

THE ULTIMATE GUIDE

TO
SELECT
THE RIGHT
OUTSOURCED
IT SUPPORT
VENDOR

BY
MIKE CHAPUT

endsight❖
www.endsight.net

Your computer network has never been as vital to your business as it is today. Because of that, choosing the right managed IT service vendor may be the single most important technology decision you make this year. How can you tell the difference from a great IT service vendor and a not so great one?

Here are eight key areas that you should analyze when evaluating any IT vendor, especially an outsourced IT support vendor who will be handling your precious computer network.

Key Area #1: Process2

Key Area #2: Human Resources3

Key Area #3: Philosophy.....4

Key Area #4: Security5

Key Area #5: Size of the Firm6

Key Area #6: Pricing7

Key Area #7: References.....9

Key Area #8: Proximity10

(Bonus) Questions to Ask Your Vendor/ Potential Vendor11

About the Author.....12

Key Area #1: Process

Process is one of the two most important elements that you must evaluate. Unfortunately, it is also one of the most difficult items to assess.

A brief history to illustrate process

When Endsight hit 30 employees back in 2009, we started having service issues associated with our growth. We needed better documentation, better training for our people, and most of all better process. We hired a firm called Ant-Farm and took an entire year to document and develop every single process in our company: onboarding a new customer, onboarding a new employee, handling a helpdesk ticket, handling invoices, and on and on.

The result was a giant book of flow charts, a huge number of job-aids, and an enormous amount of automation using our IT tools. When we bring on a new client, for example, we launch the “New Client Track” in our systems that will automatically create about 50 different tasks for people in our organization. Each task assures that we get the job done right and don’t miss simple and obvious things. The process assures that there is no confusion as to what needs to be done and who is responsible for doing it. It was arduous.

What’s more is that the job of creating and enforcing process is never-ending. By the time we finished all aspects of the business, the company had grown and changed. We were already revising and modifying much of the original work. Process isn’t something you do, it’s something you are. It becomes part of your culture.

Evaluating process

The challenge here is how can you evaluate this from the outside? After-all, anyone can say they have a great process. Let’s start with accepting the reality that there is no possible way for you to thoroughly evaluate all the processes (thousands) of a firm.

Therefore the logical conclusion is to pick one or two processes and get extremely granular with how that company does it. You should be able to get a really good feel for which companies are process driven, and which are not, by the amount or lack of detail they are able to share. Are there job aids (meeting agendas, checklists, and collateral) to help assure details aren’t missed?

Ask to see them.

Key Area #2: Human Resources

If process is first, Human Resources (HR) is second. I rank them in this order because great HR requires great process, but the reverse isn't necessarily true.

In 2010, Endsight acquired a company called PlanIT solutions. It was our first acquisition, and what we found was a company with outstanding people. Many of them are not only still at Endsight, but are managers and leaders at our company. However, in spite of having great people (HR), PlanIT struggled to take the next step forward on their own because of process.

That said, HR is still crucial, and if you get this one wrong in an IT service business you are doomed. Our companies don't have much in the way of property, plants, or equipment. Everything boils down to our people and process.

Don't ask the wrong questions

Yet, having done sales in this business for almost a decade, I'm struck by the lack of attention either of these items receive in the evaluation process by prospective clients. Prospective clients always ask basic questions, like what's covered, operating hours, location, size, cost, etc. I believe it is because these items are all elements that prospective customer can easily compare from one company to the next. Unfortunately, those basic questions rarely give the necessary insight required to make a great decision.

Here is a list of items to consider on the topic of HR:

- ☑ **Does the company retain their best talent? Why do you believe so?**
- ☑ **Would you want to work at this company? Why?**
- ☑ **What is the culture like? Does it fit with the culture of your firm?**
- ☑ **Can the company recruit talent?** *You want to make sure that top people aren't over stretched as the firm grows and that you are not at risk if an employee leaves the firm.*
- ☑ **Does the company have a methodology (and culture) for developing their people?**
How do you know? *Remember in our business technology pretty much changes on a three-year cycle. If we aren't constantly learning, then 33% of our value diminishes every year.*
- ☑ **What are the HR processes for hiring, onboarding, reviews, and employee development?**
- ☑ **Who runs HR? Is the department appropriately staffed for the size of the firm?** *Beware of a CEO who is handling the sales meeting and identifies himself as running HR. A great firm should have at least one full time resource for HR in addition to executive attention.*

Based on the details and responses, you should start to get a good feel for whether you have confidence in the vendor's HR department.

Key Area #3: Philosophy

Philosophy may seem like a vague criterion at first. However, I believe it's quite important. Endsight has a unique philosophy about IT support that we articulate during the sales process. If the company agrees with key assumptions we've made and beliefs we have about the business, they are probably a great fit. If they don't, we both know that another company is probably better suited to support them.

Things to consider regarding philosophy:

- Can the firm articulate any beliefs and assumptions they are making about the following?
 - Computer services industry
 - Cloud
 - Technology vendors
 - Software
 - Support
- Can the firm articulate any belief and assumptions they are making about your (or the prospective client) needs? Another way to put it: why do clients buy from them?
- Can the firm articulate any beliefs and assumptions they have about business in general?
 - Culture
 - Strategy
 - HR
 - Operations
 - Process

I'm not going to dive into our philosophy in this document, but if you are having trouble understanding what we mean, contact us. We are always happy to help any reader regardless of their circumstance or geography.

Key Area #4: Security

"Security is always seen as too much until the day it's not enough." – William H. Webster

Security usually always comes up during the sales process but usually the prospective client is not sure what to ask or how to make a professional evaluation. They bring it up generically, the IT service firm reassures them with little detail, and the conversation moves on with a box checked. This section is designed to give you some specific questions and things to look for so you can make an appropriate evaluation. Many items are commonly in place and a few are commonly not in place. I will make a list accordingly. You should however, verify all items.

Commonly in place by most IT service firms:

- ☑ Background screens for all employees
- ☑ Signed NDA (usually on request)
- ☑ Antivirus and anti-spam policies and technology included in the offering (often for a small additional fee)
- ☑ Advising the customer regarding internal security policies (password, desktop locking, etc)
- ☑ Secure remote-control technology and monitoring

Less commonly in place:

- ☑ **Specific industry or regulatory security knowledge: HIPAA, SOX, PCI, etc.** – If these apply to you, make sure you get to the bottom of what your IT provider will do and when they will require a third-party. Make sure you are comfortable with the division of labor and the provider's expertise.
- ☑ **Dual-factor authentication internally deployed and optional for the client** – Traditional network policies require both a username and password. Dual-factor authentication is a technology that requires a "second password" to login. The second "password" is usually a numerical code that is temporarily generated and delivered to a key-fob or mobile device at the exact time of login and expires in 30 seconds. The second factor allows for a user's password to be compromised without compromising the network.
- ☑ One of the things you really need to make sure of is that your IT service partner is EXTREMELY secure with its own network since they will have admin privileges to your

network (and others). Even if your environment is locked down as tight as a drum, you are still at risk if their internal policies are loose. Many IT companies haven't gone through the expense and inconvenience of deploying dual-factor authentication policies internally.

If the IT firm you are evaluating hasn't deployed a dual-factor solution internally, then you should take this as an obvious sign that security is not taken seriously at the firm. At this point, it may be a good idea to seek another vendor. If you are more price sensitive than security sensitive, I still urge you to consider that dual-factor authentication is a good proxy for all of the security policies that won't be discussed and that you cannot see. In other words, a firm doesn't get to the point of deploying dual-factor authentication without implementing many other security best practices. Consider if you want to work with a business that is exposing all of their clients to unnecessary risk.

Also note that Microsoft best practices require changing your passwords at least every 90 days and recommend including numbers and symbols. To see a great video on how to learn easy to remember complex passwords, check out our [Quick Tip video on passwords](#).

Key Area #5: Size of the Firm

We've grown Endsight from less than ten people to over sixty people and have dealt with all the pros and cons of being different sizes along the way. We believed in our ability to deliver service when we first started with 10 people, and we believe in it now. Information technology (IT) companies shouldn't necessarily be qualified in or out based on size. However, anyone seriously evaluating their IT options should consider the pros and cons regarding size.

Small Firms

The main thing that people like about working with small firms, is that it can be a more intimate relationship. The owner of the firm is likely to be directly involved in the relationship, and many people like the idea of working with a small number of technicians, who grow to know their customers over time. These are excellent reasons to go with a smaller firm; however, any large firm worth their salt has had to work extremely hard to protect client intimacy while they grow.

A great question to add to your evaluation process is this: "What steps has your firm taken to keep intimacy with your clients as you have scaled your business?"

Large Firms

While being a small firm clearly has advantages, larger firms have a host of benefits worth considering as well. Large firms have:

- ☑ **A broader and deeper bench of engineering talent** – Small firms, on the other hand, can be highly reliant on a small number of staff members. This leaves them very vulnerable if a person leaves the company, is sick, or just working with another client.
- ☑ **Better operating hours and better after hour and weekend coverage** – Our Response Center is open 7:00am to 7:00pm Monday through Friday and provides 24/7 after hours support.
- ☑ **Better response times** – A large firm is better able to accommodate the ebb and flow of demand, providing a quicker overall average response time to support issues.
- ☑ **In-house service instead of outsourced service** – Many times small firms don't have the scale to develop all the critical service elements in-house, so they outsource them to third parties. Unfortunately, many third parties in IT support are notoriously lousy. When a firm gives up control of an aspect of their service, their clients can suffer. Basically, one may choose to work with a small firm to acquire intimacy, but critical service elements (like monitoring, maintenance, backup, and hosting) are delivered by huge firms, sometimes abroad, who offer little to no intimacy.
- ☑ **Challenges related to growth** – As we grew, we had to overcome many challenges that affected customer service. Sometimes, it's worth going through some growing pains with your provider; but sometimes those growing pains have real costs to end user efficiency.
- ☑ A more sophisticated process (see part one)

The larger and more sophisticated your organization the larger and more sophisticated your IT support firm should be. A good rule of thumb is that the customer should not be more than four times the size of the IT managed services partner.

Key Area #6: Pricing

There is no question that price is important. It's just usually less important than the prospective client thinks. Pricing is important in the exact opposite way as the prospective client assumes. In other words, a low price should make you suspicious. Every IT service firm is dealing with the exact same factors of production (people and technology). None of us have "monopoly" like

access to either of these production factors, therefore, a low price means that either the firm is spending less on customer service or cutting into their profit margin. Some are even losing money with a dream of achieving profitability at some later point when they've reached scale.

Learn their pricing structure

It is possible for one firm to be more efficient than another, allowing them to offer a lower price without cutting into either profitability or customer service. This can be very hard to assess from an outsider's perspective, so my best recommendation is learning their process and, even better, go on a site-visit to get better acquainted with your prospective IT vendor. You should be able to get a strong hunch as to whether you truly believe that a price delta can be explained by efficiency based on what you see firsthand. If not, you should think twice before selecting the less expensive vendor. My personal experience is that the most efficient companies frequently charge a premium. They monetize their efficiencies with additional profit margin and continually invest the additional profits into improving their operations and growing their firm. Having met hundreds of owners in the technology industry, I've yet to see the "low-price leader" in this industry be more operationally efficient.

Be careful of prices too low

More realistically, a low-price means constraining the operational budget, which over time leads to poor and unsustainable service levels. If the firm is cutting into their profit margins, that should be a red flag. Profits are required for a business to thrive. If we had a low price, we probably would attract a lot of new customers, but with a little to no profit, how would we capitalize our growth? How would we keep our best people? It should be intuitive that low profits are a recipe for a failed long-term relationship.

The best-case scenario is that the firm will wise up and raise the price to a market level over time and the savings you thought you had will vanish. However, more commonly they are not comfortable selling at the higher price so they will cut service levels to the bone. Of course, they'll always do this in areas you can't see or easily measure, like maintenance and monitoring. By the time you find out, it will be too late and you'll be dealing with network outages and data loss. We've seen this time and time again as we've acquired clients from underpriced competitors.

Special exceptions to low price

So far, I haven't left room in the discussion for market segments. Some clients may simply not need a lot of support. Maybe they have extremely bright workers who take great care of their PCs. Shouldn't it be cheaper to support these users? If this sounds like you, make sure to ask the support companies you are evaluating if they have different pricing options for a low need

client. For example, we have a plan where unlimited helpdesk is included at a higher monthly cost and another where the company pays hourly for helpdesk usage with a lower upfront cost.

Remember the value of IT compared to costs

The last point I'll make about price is that it is vastly more important to align yourself with the "right" vendor as opposed to the "cheapest" vendor given what's at stake. The reality is that a 15%, or even a 50%, swing in pricing on what should be a relatively low budget item (compared to payroll, taxes, facilities, etc.) shouldn't make a giant impact on your expenses especially given the importance of high-quality IT service. On the other hand, poorly functioning computer systems and frustrated employees will indeed doom your financials.

Basically, you want to look for a fair price, not the cheapest price, and find the support provider that is the best fit for you.

Key Area #7: References

References are another factor that customers tend to overvalue. After all, if someone is in business, presumably they have at least three customers that are happy.

The primary problem with references is that it doesn't take into account customer segments and philosophies. Just because there are thousands of people who are happy with their minivan, doesn't mean that it is the right product for you. There are too many differences in philosophies and needs between customers to assume that because someone else is happy, you too, will be happy.

Be careful, most everybody has references

It is extremely common for a vendor to treat a handful of go-to references with a higher level of service than they are capable of supplying to the rest of their clients. Therefore, you are probably going to get a distorted view of the company from a reference call. If you were leaning one way and changed your mind after talking to an exuberant reference, it's possible that the reference check could lead you to a bad decision.

Trust yourself and EVALUATE

The main point of advice here is to trust yourself and your own evaluation over references who are going to muddy the waters with overly positive feedback. The reference should simply confirm what you have already learned in the rest of the evaluation process. This is a dotting

the *i*'s and crossing the *t*'s activity, but it should never be a deciding factor unless everything else among your IT Service Provider options seem equal.

Like most companies, we are always happy to give references for anyone who is considering us as a vendor. But for now, you can view public reviews regarding our services here.

Key Area #8: Proximity

The proximity of the provider and the customer's office locations often comes up during the evaluation. Indeed, all other things being equal, it is convenient to be close. However, rarely are all other things equal, and it's my belief that too much weight is given to proximity by the client. The technological reality of this business is that a dispatch to the client location is rarely a requirement.

When it is, it's typically because of a need to replace or repair failing equipment. In those scenarios, the bottleneck is the time required to procure equipment as opposed to how long to drive from one office to another.

Remote support with swift on-site availability

Remote support is superior in many ways that are not always obvious to the client. For example, a remote support technician is sitting right next to a manager and/or a mentor that can give them a big edge with problem solving for a complex issue (as compared to an onsite technician).

It's normal for the client to assume that a technician on-site is better, but that is rarely the reality. Sometimes communication issues can be mitigated with a face-to-face interaction, but with training, technicians can overcome this with good phone skills.

How close should your local outsource IT provider be?

It is helpful that the headquarters of your company and the headquarters of the IT support partner are in the same metro area. This allows for a thorough evaluation process and some yearly face-to-face interactions for account management and strategy. Of course, I have been on the winning and losing side of the proximity-based decisions since all providers are closer to some companies and further from others.

Nevertheless, I believe that in most cases this attribute is overvalued because it is very easy to compare, and prospective clients are missing the tools and experience they need to evaluate the decision on other more important factors.

Appendix:

Questions to Ask Your Vendor/ Potential Vendor

Here are all the questions you should be asking about your current or prospective vendor:

- ☒ Does the company retain their best talent? Why do you believe so?
- ☒ Would you want to work at this company? Why?
- ☒ What is the culture like? Does it fit with the culture of your firm?
- ☒ Can the company recruit talent?
- ☒ Does the company have a methodology (and culture) for developing their people? How do you know?
- ☒ What are the HR processes for hiring, onboarding, reviews, and employee development?
- ☒ Who runs HR? Is the department appropriately staffed for the size of the firm?
- ☒ Are they exaggerating?
- ☒ What are your thoughts about their HR Policies?
- ☒ How does the company handle other aspects of their business, like strategic planning?
- ☒ Are the executives accessible?
- ☒ Can the firm articulate any beliefs and assumptions they are making about the computer services industry? . . . How about the cloud?
 - . . . about their technology vendors?
 - . . . about software?
 - . . . about support?
 - . . . about culture?
 - . . . about strategy?
 - . . . about HR?
 - . . . about operations?
 - . . . about process?
- ☒ Why do clients buy from them?

About the Author

Mike has competed in this marketplace for more than 20 years. He has seen from the inside after winning hundreds of clients, as well as collaborating with competitors.

He's met thousands of industry CEOs at hundreds of industry conferences. He has participated in an IT service peer group for more than 15 years, meeting with industry CEOs for 6 days per year sharing best practices and financials. He has been a member of various industry groups with thousands of other IT service businesses (*TruMethods, Venture Tech, True Profit Groups, Service Leadership*, to name some).

He currently serves on the CEO advisory council of a multi-billion-dollar software company in the IT service industry called Kaseya. That board is made up of a dozen of Kaseya's top MSPs internationally, which gives him an international perspective on the industry.



Mike is a paid consultant and serves on the board of directors for a private equity fund that has invested hundreds of millions of dollars in the sector. And he earned his MBA from *Columbia Business School* in 2010. That formal business training gave him an analytical framework for thinking through the strategic landscape of this industry, after having worked in it for years.

For more resources visit www.endsight.net.

Or if you'd like to have an informed conversation about your specific needs, contact us anytime at sales@endsight.net or call (833) ENDSIGHT • (833) 363-7444