**TruMethods**

# FRAME WORK

## TRACK 3

## TAKING COMMAND OF YOUR BUSINESS

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### STEP 4 | Service Delivery Capacity

# INDEX

**TruMethods**
A **Kaseya** COMPANY

**P⚡WERED**
SERVICES PRO

# INTRODUCTION

*Understanding your MSP's service delivery capacity can be a complex task, but your business needs to have a clear grasp of it. Unfortunately, the term "capacity" has been overused and has lost meaning in the MSP industry. While some MSPs claim to be able to handle various tasks, they often fail to demonstrate where it lies or show any delivery metrics to prove their claims.*

To truly understand your MSP's service delivery capacity, you must assess your operational efficiency and effectiveness. Businesses usually gauge whether their claimed capacity is usable by scrutinizing their delivery areas and metrics. Capacity alone is not enough to achieve success — inefficiency is a drag on progress, making it essential to identify the areas that require improvement.

Businesses must know this information in advance to adequately prepare for potential challenges. An MSP gains clarity on where they stand and what steps to take to achieve their goals when they examine the TruMethods framework and analyze their service delivery capability. Through this process, we explore the concept of service delivery capability, delve into examples of each delivery area and highlight the importance of service delivery capacity.

# FINDING YOUR ACTUAL CAPACITY

*Capacity is a valuable resource that generates significant monthly recurring revenue (MRR) or non-recurring revenue (NRR) in the short term. Contrary to belief, capacity is not the difference between your leverage and world-class standards. While the TruMethods framework suggests your organization can achieve a certain amount of MRR per delivery area, you must evaluate the underlying numbers and whether such targets are realistically achievable.*

For instance, it is unwise to assume that doubling your output without adding additional resources will automatically lead to increased MRR or NRR. Doing so may result in lower efficiency or an increased backlog of tickets. You must assess your organization's performance metrics and identify inefficiencies affecting your capacity to deliver quality services.

The question is whether your organization can handle the workload or is it just masking inefficiencies. You can identify the areas that need improvement and take steps to enhance your capacity without sacrificing quality when you thoroughly analyze your service delivery capability.

| Where are your resources by delivery area? | Where should they be based on your current metrics? | Where should they be based on World Class Leverage numbers? |
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## COLUMN ONE

**Current resources by delivery area**

» Defines your current resource allocation based on Macro Picanomics.

» Accurately reflects your reactive hours per end user per month (RHEM) metrics to determine the support resources you need and currently have.

» Identifies other delivery areas that may hinder your ability to achieve world-class service delivery, potentially decreasing your RHEM and raising your all-in seat price (AISP).

» You gain a comprehensive understanding of your current service delivery capacity and identify areas for improvement when considering these three factors.

## COLUMN TWO

**Ideal resources allocation based on current metrics**

» Assign team members to specific roles and delivery areas and track performance metrics.

» Shows the gap between your current resource allocation and the ideal allocation needed to achieve world-class service delivery. For instance, in the support area, this column reveals the number of support desk personnel required based on your RHEM and MRR.

» The ability to focus on allocating resources more effectively and efficiently to improve your overall service delivery comes from identifying the difference between your current and ideal resources.

## COLUMN THREE

**Ideal Resources allocation based on world-class leverage numbers**

» Provides targets for MRR by delivery area and offers an overview of what your organization should strive for based on those targets.

» To achieve this level of performance, ensure that each support desk personnel touches the right amount of revenue, and you may need to adjust your RHEM and seat price accordingly.

» Determines the resources required for each delivery area to ensure efficiency based on your current service delivery model.

» When you correctly identify optimal resource allocation, you move the needle and progress toward achieving world-class service delivery.

**Where should
your resources be based
on your current metrics?**

STEP 1

**What must I change
to get to world-class?**

STEP 2

When assessing your capacity, you determine where to allocate resources based on your current performance metrics. By analyzing each delivery area, you gain insight into areas to improve to achieve world-class service delivery. You must have the appropriate resources to support growth and transformation to attain this desired outcome.

The first step is to optimize efficiency based on your current situation. The second step involves modifying key metrics and dynamics, such as lowering RHEM, increasing AISP and raising the average MRR. When you combine both efforts and focus on the efficiency of your current situation, you effectively move towards achieving world-class service delivery.

# CAPACITY OR INEFFICIENCY: LOOKING AT THE DELIVERY AREAS

## PROFESSIONAL SERVICES

**How many hours are available per month?**

Take the dollar amount of NRR (net recurring revenue) billed monthly and divide it by your hourly rate.

The result is the number of hours you billed in that month.

Compare the number of billed hours with the capacity of one full-time equivalent (FTE) employee. For example:

» If you billed $20,000 monthly at $250 an hour, you billed 80 hours of NRR.

» At a 90% utilization rate, one FTE project engineer can bill 144 hours per month.

» Therefore, adding more professional services employees does not solve your problem if your billed hours are less than the utilization rate of one FTE.

**How much do you bill per month?**

» To determine your capacity, choose how many hours you bill monthly.

It is common for MSPs to misuse the project team, assigning them to handle escalations or non-billable tasks. However, when the project team is not billing for projects, it results in a loss of revenue. It is essential to understand that the primary goal of professional services is to generate billable NRR hours and create a backlog of 1-2 months of work, which ensures consistent billing for project work every month. Use the project team wisely and focus on generating billable hours to avoid revenue loss.

# SUPPORT DESK

How many hours of reactive service do you have per month?

Divide that result by 140 available hours per resource, assuming a maximum of 160 hours per month.

» The difference of 20 hours is for other administrative tasks or vacation time since being 100% efficient is unrealistic.

The outcome indicates how many resources you need for support.

Compare the result with how many support resources you currently have.

» For example, in your quarterly business review (QBR), divide your quarterly support hours by three to get a monthly number. Then divide that number by 140 to calculate the support resources needed on the service desk.

**Support desk example:**

1,000 seats at 0.25 RHEM equals 250 hours per month of reactive service
(1,000 x 0.25 = 250).

Roughly two resources worth of reactive work (at 140 realistic hours per month per resource)

But you have four resources on the support desk.

» What are those additional two resources doing? If they are not contributing to the support role, move them into high-value, proactive positions like vCIO or TAM.

Be mindful of having excess "capacity" in your support or professional services delivery areas. More than one full-time equivalent (FTE) capacity resource in these areas results in inefficiency. Instead, consider using these extra resources to provide high-value services, such as vCIO or TAM.

# TECHNOLOGY ALIGNMENT

How many clients do you have?

Each alignment manager should be able to manage 20 clients.

If your TAM(s) manage more than this, are you doing technology alignment?

» If your TAM(s) manage more than 20 clients, they may not effectively manage all those customers, and you may not be genuinely delivering technology alignment services.

» The client number assumption is based on an average MRR of $2,500 to $3,500 per customer.

If your TAM(s) manage less than this, could they manage up to 20?

» For instance, if a TAM currently manages 10 clients, they could potentially add 10 more if they can handle one daily onsite visit per customer monthly.

Capacity or inefficiency?

» Determine if you have the capacity (underutilized) or inefficiency (overutilized) in your alignment manager's workload.

# VIRTUAL CIO

How many clients do you have?

Each vCIO should be able to manage 40 clients.

If your vCIO(s) manage more than this, are you doing vCIO?

» If they manage more than 40 clients, the process is inefficient, like TAM.

If your vCIO(s) manage less than this, could they manage up to 40?

» An effective vCIO should ideally manage a portfolio of 40 clients. Managing fewer than 40 clients could indicate that the vCIO can perform the role full-time. However, suppose the vCIO is dividing their attention between tasks like technology alignment, proposal development or reactive work. In that case, it may indicate a lack of focus on managing the business relationship. In such cases, it may be necessary to restructure the workload and prioritize vCIO responsibilities to maximize their impact.

Effect of average MRR

» Determine if you have the capacity (underutilized) or inefficiency (overutilized) in your vCIO's workload.

Start by checking if your vCIO manages 40 clients. If it is fewer than 40, it could be due to a low average MRR. To ensure that the vCIO meets the efficiency standards, multiply the number of clients they manage by the average MRR. You are on the right track if the number is around $140,000.

However, if this number is less than $140,000, it could indicate inefficiency. The vCIO might spend time on escalations, account management and other tasks instead of technology alignment.

# CENTRALIZED SERVICES

Do you have more than 1-2 people in this delivery area?

» Too many people in this delivery area contribute to reactive time and add to your RHEM.

Do not hide people here; this is not a reactive delivery area.

» Configuration of your tools and automation procedures is not a reactive function. When something fails, it becomes a reactive problem, but this role is not for fixing regular reactive tickets.

Focus on proactive services and limit the reactive time spent on fixing issues covered by service agreements. For example:

Professional services should have enough resources to cover the hours you plan to bill each month.

The service desk should have the appropriate number of staff to handle current reactive hours without sacrificing their ability to provide excellent service.

TAMs should focus on technology alignment, while vCIOs should focus on managing strategic client relationships.

Centralized services should only deliver core services, as this helps drive down RHEM, increase value, differentiate your business in the sales process and get on the road to world-class.

# SUMMARY

*The importance of service delivery capacity relates directly to using Macro Picanomics to tie resources to top-line revenue. You determine capacity or inefficiency by using drivers in each delivery area. For example, excess capacity in professional services or support desk will slow your progress to becoming world-class.*

We discussed the need to manage service delivery capacity in each area carefully, such as each alignment manager effectively managing 20 clients and vCIOs not splitting their time between other tasks that impede their ability to focus on managing business relationships. You drive down RHEM, increase value, create separation in the sales process and ultimately move closer to becoming a world-class service provider when optimizing your service delivery capacity and ensuring effectively allocated resources.

# NEXT STEPS

*Continue your journey towards world class and check out more resources to help you along the way.*

**STEP 1** | Understanding Operational SMART Numbers

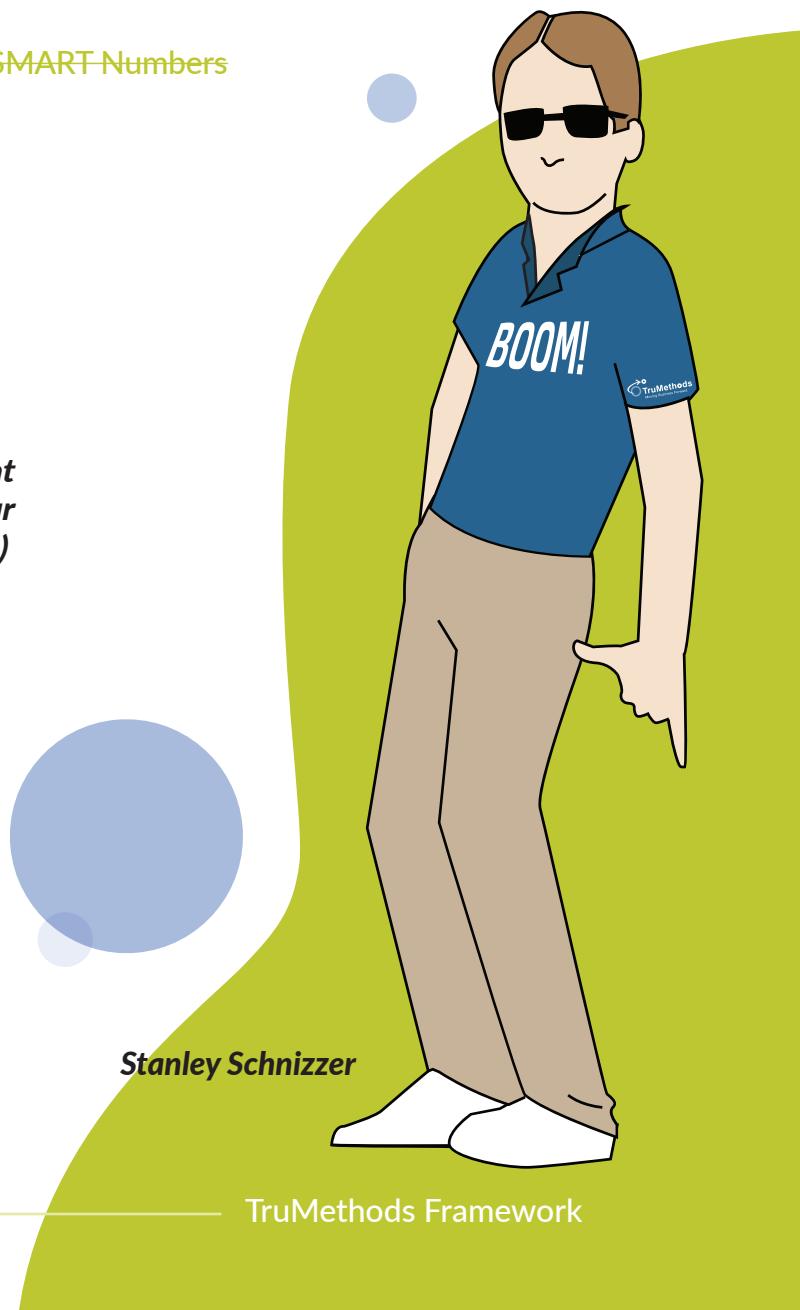**STEP 2** | Converting Existing Clients

**STEP 3** | Not All MRR is Good MRR

**STEP 4** | Service Delivery Capacity

**STEP 5 |** *The MSP Turning Point*

*If you have any questions about what you've read here, please contact your Channel Enablement Manager (CEM) for more information about the TruMethods Framework.*

BOOM!

*Stanley Schnizzer*