A CFOFORIT WHITEPAPER

External Benchmarking

reveal. highlight. expose.

The Secret Weapon of Best-in-Class MSPs

CFOforIT

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Best-in-class MSPs don't just track performance; they compare it. They measure against external standards and peer groups to identify what's possible, not just what's familiar.

You Can't Improve What You Don't See

In the IT services world, data drives decisions, but only if you have the right context. Too many managed service providers (MSPs) operate with tunnel vision, relying solely on internal metrics to measure success.

The problem? Without external benchmarking, you might know how fast you're running, but not whether you're even on the right track.

Best-in-class (BIC) MSPs don't just track performance; they compare it. They measure against external standards and peer groups to identify what's possible, not just what's familiar.

In my experience scaling IT services firms from $20 million to over $130 million in revenue, the difference between average growth and exceptional growth almost always came down to disciplined measurement and knowing exactly how we stacked up to the leaders in our space.

The Power of Benchmarking: Turning Metrics Into Insight

01

Reveal.

blind spots

02

Highlight.

opportunities

03

Expose.

inefficiencies

Internal metrics tell you what happened; external benchmarks tell you what to do next. They reveal blind spots, highlight opportunities, and expose inefficiencies that internal data alone can't see.

Benchmarking your MSP against industry peers lets you pinpoint where to focus your time, capital, and energy for the highest ROI.

In one firm our executive team discovered our professional services utilization lagged far behind our peers. After comparing our data with best-in-class benchmarks, we identified gaps in resource allocation and project management. By addressing them, we increased utilization to 78% and improved gross margins by 12 percentage points in under a year.

Benchmarking didn't just show us the gap, it gave us the roadmap to close it.

The 10 Metrics That Matter Most for MSPs

If you're running an IT services firm, you can't manage what you don't measure. But you also can't measure everything.

Over the years, I've found that focusing on these 10 metrics provides the clearest picture of operational and financial health:

People.

1 Employee Net Promoter Score (eNPS)

Measures team engagement; high-performing MSPs consistently track above +40.

2 Customer Net Promoter Score (NPS)

Gauges client satisfaction; best-in-class firms score above +70.

Financial.

3 Revenue Growth Rate

Healthy growth for scalable MSPs averages 8–10% annually; top performers exceed 20%.

4 Gross Margin

A key indicator of operational efficiency; aim for 40–45%, with BIC firms reaching 50%+.

5 EBITDA Margin

The ultimate profitability metric; target 18–20% for BIC performance.

Sales.

6 Pipeline Coverage

Your total qualified pipeline should cover 3x to 4x your annual bookings goal.

7 Sales Qualified Leads (SQLs)

A leading indicator of future growth; benchmark at 5–7% conversion from marketing-qualified leads.

Operational.

8 Backlog

Indicates delivery strength and revenue visibility; best-in-class MSPs maintain 1.5x quarterly services revenue in backlog.

9 Utilization Rate

Benchmarks differ by role, but 75–80% utilization is ideal for professional services.

10 Cost per Ticket

A key efficiency metric; world-class service desks operate at $15–25 per ticket, depending on scale.

Benchmarking in Action: From Awareness to Advantage

The best MSPs treat benchmarking as a continuous improvement cycle, not a one-time exercise. It's not about competing with others, it's about identifying the operational gaps that stand between you and best-in-class performance.

Once you see where you stand, you can create focused improvement plans, prioritize resources, and align your team around measurable goals.

For example, if your EBITDA margin is 10% but the industry median is 15%, benchmarking helps you dissect why. Is it your cost structure? Pricing model? Labor mix? Without the comparison, you're flying blind. With it, you can make data-driven decisions that materially move the needle.

The Benchmark-to-Best Framework

- Measure: Establish baseline data across your operational, financial, and customer metrics.
- Compare: Benchmark against external peer data to identify your position within the industry quartiles.
- Diagnose: Determine what's driving performance gaps (pricing, process, people, or systems).
- Assigned to One Person and Act: Each key initiative must have a single accountable owner responsible for execution. Clear line-of-sight accountability drives performance and ensures that actions lead to measurable outcomes.
- Reassess: Review the metrics as a team. Repeat quarterly to ensure continuous alignment with your goals and market standards.

The Financial Payoff: Benchmarking Drives Valuation

For MSPs, benchmarking isn't just about performance; it directly impacts valuation. Investors and acquirers look for companies that demonstrate operational maturity and financial discipline.

Firms in the top quartile of EBITDA performance command 2 to 3x higher valuation multiples than median performers. Benchmarking gives you the playbook to move into that top quartile.

Conclusion: Build a Path to Best-in-Class Performance

Benchmarking is more than a data exercise, it's a mindset. The firms that rise to the top are those that constantly ask, "How do we compare?" and "What will it take to improve?"

When every metric has an owner, every goal has context, and every decision is informed by data, you create a culture of performance that compounds over time.

Ready to See Where You Stand?

At CFOforIT, benchmarking is just the beginning. Our fractional CFO and strategic finance engagements help IT services firms translate data into action, strengthening liquidity, improving profitability, and increasing valuation.

Start with a Benchmarking Assessment to understand your firm's position, then leverage our fractional CFO partnership to execute the roadmap, measure results, and sustain top-quartile performance.

Visit www.CFOforIT.com to connect with a CFOforIT partner and schedule your assessment or engagement consultation.

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