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## MSPs Overcome Hurdles For Share of Public Sector IT Market

Aldrin Brown | MSPmentor

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Lucrative, longer-term deals are often the reward for firms that can weather the political and regulatory headaches required to win government contracts.



Skyline of Sandy Springs, Ga., outside of Atlanta, which signed a contract for managed services with InterDev.  
Courtesy of Sandy Springs, Ga.

A growing tide of public sector outsourcing is opening new doors for managed service providers (MSPs) with the expertise and resources to navigate the lengthy and often-Byzantine process for securing government contracts.

Where a private sector MSP deal is often closed after a couple of meetings and a

five-page proposal, public sector contracts are commonly a year or more in the making, requiring numerous visits to the prospective clients, competitive bidding and customer proposals that routinely exceed 60 pages.

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Winning public sector business, however, can mean the start of lucrative relationships, with rich opportunities to upsell and contract terms that commonly span three to five years, compared to the annual contracts typically seen in the private sector.

“Like any MSP, it’s about the recurring revenue,” said Gary Nichols, CEO of Atlanta, Ga.-based [InterDev](#), where about 65 percent of staff is exclusively dedicated to the government services division. “We just found a really good fit between the government outsourcing, matched up against the services that we provide.”

The effort for more openness in public sector IT markets has become important enough to warrant its own cottage industry.

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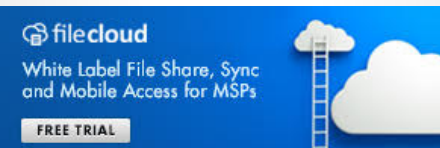
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Today and Wednesday, media and education firm [e.Republic](#) is hosting the [Arizona Digital Government Summit](#) in Phoenix, the latest of numerous similar events aimed at increasing technological best practices and innovation in the public sector.

Sponsors include names like [IBM](#), [Cisco](#), [AT&T](#) and [SAP](#).

“With nearly 200 employees in California, Washington, D.C., and throughout the United States, e.Republic is a unique company redefining the role of media at the intersection of innovation and public service,” the group’s website says.

More than 150 such e.Republic events are held across the country each year, bringing together officials from all levels of government, IT experts and a wide range of other technology professionals in an effort to identify and eliminate barriers to digitization.

While those efforts offer promise, MSP’s like InterDev are creating their own momentum to carve out shares of the public sector IT market.

## An Emerging MSP Vertical

In many ways, InterDev’s story is not unfamiliar in the realm of MSPs.

For most of the past 36 years, the firm made a brisk business as a break/fix provider and reseller of [Barracuda](#) hardware.

Much of that work involved government clients and, as margins began to shrink during last decade, InterDev placed a greater emphasis on generating revenue from professional services.

A watershed occurred around 2010, when several affluent, suburban Georgia communities split from their local county and incorporated as cities under the public-private partnership (PPP) model.

Under the PPP municipal structure, governments are reduced to the bare minimum and only the most critical of functions – like public safety – hire full-time public employees.

All other functions required to keep a city operating, including IT, are outsourced to private firms.

InterDev won the contract to serve as the outsourced IT arm of [Sandy Springs](#), Ga., and a year later, in 2011, struck a similar arrangement with the nearby city of [Dunwoody](#).

Since then, the nearby town of [Brookhaven](#), another PPP government, also signed on with InterDev.

Under the deals, InterDev acts as the IT department for the cities, managing network components and security, and providing strategic guidance to government leaders on IT initiatives.

InterDev has employees specifically assigned to each community and segregates them in the company’s network operations center to enhance the sense of connection with the communities they serve.

Because of exposure to sensitive law enforcement information, every InterDev employee that works in the municipal operation must undergo the same in-depth FBI criminal background check required of sworn police officers.

A key advantage of the contract is that the upper-income cities weren’t looking for the lowest-cost MSP. Instead, the well-heeled communities are willing to pay a premium price for a premium level of service.

“In the public-private partnership model, it’s not acceptable to have a citizen wait six months for a request,” Nichols said. “The customer service expectations are different.”

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## Marketing for Growth

Word of InterDev's work in Georgia was reported in a municipal government trade publication and ultimately caught the attention of officials from a group of 13 cities outside Chicago, Ill., which were considering forming an IT consortium and hiring an MSP to serve their shared-services model.

The cities invited InterDev to respond to a request for information and were sufficiently impressed by the MSPs plan that they sent a team of officials to Georgia for an up-close look at how the outsourced IT agreement was working.

Five of the cities agreed to join the consortium and InterDev was selected to provide IT services.

Under the deal, InterDev has dedicated staff based in the two largest towns, and dispatches them as needed to the other three cities.

Today, roughly halfway through a five-year contract, two other nearby cities, which are not part of the consortium, have signed managed services contracts with InterDev.

Meanwhile, the member cities are actively recruiting other towns to join the consortium and InterDev's government services division is playing a key role.

"We are effectively building the marketing for the consortium," Nichols said. "It's simply in our best interest."

Word of InterDev's municipal services business is also spreading elsewhere.

Three weeks ago, the company [announced](#) it had won a competitive bidding process and secured a contract to provide managed services to the city of [Beaufort, S.C.](#)

Under the agreement, InterDev provides 24/7 monitoring and maintenance of servers, networks, employee workstations, backup systems and hosted applications.

The MSP also serves as the liaison between the city and other technology providers, like the telecommunications vendor, and educates city officials about technology solutions in use at other municipalities, providing strategic guidance to help Beaufort modernize its IT environment.

With each new engagement, InterDev becomes more effective at selling new governments on the concept of outsourced IT, according to the CEO.

"Marketing is a critical component of growth and it's where I think a lot of MSPs fall behind," Nichols said.

## Regulatory Challenges

To provide managed services in the public sector however, an MSP has to develop the operational proficiency to maneuver through red tape and a variety of local political landscapes and machinations.

"How we work to be the winning vendor in this process is by having specialists," Nichols said.

Successful MSPs must develop or acquire staff with expertise in the intricacies of the state, local and education market (SLED).

Those employees spend a great deal of time on the road, developing relationships with officials from prospective client governments and coordinating the numerous submissions required to sustain an MSP's candidacy in the bureaucratic public bidding and contracting process.

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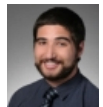
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International solutions provider [Logicalis](#) has been growing a SLED business for more than seven years.

Allison West Hughes is a regional vice president in charge of sales, and the executive responsible for managing Logicalis' efforts to win public contracts in the western U.S.

She joined Logicalis last September, after stints working in public accounts at VMware and Cisco.

Landing public business requires MSPs to have a deep understanding of the arcane contracting practices of various governments.

In many cases, public agencies are bound by legacy contracts and procurement rules that prevent their officials from just calling up a qualified vendor and resolving obvious IT issues.

"It would be ideal if there were better routes to market," West Hughes said.

Instead, mandatory processes involving requests for proposals, requests for quotations, public bidding and negotiations often take six months, to more than a year for even the simplest IT purchases or engagements.

Some governments, for instance, still maintain separate voice and network services/data contracts.

The pre-VoIP agreements require separate bidding.

"You could have to buy your Ethernet switch from one entity and buy the phone from another," West Hughes said.

Even winning the competitive bidding process doesn't mark the finish line.

One recent IT contract for the [City of Phoenix](#) has been bid and awarded, twice, then pulled off the table both times before the deals could be signed.

In the first instance, the bid was awarded and the political leaders failed to fund it. A second contract award was canceled in recent weeks and a reason was not immediately given.

"Winning the bid is the right to enter contract negotiations," West Hughes said. "There's no guarantee the contract negotiations are going to turn out to be fruitful."

As in the private sector, however, there are signs that the growing wave of global digitization is increasingly reaching local governments.

More and more, public officials are warming to the idea of outsourcing IT and acting to reduce obsolete practices and regulations.

West Hughes will be among those at this week's e.Republic gathering in Arizona, working for changes that lead to more open public sector markets for MSPs.

"Certainly it's a key vertical focus for Logicalis, along with healthcare," she said. "We're going to be growing and expanding our SLED."

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