

TruMethods

FRAME WORK

TRACK 3

TAKING COMMAND OF YOUR BUSINESS

- 1
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STEP 1 | Understanding Operational SMART Numbers

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INTRODUCTION

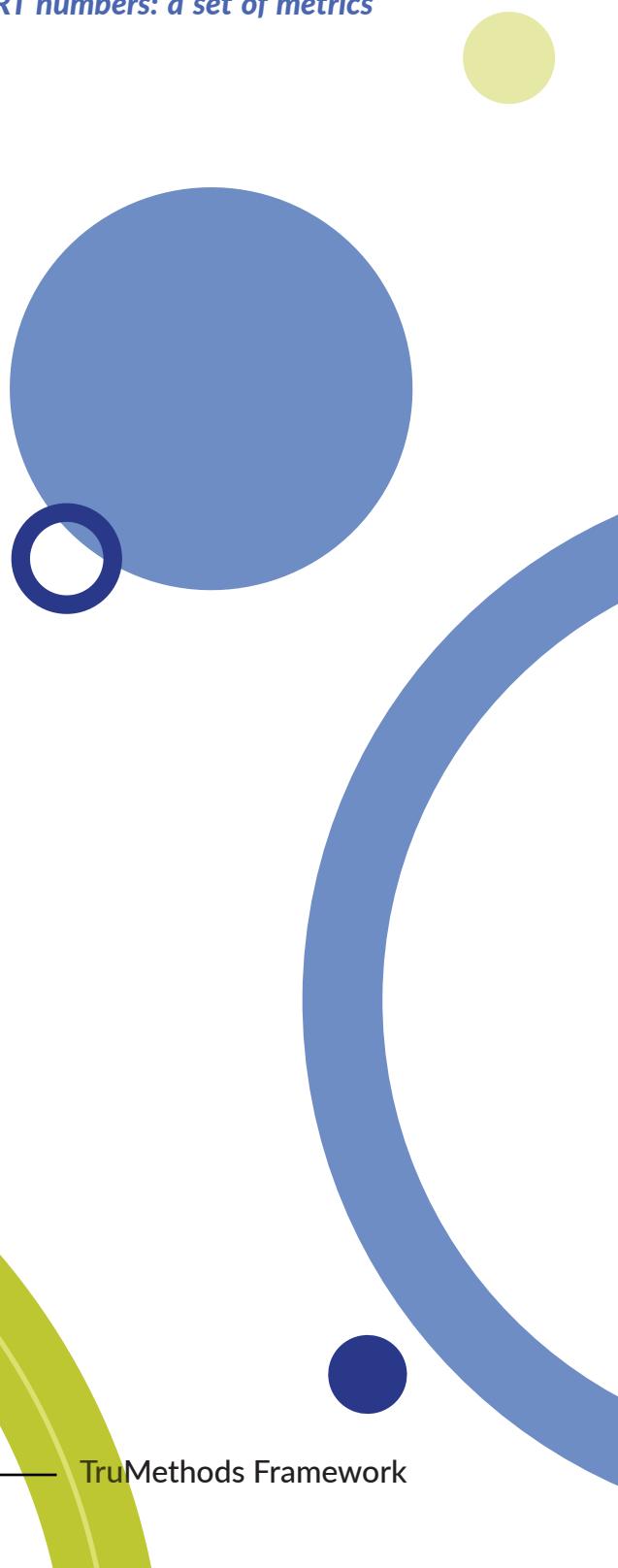
Understanding the key performance indicators that matter most can be challenging when managing your MSP. That is why we have operations SMART numbers: a set of metrics designed to simplify and enhance your strategic planning.

We aim to help you get the most out of your business by focusing on the numbers that matter most. Here is what you can expect to gain from understanding these numbers:

GOALS

- » Gain a deep understanding of the levers behind operations SMART numbers.
- » Discover how operations SMART numbers can impact your leverage — the revenue you generate per technical resource in your company.
- » Streamline your operations to generate the most revenue with the fewest amount of resources.

Mastering these key metrics gives you greater accountability to make more informed decisions and take your business to the next level. Let us help you achieve your goals and optimize your MSP's performance.



ENHANCING YOUR QBR: ADDRESSING KEY DISCLAIMERS

To generate the highest level of accuracy and usefulness for your quarterly business report (QBR), keep in mind a few necessary disclaimers. Here is what you need to know:

ACCURACY OF DATA

- » Your SMART numbers are only as good as the accuracy of your data. Understanding where your numbers come from and consistently applying the same methodology to ensure reliable and meaningful results is crucial.
 - » Inaccurate data can lead to incorrect outputs and poor decision-making for your business. You make the most out of your QBR by prioritizing data accuracy.
-

TIME ENTRY DISCIPLINE

- » To effectively leverage your QBR, maintain a high level of time entry discipline and ensure your time entries are as accurate as possible, with minimal discrepancies or rounding errors.
 - » You will have greater confidence in the accuracy of your SMART numbers to make more informed decisions when prioritizing time entry discipline.
-

ALERTS AND AUTOMATED TICKETS

- » When assessing labor costs, you should exclude automated and resolved tickets without labor usage. These tickets do not reflect labor costs and can skew your SMART numbers
- » Filtering out automated tickets means you have a more accurate picture of your labor costs to optimize your operations more effectively.

You will be better equipped to make the most of your QBR and drive meaningful business results when keeping these disclaimers in mind.

UNLOCKING THE POWER OF OPERATIONS SMART NUMBERS

Operations SMART numbers are a tool for MSPs looking to optimize their operations and drive the success of their business. Here is what you need to know about these performance indicators:

LEVERS

- » Reactive tickets per end user per month (RHEM): This metric measures the number of new tickets received each month. When tracking RHEM, you better understand how your service is performing and identify areas for improvement.
- » Average resolution time: This metric measures how long ticket resolution takes. Monitoring this metric allows you to streamline your operations and provide faster, more efficient service to your clients.

The key to maximizing the impact of operations SMART numbers is to minimize RHEM and average resolution time as much as possible. Doing so will enhance your service quality and generate more significant revenue.

Operations SMART numbers are divided into several different data points, each with its unique role in driving success for your business. When leveraging these metrics effectively, you can optimize your operations and drive success for your MSP.



1

REACTIVE TICKETS PER TECHNICIAN PER MONTH = EFFICIENCY

Measures how many tickets an engineer can close each month. Tracking this metric can gauge your team's efficiency and identify areas for improvement.

2

TOTAL CLOSE % = GROWING OR SHRINKING SUPPORT

Measures whether you are closing more tickets than opening or vice versa. Monitoring this metric gives you a better understanding of how your support grows or shrinks over time.

WHAT DO THESE NUMBERS MEAN?

To optimize operations and drive success, every MSP must use these metrics to evaluate business performance and determine areas that need improvement. Understanding these numbers helps you make informed decisions to grow your MSP.

Here is a quick high-level view of what these metrics mean and why they are essential for your business:

3

REACTIVE TICKETS PER END USER PER MONTH = NOISE LEVEL

Measures how much "noise" is being generated by customers on a per end-user basis. You can identify customers generating a disproportionate number of tickets and take steps to address their underlying issues when accurately tracked.

4

REACTIVE HOURS PER END USER PER MONTH = COSTS

Provides a tactical approach to gauge the costs associated with delivering reactive services. The lower this metric, the lower your cost per end user.

5

AVERAGE RESOLUTION TIME = EFFICIENCY

Provides a tactical approach to understanding what types of tickets your support team receives. When properly monitoring this metric, you can identify the types of tickets that take longer to resolve and take steps to streamline your operations.

6

REACTIVE SERVICE % = PROACTIVE TO REACTIVE RATIO

Provides a tactical approach to understanding the ratio of available technical time spent on proactive versus reactive tasks. You can ensure your team is dedicating the appropriate amount of time to proactive tasks, which can help prevent issues from arising.

Maximizing reactive tickets per technician per month and total close percentage determines how many end users a support resource can handle monthly. These metrics identify your cost per seat, and when combined with your seat price, they decide your leverage.

When these metrics move in the right direction, your cost per seat decreases, and your value — the price you can command per seat — increases. Focusing on these critical metrics optimizes costs and grows your business's overall value.

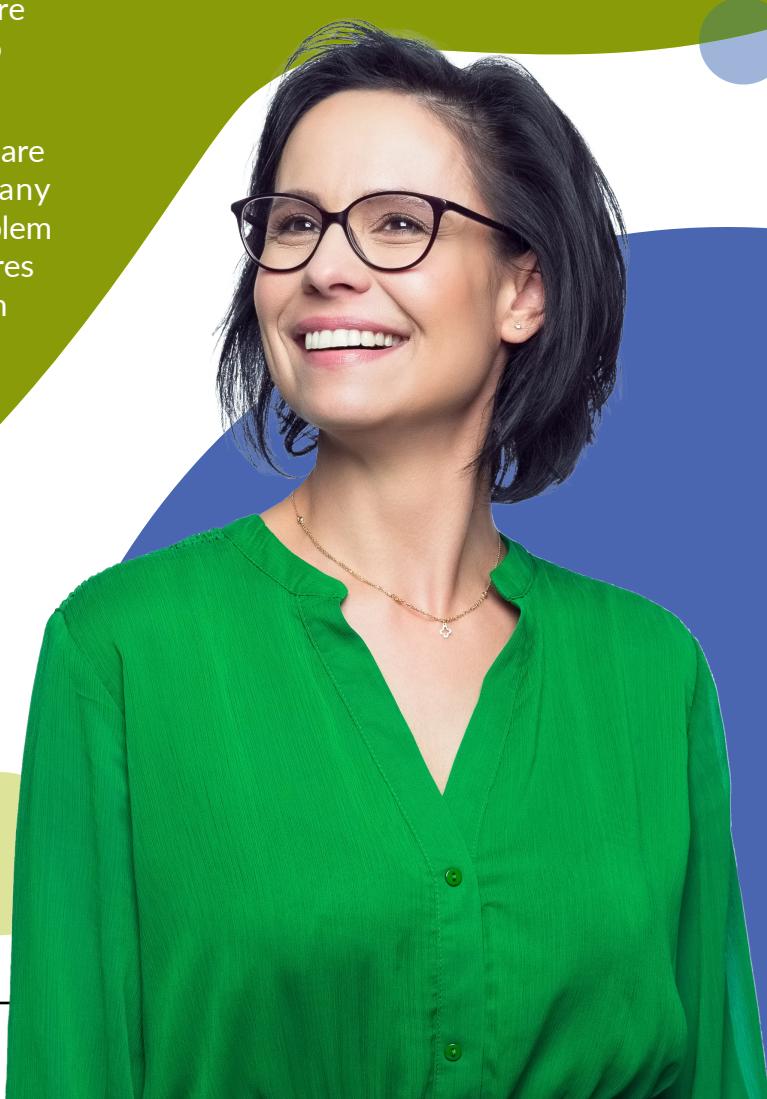
REACTIVE TICKETS PER TECHNICIAN PER MONTH

Reactive tickets per technician per month is a metric that measures the efficiency of support resources in closing tickets. Here are some things to consider:

- » This metric indicates how effectively your support resources are at closing tickets on average.
- » An excellent average range is 200-300 tickets per support resource monthly. This range considers the fixed overhead of opening a ticket, working with the customer, and closing the ticket. It assumes a full-time, dedicated employee handling between 10-15 tickets per day.

If this metric is lower than the target range, several things could be happening that require attention:

- » The types of tickets handled may be beyond the scope of the support desk, such as training end users. These types may require additional training or resources to handle these requests.
- » The support desk may be over its resource capacity. In this case, removing one or more support resources and allocating them to proactive roles may be beneficial.
- » Ticket "juggling" could occur, where tickets are not closed efficiently, resulting in too many touches on a single ticket. This type of problem indicates a scale or process issue that requires attention and, to maximize efficiency, assign those tickets to the person who can close them the fastest.



Your MSP optimizes support resource efficiency and improves overall operations by understanding reactive tickets per technician per month and addressing any issues.

Total close percentage (%)

The total close percentage is the metric that helps you determine if your support load is growing or shrinking.

If the percentage falls below 100%, it indicates that the number of tickets created during the quarter exceeded the number of closed tickets.

- » It is essential to track this metric over time and look for trends that may indicate a growing backlog of support tickets.

If you notice several quarters in a row with a total close percentage below 100%, it may be time to take action to address the issue.

- » One potential cause of a growing backlog is customer growth. As your customer base expands, it is natural to see increased support tickets.

However, you must investigate whether the backlog is due to noise, such as repeat tickets, misrouted tickets or low-priority tickets not closed quickly enough. Identifying the root cause of the backlog can help you develop an effective strategy for reducing it.



REACTIVE TICKETS PER END USER PER MONTH

Reactive tickets per end user per month is a general measure of how much noise customers generate per end user.

- » A low number of end-user-generated tickets indicates that proactive services are effective and the support team is closing issues promptly.
- » Ideally, the number of tickets generated by each end user should be as low as possible, preferably below 0.5.
- » Remember that there is a limit to the number of tickets one support resource can close monthly. If the number of tickets generated by each end user is too high, it may indicate that the support team is overloaded and unable to keep up.
- » If the number of end-user-generated tickets is high, leverage your proactive and centralized services delivery areas to reduce the number of reactive tickets.

Another reason for high end-user-generated tickets could be alerts and autogenerated tickets. Ensure constant monitoring of these systems and optimize them to reduce unnecessary noise.

REACTIVE HOURS PER END USER PER MONTH (RHEM)

Reactive hours per end user per month – or RHEM – is a straightforward metric to measure the reactive effort required to support each end user.

- » Ideally, this value should be less than 0.25 hours to resolve reactive issues for each end user.
- » If RHEM is high, more resources are needed to support end users and resolve their issues.
- » Increases in RHEM over quarters could indicate increasing reactive workload or declining service quality.
- » Pay close attention to the edges of service agreements, as they can impact RHEM.

Reducing the number of tickets is achieved by addressing the root cause of the issues that generate tickets, such as improving system stability or providing more comprehensive end-user training.

Improving resolution time involves streamlining processes and guaranteeing support technicians have the tools and resources to address issues effectively.

AVERAGE RESOLUTION TIME

Reactive tickets per end user per month is a general measure of how much noise customers generate per end user.

- » Slow resolution times can lead to customer dissatisfaction and negatively impact the customer experience.
- » Accurate tracking of time entries helps identify areas where you need additional training or resources to improve efficiency and reduce resolution times.
- » Inflated time entries are caused by various factors, including improper tracking or excessive multitasking, leading to inaccurate metrics that may misrepresent support performance.

You should promptly investigate significant changes in resolution time to identify the underlying cause and address any issues impacting support performance.

REACTIVE SERVICE PERCENTAGE (%)

Reactive service percentage measures the percentage of technical resources dedicated to reactive support, meaning the resources available to handle incoming support tickets as they arise.

- » Ideally, this percentage should be less than 20% to ensure that most technical resources are allocated to proactive services.
- » Be sure to address dramatic swings in this percentage since it may indicate resource allocation or workload changes.

Another reason for high end-user-generated tickets could be alerts and autogenerated tickets. Ensure constant monitoring of these systems and optimize them to reduce unnecessary noise.

SUPPORT COST GUT CHECK

As previously stated, reducing noise levels results in the ability to support a more significant number of seats per resource. Failing to address support issues will lead to increased resistance and risks. Moreover, if the cost of keeping each seat becomes too burdensome, it will negatively impact your AISP since you cannot charge enough to provide value.

To calculate the monthly cost per seat, divide your monthly cost per employee by the 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

Let us take our example further and assume that a support resource costs \$4,800 monthly. As the number of seats per support resource increases, the cost decreases, keeping the support cost per seat at less than \$10. However, the number of devices serviced should not be the focus, but rather the number of tickets received per end user. MSPs who try to align their numbers per device tend to have lower margins in the industry. Therefore, focusing on the right metrics is the pathway to success.

To become a world-class MSP, you must start at the top of the stack. This unique approach allows for a process-driven and strategic relationship with every customer. Rather than focusing on competitors and beginning at the bottom of the stack, the framework recommends a top-down approach. MSPs who start at the bottom tend to struggle to reach the top, whereas those who begin at the top can establish a solid foundation for success.



Consider two MSPs, A and B, which have a seat cost of \$52. However, MSP A incurs a higher support cost of \$25 per seat, while MSP B's support cost is only \$15 per seat. Company A has less revenue and can only offer low-value services to its customers. In contrast, Company B generates additional profit per seat due to its lower support cost. This example highlights the importance of reducing support costs to improve the value of customer service.

A lower support cost per seat translates to more significant benefits for proactive roles, such as technology alignment and vCIO. Every dollar not spent on support reduces reactive noise, allowing MSPs to implement more aggressive measures that keep reactive tickets to a minimum. These measures create a lower support cost and provide high value to customers. It enables MSPs to offer more proactive solutions to address potential issues before they become significant problems.

The three simple numbers need every decision, priority, person, role, and process aimed at them to move up the stack. You see actual, tangible results once you drive the process of moving up the stack. To tie the support gut check back to technology success, remember the three simple numbers:

- Average AISP
- Average MRR
- Seats per support resource

Roles like TAM and vCIO are core to your technology success process. However, if you are new to the process or do not have these roles, you can still use the valuable assumptions in this guide to manage your clients. Choose a target for the average number of seats per client, input those numbers into the calculator and use that as your starting point. It will help you establish a solid foundation for your business and set yourself up for success.

**LOW
VALUE**

**HIGH
VALUE**

MSP A

Seat Cost: \$45
Support Cost: \$18
Available: \$27

MSP B

Seat Cost: \$45
Support Cost: \$8
Available: \$37

LOW-HANGING FRUIT

Do not overlook the low-hanging fruit when implementing your technology success process. While regular technical alignment for customers is important for long-term success, short-term opportunities exist to make a significant impact.

ESCALATIONS

Analyze every ticket escalated from the support board to determine where it is going, how much time is spent on it and the type of issue. This method identifies skillset gaps in your support team and areas for improvement. The goal should be to minimize escalations to zero.

ON-SITE REACTIVE

Reactive on-site can be a significant drain on your resources. Analyzing these incidents and determining how they can be eliminated or reduced in impact can help you prevent costly on-site visits. For example, having spare PCs and standard accessories on-site can reduce the need for on-site visits.



TICKETS OVER 45 MINUTES

Identify the types of tickets that take longer than 45 minutes to resolve, whether due to edge, process or training issues. You identify patterns and address them more efficiently, ultimately striving for a shorter ticket completion time of 15 minutes.

TOUCHES PER TICKET

Entering time entries into a ticket without solving it can waste time and resources. Efficiently address tickets and ensure they are only touched once for resolution.

PROFESSIONAL SERVICES PROCESS

By creating strategic roadmaps for your customers, you shift from a reactive project approach to a proactive one. It will prevent the creation of new tickets and ensure that projects are fully scoped and completed proactively.

MAC PROCESS AND PRICING

Consider including new workstations in your service offering or charging a flat fee for moves, adds and changes. You help your customers understand the cost and timeline of new implementations by mapping out new workstation deployments in advance.

Addressing these low-hanging fruit areas impacts your operations and moves you closer to achieving world-class operations efficiency numbers.

LEVERAGE

\$ Revenue \$

Billable	Proactive	Proactive	Proactive	Reactive
Professional Services	Centralized Services	Technology Alignment	vCIO	Support
» Hourly Rate » Utilization	» Endpoints » AISP	» # of Clients » Avg. MRR	» # of Clients » Avg. MRR	» AISP » RHEM

\$ Seat Cost \$

Leverage is the relationship between hours worked and dollars earned, significantly impacting profitability. In the context of Macro Picanomics, leverage is a tool to analyze the efficiency and profitability of your service delivery operations. By tying service delivery roles to top-line revenue and developing KPIs for each delivery area, you can use leverage to identify areas to improve efficiency, increase profitability and ensure they are charging enough to maintain a sustainable business model.

As a critical concept, leverage determines whether you are charging enough for your services, efficiently sufficient with your resources and having the correct number of people in your organization. Here are some key points to consider regarding leverage:

- » The relationship between hours and dollars is the definition of leverage, meaning the more revenue you can generate per hour worked, the more leverage you have.
- » Service revenue per employee is a critical benchmark to determine leverage – every employee in your organization should generate at least \$150,000 per year in service revenue.
- » Service revenue per technical employee is even more critical since they are the ones who provide the technical services. Every technical employee in your organization should generate at least \$250,000 per year in service revenue.
- » Understanding leverage lets you determine whether your business is profitable and sustainable. You can use this information to decide whether to charge more for your services, hire more staff or streamline your processes.
- » Leverage has more than one meaning than net profit. For example, you can have a high net profit but low leverage, so you are not generating enough revenue per hour worked. Conversely, you can have a low net profit but high leverage, which means you are developing much revenue per hour worked.
- » Relating leverage to how you deliver services and run your business is relative. When you increase your leverage, your profit margins increase, making it a critical factor to monitor over time.

Macro Picanomics is a methodology developed by TruMethods to help MSPs improve their profitability and scalability. Here are some points to consider regarding Macro Picanomics:

- » Tie service delivery roles to top-line revenue to understand how much revenue a person in a particular role touches monthly. For example, you can calculate how much revenue a person in support touches in a month. If one person touches more revenue, they should generate more margins, which means they are more valuable to your organization.
- » Developing key performance indicators (KPIs) for each delivery area help you improve or understand where you stand and the key levers that are driving efficiencies. For example, you can track the percentage of tickets closed within a specific timeframe or the percentage of revenue generated from each service offering.
- » TruMethods SMART numbers is a framework for developing KPIs that align with your business goals and values. SMART stands for Specific, Measurable, Achievable, Relevant and Timely. Using this framework, you can develop meaningful and actionable KPIs. For example, you can track the percent of sales meetings that result in closed deals or the portion of remotely resolved tickets.
- » Choosing KPIs pertinent to your business goals, easily measured and possible with your available resources would be best.

SUMMARY

Implementing operations SMART numbers benefits your MSP by providing valuable insights and metrics to improve efficiency and effectiveness. Businesses can make informed decisions, optimize processes, and identify areas for improvement when tracking and analyzing these metrics.

Although SMART numbers is a powerful tool, they should not be the sole focus of operations. Other factors, such as customer satisfaction, employee engagement and innovation, should be considered when evaluating the success of an organization. Ultimately, a balanced approach that considers multiple factors is critical to achieving sustainable growth and success in operations.





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

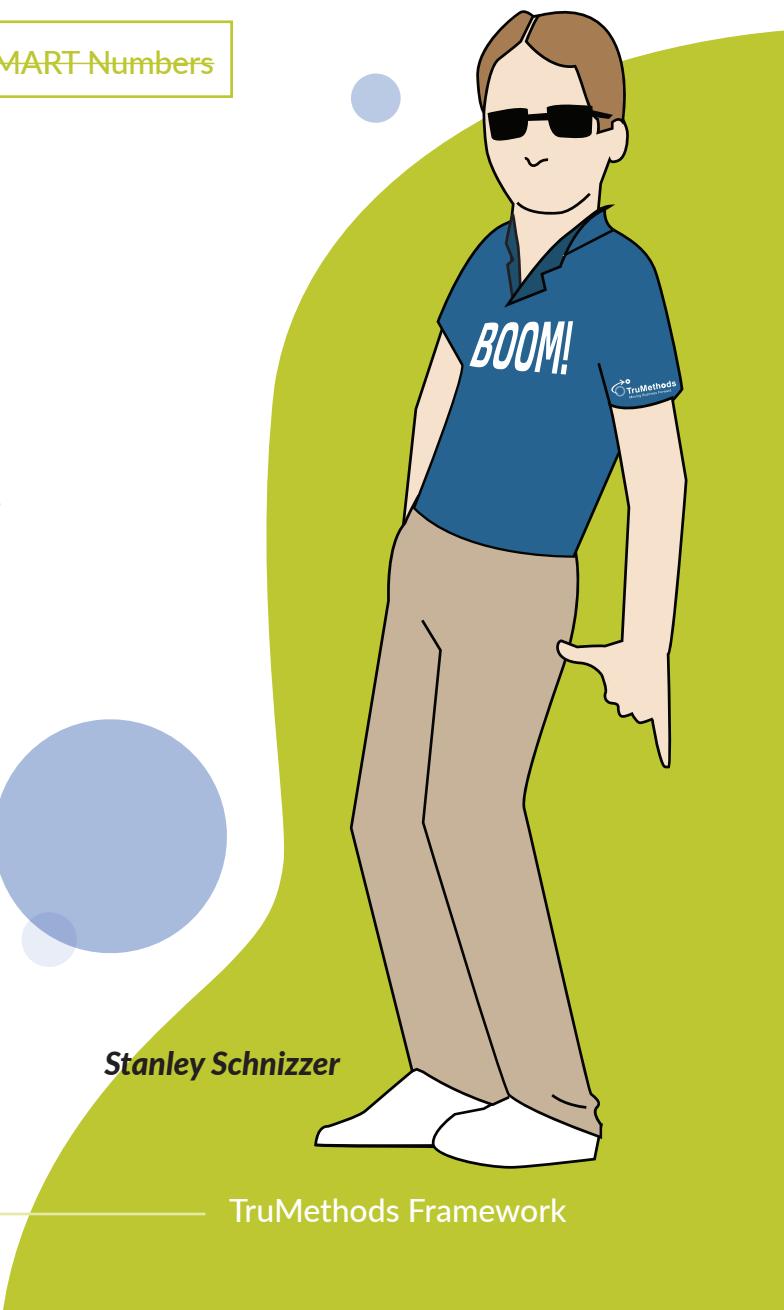
STEP 2 | Converting Existing Clients

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.*



Stanley Schnizzer