billed per user for your fully-managed offering.

Monthly Recurring Revenue (MRR)

Total revenue generated from service agreements per month.

Reactive Hours per End User per Month (RHEM)

Total time spent resolving issues per end user.



CONTROL OF DISTINCT AREAS GIVES YOUR MSP GREATER LEVERAGE OVER YOUR CUSTOMERS, ALLOWING **GREATER FOCUS ON THE STABILITY OF VARIABLE DELIVERY MODULES.**

1

PROFESSIONAL SERVICES (FIXED)

Hourly rate - How much you bill customers for project work.

Utilization - The effective use of resources like time and technical experience.

Outcome: Available resources control leverage and how much to bill. A backlog of project work controls the rate of Professional Services' allocated time.

2

CENTRALIZED SERVICES (FIXED)

Endpoints - Number of endpoints supported and cost per seat.

All In Seat Price - How much is billed per seat at a client's location.

Outcome: Deliverables provide leverage due to calculated costs associated with user endpoint management.

3

TECHNOLOGY ALIGNMENT MANAGER (FIXED)

Number of Clients - Can support numerous clients dependent on Monthly Recurring Revenue.

Average Monthly Recurring Revenue - Determines the amount of Technology Alignment Manager resources needed.

Outcome: Technology Alignment Manager resources *determined by Average MRR.*

4

vCIO (FIXED)

Number of Clients - Can support numerous clients dependent on Monthly Recurring Revenue.

Average Monthly Recurring Revenue - Determines the amount of vCIO resources needed.

Outcome: Virtual CIO resources determined by Average MRR.

5

SUPPORT (VARIABLE)

All In Seat Price - How much is billed per seat at a client's location.

Reactive Time/End User/Month - Time to solve issues per end user each month.

Outcome: A lower RHEM provides leverage to command a higher AISP.

MACRO PICANOMICS

The underlying idea of Macro Picanomics is leverage: the relationship between hours and dollars, employees, and revenue. The goal is to establish a leverage target of service revenue per employee.

**BY ESTABLISHING
LEVERAGE FOR
EACH DELIVERY
ROLE, YOU CAN:**

Tie service delivery roles to top-line revenue How much revenue does a person in a role touch per month? If an employee touches more revenue, the role should generate more margins.

Develop KPIs for each delivery area Understand where you are, make improvements, and determine your target goal.

Use TruMethods SMART Numbers.

The core concept of Macro Picanomics is leverage guidelines. You need to define a leverage number per delivery area per resource. This controls the number of people you have in a delivery area based on revenue.

- Professional Services**
One person dedicated to the role for every \$22,000 or more billed per month in Non-recurring Revenue (NRR).
- Centralized Services**
One person dedicated to the role for every 5,000 or more endpoints managed.
- Technology Alignment Manager (TAM)**
One person dedicated to the role for every \$70,000 or more billed in MRR.

Professional Services	1 per 22K+ Month NRR
Centralized Service	1 per 5k+ Endpoints
Technology Alignment	1 per 70k+ in MRR
vCIO	1 per 140k+ in MRR
Support Desk	1 per 60k+ in MRR

- vCIO**
One person dedicated to the role for every \$140,000 or more billed in MRR.
- Support Desk**
One person dedicated to the role for every \$60,000 or more billed in MRR.

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.

THE GUT CHECK

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

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.



HOW WILL YOU ACCOUNT FOR COSTS OF RESOURCES OUTSIDE THE FIVE DELIVERY AREAS?

The TruMethods Framework covers five delivery areas, but resources exist outside of these roles. Design Desk, Dispatch/Triage, and other service delivery roles are an example of “outside” resources. How do you account for their costs?

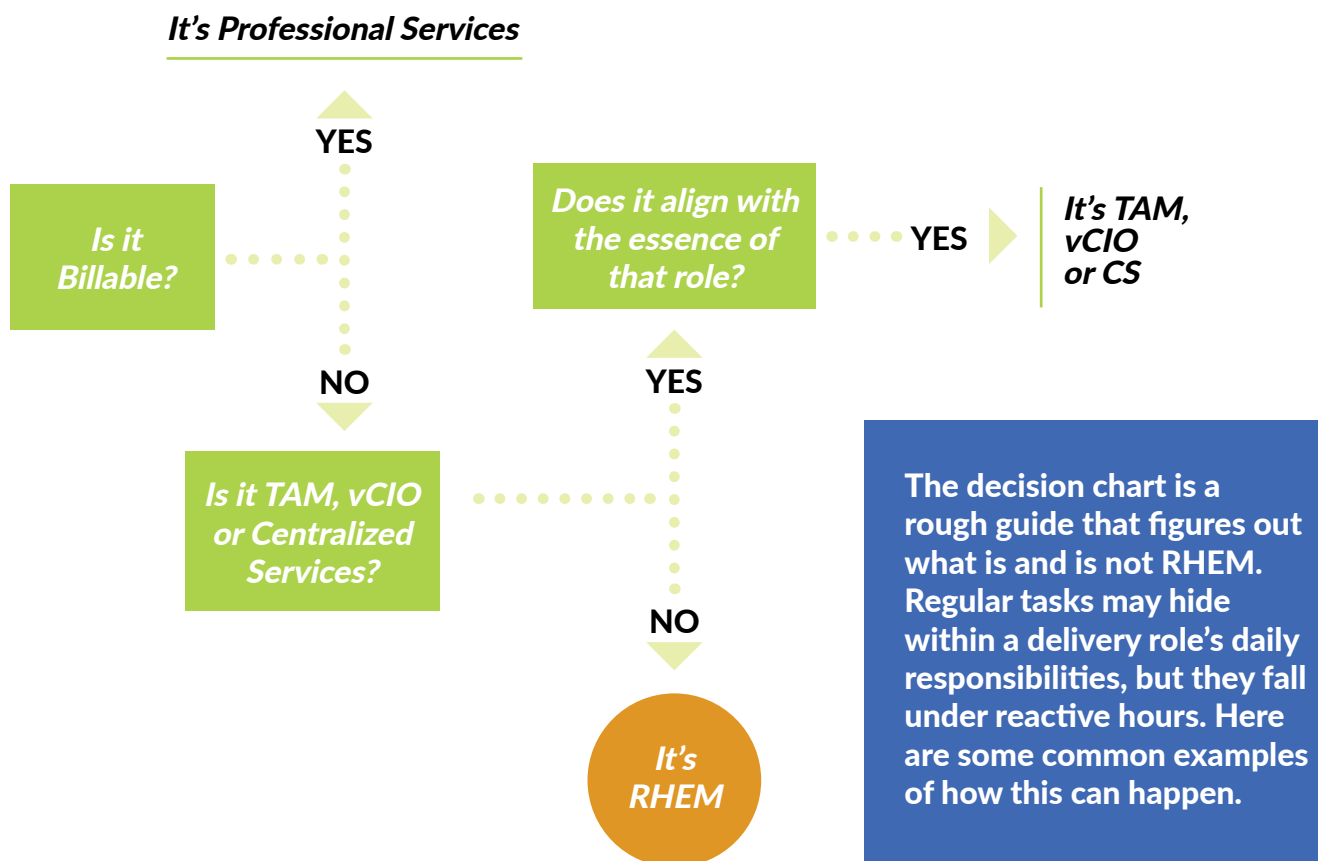
Design Desk is the process of researching a solution, its impact on the client’s business, the required materials, and the time it takes to complete the implementation. By that definition, it fits under vCIO because it lowers your leverage and drives more non-recurring revenue — it pays for itself!

Another common role is a dedicated **Dispatch/Triage** resource to ensure the phone gets answered, tickets are assigned, and onsite resources are dispatched. This fits into support and lowers your leverage for that delivery area. Triage is designed to make your support services more efficient and manage customer expectations. If this resource is not increasing the productivity of service desk, do not do it.

Anyone else in service delivery that is not included in the five delivery areas, not included in MRR (not being billed), and not part of Technology Success, you must account for their cost.

WHAT COUNTS AS RHEM?

Reactive Hours per End User per Month, or RHEM, is a calculation used to measure the time spent on reactive tickets and tasks. The common question regarding RHEM is what is included in the KPI. The short answer is anything included in your monthly fee that is not billable, vCIO, Centralized Services, or Technology Alignment.





TECHNOLOGY ALIGNMENT MANAGER COMPLETES REACTIVE WORK WHILE ONSITE

Using the decision chart, if the TAM follows the Essence, then it is part of their role. The question remains: is the extra time built into your model or is this in lieu of completing regular work? Small exceptions are often made while onsite to resolve an issue or install a workstation, though large deviations from your micro and macro numbers categorize the work as RHEM. At least 75% of a TAMs time onsite must be dedicated to standards and alignment.

A DEDICATED MOVES/ADDS/ CHANGES (MAC) TEAM

Setting aside a resource to perform moves, adds, and changes (e.g., create email accounts, disable Active Directory accounts) seems like a smart idea. The problem is this work is usually never accounted for as part of RHEM. If you include this in your offering, you must account for it in your seat price. If you do not, you have to bill it as Professional Services.

AN INTERN WHO DOES ALL PC BUILDS THAT ARE INCLUDED

If the time to build, configure, and deploy new PC builds are included in a customer's monthly service plan, that time falls under RHEM. If not, that labor must bill through Professional Services. Anything included in your seat price must be accounted for in your RHEM.

In later lessons, RHEM is discussed in more detail and how it ties in with the rest of your delivery areas. In fact, RHEM is so impactful on your MSP, it has its own lesson: *Inventory of Time*.





You spend
less time
implementing
Technology
Success

You have
too much
“noise”

You can not
truly be
proactive

Your
leverage
is too low

**YOU ARE
TRAPPED IN A
DOWNWARD
SPIRAL WHEN:**

REACTIVE SPIRAL OF DEATH

Failure to account for all reactive hours produces invalid cost calculations. When costs are inaccurate, you cannot control the true value of service and end up in the Reactive Spiral of Death.

ANATOMY OF A WORLD CLASS MSP

TruMethods methodologies are the foundation of a Technology Success practice and explore the development of a World Class MSP. A World Class MSP does not form overnight and developing “your company way” takes time, hard work, and dedication. There are qualities an MSP must adopt to become World Class.



**2-4x industry-
average margins**



**50% more
service revenue
per employee**



**Consistently
adding new
MRR**



**Delivering only
high-quality
support**



**Setting &
achieving
financial goals**


There are five essential qualities that every World Class MSP has in common. Unlocking those secrets proves how any MSP can become a Technology Success leader.

- 1 - BUSINESS PLANNING**
- 2 - PACKAGING & PRICING**
- 3 - SALES FOCUS**
- 4 - PROCESS-DRIVEN**
- 5 - COMMAND**

To build a **World Class MSP**, you need to have total command of your business. You can gain command and have a 360-degree view of your business by implementing these techniques and practices. By then, you can begin the journey towards world class status.

TECHNOLOGY SUCCESS

A culture of Technology Success defines a customer's perception on their quality of support. A positive culture radiates and makes a positive impact on customer satisfaction. There is more to Technology Success than TAM and vCIO and parts of the system will fail without proper balance.



Technology Success encompasses standards, alignment, business impact, and strategy. Although a TAM is central to technical alignment, they are not alone — Service Desk, Centralized Services, vCIO, and Professional Services work together to create a World Class culture.

Onboarding is the initial step in customer technical alignment because it includes tasks that align with your set of best practices.

You use standards implementation to add clients to a Professional Services Automation (PSA) system.

You deploy remote agents using Remote Monitoring & Management (RMM) tools.

Network diagrams, vendor details, and account information are documented for future reference.

The onboarding process will not align your customers from day one — it introduces an increase in alignment through subsequent visits.

The five delivery areas are involved in every step of this process and have a direct tie-in to **Technology Success** — TAM and vCIO.

DEFINITIONS

All in Seat Price (AISP)

Metric used to track the relative value of managed services agreements. To find AISP, divide the MRR by the number of users supported. For example, a \$2,000 agreement to support 20 users would have a \$100 AISP ($\$2,000 / 20 = \100).

Centralized Services

Any IT service provided from a central location using automation tools (e.g., monitoring, patch management, anti-virus, anti-spam, remote backup).

Design Desk

The process of researching a solution, its impact on the client's business, the required materials, and the time required to implement.

Endpoint

A supported device (e.g., workstation, laptop, server).

Essence, The

The spirit of a delivery area that is defined by tying the Core of the role (math & process) to the Results (impact on the client, the business, and person in the role).

Five Delivery Areas

The primary service roles of the TruMethods Framework (Support Desk, Centralized Services, Professional Services, Technology Alignment Manager (TAM), and virtual Chief Information Officer (vCIO)).

Gross Margin

Gross margin is net sales less the cost of goods sold (COGS).

Key Performance Indicators (KPIs)

Key performance indicators (KPIs) refer to a set of quantifiable measurements used to gauge a company's overall long-term performance.

Leverage

The concept of utilizing resources to their maximum efficiency.

Macro Picanomics

A high-level view of the organization, roles, pricing, and efficiency.

Micro Picanomics

Understanding how the service offering impacts costs and leverage.

Monthly Recurring Revenue (MRR)

Total revenue generated from service agreements per month.

Non-recurring Revenue (NRR)

Revenue generated by a one-time billing, usually a project.

Professional Services Automation (PSA)

Software designed to assist with project management, resource management, accounting, Customer Relationship Management (CRM), sales, service tickets, and so on.

Professional Services

A high-level technical team tasked with implementing new technology.

Reactive Hours per End User per Month (RHEM)

Total time spent resolving issues per end user (e.g., servers, workstations).

Reframe

A method of showing a customer how they can use technology as a strategic competitive advantage.

Remote Monitoring & Management (RMM)

The process of supervising and controlling IT by means of locally installed agents that can be accessed by an IT services provider.

Revenue

The money generated from normal business operations.

Seat

The equivalent of an end user.

SMART Numbers

The TruMethods financial and operational reporting system that drives visibility and accountability.

Support Desk

Provides a point of contact for reactive support and sets a client's expectations for quality of service.

Technology Alignment Manager

Performs assessments to align a defined set of standards and best practices across all clients.

Technology Success

The unique traits, standards, and processes of an MSP that create a compelling business outcome and value to their clients.

Tools

Hardware or software used to manage the IT systems of a customer (e.g., RMM, PSA, backup, anti-virus).

TruMethods Framework

Helps IT companies move away from the break/fix model and implement a dedicated MSP process by commanding higher prices, increasing profitability, decreasing the number of new and recurring tickets, and reducing overall time spent on reactive support.

Virtual Chief Information Officer

Creates a business relationship with a decision maker.
