MAX INSIGHT

Whitepaper

THE PERPETUALLY VALUABLE MSP: How to Balance Consistency + Agility to Build a Perennially Relevant IT Solutions Business

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Why did you become a Managed Services Provider (MSP)?

Of all the things you could be doing with your business, you chose to build a business that delivers proactive monitoring and management services for IT systems and resources used primarily by small and medium sized businesses. That sounds like a sound business strategy. As a principal characteristic, you are paid on a recurring contract basis to deliver services that could have previously been done by customer IT staff or other outside resources on a reactive time-and-materials basis.

But why did you do that?

This is much more than a trivial question because it gets to the root of the advantages of the Managed Services business model. Specifically, what are the advantages of a business based on proactive, recurring IT services – for you and for your customers – and are you capturing the full value of those advantages? Even more critically, it also gets at the key question of whether a Managed Services model is a sustainable business with real value for customers and for operators over many years and multiple market cycles.

Because markets change … and new technologies emerge … and your business must adapt.

If Managed Services is, in fact, a model that can adapt to different market conditions, different competitive threats, and different operating challenges, how can a Managed Services Provider navigate those changing conditions, continue to be relevant to customers, and not undermine the hard-won value of consistent operations?

As with any type of IT channel business model, the ability to run the business today is only a small part of the challenge. Because technology is a permanently, relentlessly, incessantly changing platform: new products are launched virtually every day, customer tastes change more rapidly in relation to this industry than any other. In fact, technology is one of the structural drivers of change in all markets – so living inside a change driver is, essentially, living in a condition of permanent change. If you aren't able to adapt your business at the speed of the market, you will inevitably fall behind and join ranks of other once-relevant IT channel business models.

The objective of this whitepaper is to address three essential questions:

> First, what are the meaningful advantages of a Managed Services business model that you need to take advantage of in order to optimize your performance today?

> Second, which elements of a Managed Services business model are most likely to need a significant change in the next few years, and how will the MSP value proposition need to evolve to stay relevant?

> Third, how can a Managed Services Provider manage their business today, keep track of shifting market conditions and prepare to adapt, and manage the business through multiple change cycles without losing control of the business?

To answer these questions, MAXfocus has partnered with Morris Management Partners (MMP), a research and consulting firm that specializes in analyzing the business best practices for IT channel companies. In the first half of 2014, MMP conducted a series of more than 30 in-depth interviews with executives from Managed Services Provider companies, as well as a series of multi-day workshop sessions to address the questions outlined in this paper.

The findings of this research process were compiled and validated in a second series of interviews and meetings to determine the strategies used by successful MSPs to address operational and adaptation challenges in the real world.

This paper presents a summary of the MMP research, as well as a set of tactical recommendations that MSPs can use to evaluate how relevant and valuable their business practice is today, determine which elements may need to be changed in the near future, and make specific plans to implement successful changes without derailing their current operations.

In addition to this paper, MAXfocus will use these findings and recommendations as the foundation of an ongoing series of papers, posts, workshops, and more activities focused on Business Best Practices for Managed Services Providers. Beyond its technology tools, MAXfocus recognizes that its continued success depends on its partners' ability to adapt to market changes, continue to deliver value to customers, and maintain their long-term position as the most effective resource for delivering technology and services to small- and medium-size businesses.

Put simply, if Managed Services Providers are successful over the long-term, their success is the source of MAXfocus's success. This research process is an effort to directly influence our shared fortunes.

Core Premise Summary: Balancing Consistency + Agility Is The Formula For MSP Success

Based on our extensive research into the subject of what makes the most successful MSPs different from their peers, we have arrived at a fundamental premise: sustainable success is possible in the Managed Services business model … and achieving it requires a balance between two competing forces:

> **Force 1** is the ability to establish stable, consistent service offerings and operating processes that produce predictable results for customers and manageable operating conditions for the MSP … and then continuously drive efficiency and productivity through optimization strategies

> **Force 2** is the ability to monitor and adapt to changing market conditions, adding new offerings and supporting new technologies to stay current with customer demands and outpace competitors, and manage the changes to the business without disrupting ongoing operations

While this balancing of competing forces may be generally applicable to all businesses, it is exaggerated dramatically in the world of the MSP due to the essential value proposition of Managed Services.

The most common and compelling reason cited by customers for why they choose to engage an MSP is consistency (in many forms: system performance and reliability, access to information resources, cost of management services, etc.).

"The key to our long-term value with customers is our ability to use both sides of our business brains. The left brain is strong with logic and systems and processes, while the right side is strong with innovation and creativity and anticipating the next big thing. Scientists have said for many years that people are naturally stronger on one side of their brains … and we think the same can be said for businesses.

But if an MSP relies only on their natural strengths their value is, by definition, temporary. Staying relevant requires an unnatural balance. It requires leaders who are equally effective with both sides of their brains … and have the ability to get all the people involved in their business organized in a way that supports both sides. No wonder so few companies in this market have continuous, sustained success."

Yet in order for an MSP to optimize their business to achieve this objective, they would be required to eliminate variance, establish rules and conditions, and essentially prevent changes to their services – and by extension, to prevent their customers from progressing in step with new technologies. And obviously no customer will be satisfied with such lack of advanced capabilities.

Thus, a successful MSP will be the company that can strike a balance between these two competing forces. During the research process, this principle was illustrated in an extremely clear fashion by one of the interview participants:

What Is The Value Of A Managed Services Provider – Today?

The MSP model emerged and became established because it provides a unique value to both customers and operators. If the general value provided by an IT channel company is to enable business customers to use technology to improve business performance, the unique value of an MSP is consistency and predictability in technology operations.

According to the MMP research findings, this core advantage presents a number of value propositions that MSPs can use to win customers – and to justify a premium price over alternative models and low-cost.

MSP Model Advantages For CUSTOMERS	MSP Model Advantages for OPERATORS	MSP Model Advantages For CUSTOMERS
Scheduled, proactive management of IT resources to maintain up-time and peak performance	Predictable resource requirements that allow accurate planning and investments	Scheduled, proactive management of IT resources to maintain up-time and peak performance
Consistent, reliable budget planning based on a clearly defined contract commitment	Consistent, reliable revenue based on long-term commitments and regular payments	Consistent, reliable budget planning based on a clearly defined contract commitment
Access to a team of experts in real-time to quickly resolve a broad range of technical challenges	Enhanced control of customer accounts that comes from ongoing planned engagements	Access to a team of experts in real-time to quickly resolve a broad range of technical challenges
Leverage of advanced skills and training to optimize the value and performance of IT systems	Insights into future customer needs for IT systems and services	Leverage of advanced skills and training to optimize the value and performance of IT systems

But for all the inherent advantages in the MSP model, not all IT channel companies are cut out to succeed with Managed Services. Whether it's a question of technical skills or comfort with a certain style of operating processes, the truth is that some companies want to be MSPs, and others don't. Further, for all the companies that volunteer to be in the Managed Services business, only a fraction of them are truly successful for any time at all … and many fewer manage to sustain levels of performance that are higher than their peers.

On the surface, the companies that are most likely to realize the full value of the MSP model share three essential characteristics:

> **Operating Process Discipline**

- The most successful MSPs are built on a foundation of repeatable process and the commitment to address and resolve big or small customer IT challenges in a continuous flow of daily operations. The ability to design and processes that can effectively address customer technology challenges is one thing … but the desire to actually operate those processes is apparently a rare commodity among IT companies.

> **Understanding Of Customer Requirements**

- Beyond the ability to understand and operate technology, the most successful MSPs must also have a detailed understanding of how customers use technology, what meaningful business outcomes they are trying to accomplish with technology, and how their operations can be improved. Again, tech expertise is reasonably widespread in the IT channel, but deep knowledge of customer environments and priorities is significantly more rare.

> ### Insights Into Market Developments & Technology Progress

- In addition to established knowledge of today's technologies and best practices for effective operations, the most successful MSPs also have the ability to stay in touch with new releases, developing trends, and products that actually do what they say they will. Even more, they have to know which technologies their customers will bet their businesses on and hedge their bets accordingly.

*"Five years ago it was enough to be good at technology and process for delivering value. But now it's just not enough. We've learned you simply can't lead with technology or you will be a commodity. Start with the customer and their business requirements, figure out what needs to be changed or improved, determine what resources they already have and what needs to be created … and that will uncover your real value." – **MSP Owner, NY/NJ Region***

A clear finding throughout our research points to the need for all three of these essential capabilities. If one capability is missing, the MSP has significantly lower odds of connecting with the real value or capturing the opportunity that Managed Services embodies.

In a practical sense, each MSP needs to ask whether each of these capabilities is not simply present in their business, but a core competency.

Do you have a senior member of your team who is accountable for each capability?

Do you have a repeatable process to address each capability with consistent improvement?

Do you have sufficient resources invested in each capability to achieve your growth goals?

IMPORTANT NOTE: The business model for Managed Services can accommodate the delivery of virtually any kind of technology solution. Through our research, MMP discovered that no single technology solution produced consistently better results than any other. Perhaps the most certain conclusion drawn from the research is that the mix of technology products and services in the portfolio of an MSP is not the critical element that causes long-term success.

Why Do MSPs Need To Change To Stay Valuable?

On the surface it's easy enough to say a Managed Services organization will need to adapt to changing market conditions in order to stay relevant. But it's much more valuable to define the conditions that might justify a shift in one or more elements of an MSP's business model.

During the research process, MMP identified a number of MSPs who have generated sustained growth and profitable financial results for more than five consecutive years. Our objective was to evaluate a period of time that encompassed the "before, during, and after" periods relative to the Great Recession that began in 2008, and identify whether it was possible to identify a set of triggers that would warrant changes to an MSP's operating strategy.
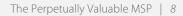
The first common theme we identified is a need to track leading indicators of change and predict the impact those changes may have on customer spending behaviors. Forward-looking information is – by definition – imprecise and constantly changing, so MSPs cannot wait until there is "proof" that conditions have changed. Instead, leaders of MSP organizations need to have a plan to evaluate the status of factors inside and outside or customer control and make educated predictions about their impact on the MSP opportunity.

The objective is to determine whether the current offerings, pricing, messages, and other elements of an MSP's value proposition are sufficient to win and retain a customer's business … or if changes need to be made to create a more favorable position.

According to our research, MSPs must have the ability and discipline to track the status and implications of factors that fall into three categories:

Category 1: EXTERNAL FACTORS	Category 2: INTERNAL FACTORS	Category 3: CUSTOMER FACTORS
ECONOMY: How do changes in the national / regional / local economy affect customers' ability and willingness to spend on IT solutions and services?	**RESOURCES / CAPABILITIES:** What changes to your internal resources could affect your ability to deliver current solutions or adopt new solutions?	**INTERNAL RESOURCES:** What changes to your customer's internal IT and business resources might affect your relationship and their willingness to spend on your services?
COMPETITORS: Are there new competitive offerings available to customers that provide better value and would require changes to services, prices, etc.?	**CAPACITY / FINANCIAL POSITION:** How does your current financial health affect your ability to acquire resources, make investments, and appear healthy to customers?	**FINANCIAL POSITION:** How does the customer's financial health affect their behavior with regard to IT solutions and services, and what would cause those changes to occur?
INDUSTRY: How do conditions in your target customer's market segment affect their priorities for buying and using specific technology solutions?	**STRATEGY / OBJECTIVES:** What is your attitude about investment, growth, and change, and how open are you to changes based on your short-term and long-term goals?	**IT / BUSINESS STRATEGY:** Do your customers see IT solutions as a strategic investment for advantage, as a normal element of current business operations, or as a necessary but unpleasant expense?

IMPORTANT NOTE: All of these factors affect your ability to engage with customers and deliver value, but none of these factors is inherently positive or negative. In other words, your goal is to determine the current conditions regarding each of these factors and track changes – for the better or for the worse – and

determine whether you need to adjust your business strategy. For example, the economy could improve … which may allow you to introduce new offerings or increase prices; or the economy could decline … which may require you to streamline operations or reduce prices. There is no "ideal" set of conditions that are required for an MSP to succeed – your goal is simply to adapt your strategy according to these conditions and present the most appropriate offering to your customers.

A Formula For Business Agility

Recognizing the need to change is vital to sustained business performance – but having the ability to change at the right time and achieve the intended results is much more valuable. Through this research process, MMP has identified a basic formula that MSPs can use to develop an agile business, as well as a number of specific best practices.

Business Agility = Present Fitness + Future Vision x Agile Development

The components of this formula refer to elements of an MSP's business strategy:

PRESENT FITNESS	Optimize performance in current operations to generate investment resources and the flexibility to pursue alternatives
FUTURE VISION	See and understand new opportunities that will provide value for your business and for your customers, and plan a roadmap for when to adopt relevant options
AGILE DEVELOPMENT	Assess the impact of market drivers and take fast, deliberate action to incorporate new offerings, retire offerings that are no longer valuable, and maintain predictable results

Through this research process, MMP determined that a majority of MSPs reported confidence in their ability to deliver effective results in Present Fitness and Future Vision … but a majority reported they are not confident in the third component: Agile Development.

This gap is particularly ironic, considering that Agile Development is a management concept pioneered in the IT market, primarily in the software development segment. Technologists are familiar with concepts like customer discovery, rapid prototyping, minimal feature sets, business model discovery, and more … in the context of developing new software applications. But paradoxically, those same concepts are not applied to other elements of an IT-based business model such as marketing, sales, service operations, back-office processes, etc.

What's more, recent research from several sources in the IT industry indicates that while nearly every IT channel company believes that business agility is vital to their future success, less than 25 percent report that they currently have processes in place to support rapid response to market changes.

10 Business Agility Best Practices

To address this gap in business development skills, MMP worked to identify best practices that the most successful MSPs have used to improve their business agility and maintain a position of value with their customers. This list is not intended to be comprehensive, but to provide a range of actions that companies can take to directly improve their ability to adapt to changing market conditions.

1	**Rolling Plans & Forecasts**	Instead of conducting big, slow, complex annual planning processes, companies should adopt a more responsive quarterly planning cycle in which long-term forecasts are adjusted according to real-time feedback and experiences and updates are planned in to numbers several times within a year.
2	**Non-Technical Customer Meetings**	In addition to seeking and reviewing customer feedback on technical offerings and services, companies need to engage non-technical leaders and users in conversations that are deliberately not about technology … but instead, about what the customer is trying to accomplish. Creative responses to business challenges often take the form of technical solutions, but they must not be initially conceived within the boundaries of current technical capabilities.
3	**One Test At A Time**	No matter how many good ideas a company can come up with, the only way to accurately test whether an idea is viable is to approach them one at a time. Too many new ideas being tested at once can lead to a chaotic lack of focus, as well as false indicators (a problem with one test can contaminate the results of another test). This approach requires companies to adopt two vital agile behaviors: first, prioritize new opportunities based on the combined values of customer relevance + adjacent skills + potential value; and second, deliver fast prototypes and capture real-time feedback targeted to short-term, incremental milestones.
4	**Track Key Revenue Metrics**	Agile behavior is critical … and it can be measured in real financial metrics. Four key data points can be used to keep score of the ultimate effectiveness of this approach to business development: Percentage of revenue from new products / offerings: Share of total revenue generated by things that were not in your portfolio 2 years ago. Percentage of revenue from modified products / offerings: Share of total revenue generate by things that were already in your portfolio but have undergone a significant change within the past 2 years. Growth percentage: YOY change in total revenue for the organization from all revenue sources. Profit growth percentage: YOY change in total profit production from all revenue sources and accommodating all investments / expenses.
5	**Test New Offerings With Rapid Deployment**	New products / services are, by definition, less capable and less predictable than established offerings. Companies need to adopt a mindset that new offerings do not need to be perfect, but are tested in limited rollouts when they have achieved "minimum viable functionality" for initial customer adoption. In other words: this is the opposite of "paralysis by analysis;" do not insist on perfection for new offerings … improve them incrementally over time based on lessons learned.

6	**Argue In The Alternative**	A concept borrowed from the legal profession: inside your private development meetings, adopt the position of your competitors and argue why your customers should not continue to buy from you or why new prospects should choose someone else to provide their services. Too often companies get "tunnel vision" when they only argue their own position and promote their own value. To find weak spots or vulnerability, companies need to actively challenge their assumptions and attack their positions. Do this reasonably frequently (i.e. quarterly or monthly) at regularly scheduled times to get your whole team to buy in.
7	**Non-Revenue Compensation Metrics**	When people are paid only to sell / deliver existing offerings, they will actively avoid any effort towards new initiatives. In order to convince your team to try new things, they need more than just the direction … they need a reward. Companies need to reconfigure compensation plans to require the right participation from the right resources. Pay attention to balance: you can't afford to take too much emphasis away from the current business, but you need enough emphasis on new offerings.
8	**SWAT Team Resource Allocation**	It is much more difficult to build new capabilities by using a portion of time / energy from a larger team than it is to use the full effort of a small portion of a team. Instead of asking all members of a team to spend a little effort trying to do a new thing, companies need to identify willing participants who can jump in, give full effort, show early results, and then spread the lessons learned to more members of the team incrementally.
9	**Define A Specific Launch Methodology**	Based on experience and best practices, companies need to establish a scripted, repeatable approach to finding, developing, testing, and launching new offerings. If a company only launches something new very infrequently, it's easy to miss big and small details; the more frequently a company launches new things, the easier it is to develop a "muscle memory" for doing the right things. But you can't afford to wait for the successful completion of several new launches before you get good at it; so leverage peer resources to identify best practices and build a script to minimize uncertainty and maximize efficiency for launching new products.
10	**Define A Specific De-Commission Methodology**	As a mirror to the concept of a Launch Methodology, it is equally critical that companies develop a systematic approach to ending activities that no longer produce value. Without such an approach, companies tend to unnecessarily drag out the ending process, clinging to things that used to work, resting on past successes, and missing out on future opportunities. Plus, when your De-Commission Methodology includes a scripted approach to re-allocating resources (i.e. staff) to new activities once the old ones have been ended, your team is much more likely to participate willingly without sabotaging the process to protect their own job security.

Understanding Waves Of Market Opportunity

The most common image used to illustrate and / or predict market behavior is the bell curve: a sloped cycle of early adopters, majority adopters, and late adopters … with corresponding definitions of which types of customers are most likely to adopt a particular offering at each stage of market maturation.

While real-world activities do not always map identically to the stages of market definition, the most useful attribute of the market curve approach is that the stages are mapped to customer behavior – not seller behavior.

Using the customer filter to understand "when" we are in a given market requires sellers to think of what customers are trying to accomplish and how they evaluate the options available to them before thinking of the new products or services the seller could sell. In other words, markets begin and grow and decline and end based on what customers are willing to buy … not on what sellers are willing to sell.

"Contrary to what you might hear in the tech media and all the "sky is falling" predictions about the end of the MSP model … it simply isn't necessary to change everything you do. There is still a lot of value in the managed model for customers. To determine if your current offerings – or a new offering – is viable, you need to answer a few basic questions: Is there a market of customers who will pay? Is the technology solution proven? Is the required expertise available or learnable? Is the solution compatible with our preferred business model – or is it a model we want to pursue? Is the solution something we are able to market and sell effectively? If any of those answers is NO … you need to reconsider your plans." - MSP Owner, Midwest Region

From the customer's point of view, market maturity stages reflect an attitude about risk and reward. Some customers are willing to adopt very new and unproven technologies as a strategic investment that creates competitive advantage. Other customers are willing to adopt established technologies as a way to improve their productivity in current business operations. And still others are only willing to adopt mature technologies that are proven to reduce costs and eliminate risk.

None of these customer attitudes about technology risk is wrong or bad – just different. Your job is to understand your customers' technology risk personalities and present them with the right options at the right stage of maturity.

From the seller's point of view, market maturity phases reflect an attitude about business development investments. At one stage the seller needs to test a market and determine its relevance to target customers. At another stage the seller needs to invest aggressively to ramp capacity and capture opportunity. And at still another stage the seller needs to decrease investments and reallocate resources to other offerings that can yield more value.

The crucial point of understanding is that the curve for customers is not linked to the curve for sellers – the two curves may look the same, but happen independently according to the priorities of each party. This seemingly obvious bit of logic yields two extremely important conclusions in the context of agile business development:

> First, you will not always (or perhaps even often) get involved in a market at the beginning of that market. In order to enter a market that is new to you (but not necessarily new in itself), companies must determine the stage of maturity a market is in, which types of

customers are most likely to be buying in the current stage and the next stage, and how those customer types align with the seller's "ideal customer." The right time to get into a particular market is not the point when you become interested in a given solution, but the point when your customer is soon to be interested in that solution.

> Second, the go-to-market process for a seller must match the dynamics of how customers are buying a solution – and those dynamics change in each stage of market maturity. In other words, companies cannot use a "standard" approach for selling products or services that are new to them. Some new offerings will align with your customers' demands at an early stage; other offerings will align with your customers' demands at a late stage. If your sales approach is based on how new / relevant the offering is to you rather than how new / relevant the offering is to your customers, many of your launches will be incompatible with your customers and produce poor results.

To give yourself the best chance to succeed in any new offering launch, begin by determining the maturity stage of the market and the types of customers most likely to buy … and then develop your launch process so the go-to-market strategy is aligned to customer buying behaviors.

IMPORTANT NOTE: Earlier in this paper, we explained a best practice for developing a standard Launch Methodology. While this market cycle logic may appear to be incompatible because it requires adjustments to specific sales styles and activities. It is vital to understand that what a company needs to standardize is a process for developing a go-to-market strategy (in addition to other strategies for service delivery, customer support, marketing, invoicing, etc.) rather than the specific activities within that strategy. Your ability to use the right sales activities for the right offering to the right customer is, in itself, a key component of business agility.

A Portfolio Management Model for Business Agility

Knowing when to stick with a solution offering and when to get out of a solution offering should not be a guessing game – nor should it be based on gut feelings or isolated good / bad experiences. If an MSP can develop a calculation that measures the relative value of a specific solution to the other solutions currently offered as well as potential new solutions, decisions about when to launch and when to decommission can be very reliable.

"Not every MSP sells the same services … nor should they. What you sell depends partly on what customers need, and partly on what you're good at doing. Build a foundation of what you do and how you do it … including the tools and processes that make you better than competitors. Then consider logical additions that leverage proven skills. Keep your portfolio focused so you can actually be an expert. Just because there's a "special certification" in certain technologies doesn't mean you have to do everything. Refresh your offerings to stay relevant to your customers, and make sure you manage your relationships with your vendors … just make sure to focus on your customers first."
- **MSP Owner, Mid-Atlantic Region**

A common approach to prioritizing and managing investment options is known as Portfolio Management. This concept is built on a multi-dimensional analysis of key criteria, and has been well documented and demonstrated through management methods such as The Boston Consulting Group Market Matrix. (Do a Google search … you'll recognize the 4-box matrix with categories including MVP, Diamond in the Rough, Cash Cow, and Laggard. The portfolio matrix we're defining here is not the same, but it's based on the same principle of comparing more than one element of the business opportunity to prioritize rather than simply rank the options.)

The key to applying this method to the portfolio of current and potential offerings included in the business model of a Managed Services Provider is to define the relevant metrics. What countable factors of business performance can be used to measure the value of each offering in your portfolio?

The MMP research process uncovered three specific metrics that indicate the value of a specific offering:

> **Your Addressable Market Size:** How many customers could you sell a specific offering to? The more customers you can contact and engage with a specific offering, the more attractive that offering is.

> **Your Direct Margin Results:** How much margin / profit could you generate from a specific offering? The more margin you can generate with a specific offering, the more attractive that offering is. **IMPORTANT:** Take note that the critical metric is the amount of profit you can generate, not the amount of revenue you can generate.

> **Your Relevant Capabilities:** How well can you sell / deliver / support a specific offering? The more effectively you can operate the business around a specific offering, the more attractive that offering is. **IMPORTANT:** Measuring your capabilities should account for the return on investment you get from resources used to support a specific offering: do you need many resources to produce few returns; do you need few resources to produce many returns … etc. Capability is a measurement of efficiency, not just volume.

It is crucial to note that all three metrics are relative to your specific context, meaning there is no single ranking of which offering is more valuable or less valuable. It depends on you: who you sell to, how you sell, and how you operate.

For some MSPs, mature offerings like remote monitoring for servers or helpdesk or security patch management may be very valuable and justify a high priority in their portfolios, while for different MSPs those very same services may produce very little value and should be de-emphasized. It depends on you, your customers, and your capabilities.

So which offerings should be in your portfolio? To determine this answer, you need to conduct an analysis of your bottom line results as well as your operating effectiveness.

> **Measure the Margin / Effort / Growth of Current Offerings:** Calculate the specific value of each offering according to the same metrics according to current conditions.

> **Map the Positions of Current & Potential Offerings:** Using the standard 4-box matrix, plot the position of each current offering as well as potential offerings you are considering. Your matrix would be set up like this: the LEFT axis represents margin results; the BOTTOM axis represents your capability effectiveness; and the size of the BUBBLE in each quadrant represents the size of your potential market. Naturally, data points for potential offerings will be based on your best guess.

> **Define Thresholds & Action Plans:** Based on the map of your current and potential offerings, determine your specific plan to either improve the value of a specific offering, preserve the value of a specific offering, or de-emphasize a specific offering.

Should You Adopt New Solutions?

The basic premise of agility is that a business needs to change its offerings based on market conditions and customer behavior to maintain or improve its ability to produce value. But it is vital to acknowledge that not all companies should adopt new offerings at the same time, at the same pace, or at the same stage of a customer market.

In order to determine whether your business should adopt any new offerings at all, or any specific offering, you need to evaluate your current position relative to these **Potential Value Criteria**:

> **Can Your Business Afford To Initiate A Change?** (If NO … stop here and focus on current operations and effectiveness first. If YES … proceed to the Potential Value Criteria.)

> **How Relevant Is The New Offering To Your Customers?**

> **How Compatible Is The New Offering To Your Capabilities?**

> **How Significant Is The New Offering To Your Bottom Line?**

Obviously, the answers to these questions will depend on your specific situation. But the key to agility is to always be proactively evaluating your position and portfolio relative to new offerings coming into the market. Don't wait until a customer asks whether you are able to sell and support a specific solution! Set your own agenda by continuously tracking the value of new offerings, determining when they will or will not be valuable to you and your customers, and setting a rolling schedule for future investments and portfolio changes.

For the sake of illustration, apply a scale of 1 – 5 to each Potential Value Criteria (where 1 = Very Low and 5 = Very High) according to the relative position of each new solution you're considering. The following table provides a simplified tool for you to perform this analysis for your own business relative to a list of emerging technology solutions (each at a different stage of market maturity) that may – or may not – provide value to your business.

EMERGING IT SOLUTION	RELEVANCE	COMPATIBILITY	MARKET SIZE	CURRENT SCORE
Mobile Computing Management				
Mobile Application Development / Mgmt.				
Security Solutions Management				
Unified Communications / Voice				
Internet Of Things / M2M Mgmt.				
Cloud Solutions / Support – Public + Private + Hybrid				

Client Cloud Infrastructure				
Software-Defined Solutions – Networks / Datacenters / etc.				
Customer Web-Scale Infrastructure				
Rapid Prototyping / 3D Printing				
Customer IT Strategy Consulting				
Smart Buildings				
Business Process Performance				

For all the best business ideas and valuable technology solutions, there is one element that must be universally engaged at every stage: YOUR HUMANS.

No matter how solid your strategy or how detailed your plans, if your people don't believe – in the business and in you – there's no way you can succeed. Yet this element of business agility is very often ignored (either because we forget, or because we're not naturally good at the people part of business).

This is an important note on which to end this paper: in every single interview MMP conducted throughout the research process with successful MSPs, the human factor was called out as a critical dependency. For MSPs that aren't sustaining their success or growing their businesses, the human factor had a much lower priority. This is not an accident.

As you prepare your plans for optimizing your current operations and improving your business agility, make sure to consider the stories you'll share with your critical human populations to secure their buy-in and win their investments.

> **Getting Your Team To Buy In:** Create and confirm an environment in which staff members see your business strategy and planned changes as positive and dynamic … and show them how business opportunities translate into individual opportunities.

> **Getting Your Customers To Buy In:** Create and confirm an environment in which current and potential customers see your business strategy and planned changes as relevant to their own value and dynamically aligned to address their current and future needs

> **Getting Your Vendor / Industry Partners To Buy In:** Create and confirm an environment in which your industry partners see your business strategy and planned changes as a strong resource for achieving their go-to-market objectives and a solid investment for future opportunities

"Many elements of the MSP model are undergoing fundamental changes: the services we sell, the technologies we support, the way we price our offerings, etc. And the pace of change is accelerating, so we have to be ready to make changes as fast as the market. That means the CEO has to invest time not just in running the business, but also preparing for the next change … and making sure your team is prepared to go with you. You need to do things your customers are willing to pay for, but also things your team is able to support." - **MSP Owner, West Coast Region**

About MAXfocus

MAXfocus is the platform of choice for the largest community of future-focused MSPs and IT support companies in the world. The MAXfocus platform empowers MSPs and IT support companies to deliver world-class IT Operations and IT Service management to their customers with a customizable set of services that has the lowest total cost of ownership in the industry. MAXfocus sits at the heart of a global community of more than 10,000 of the world's leading MSPs and an extensive network of partners and industry leaders and delivers the commitment and investment to enable MSPs to evolve their service offerings as strategic, consultative services to their clients.

Learn more about MAXfocus, our products and how our platform can help you improve your business agility by visiting www.maxfocus.com

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