I. Computer Consulting in the 21st Century

1. What's Different About Technology Consulting Today?

Without getting into a big "When I was a kid we had to build our own computers" routine, let me give a quick history of being a technology consultant in the SMB (small and medium business) market. The point here is to show the evolution of our profession. In fact, the evolution *to being* a profession.

Prior to 1995, literally prior to Windows 95, computer consultants were virtually all home-grown and self-educated. A few came from big business training. A few went through school to become certified and then went into consulting.

But most computer consultants started by building machines and helping people install software. They gradually moved up from there to figure out how to set up networks. Most networks were Novell and not connected to the Internet. Some latched onto the SBS product and Windows networking.

In 1994, the Internet was opened to commercial use without restriction. Prior to that, we literally had to petition to register a .com address and justify why we should have access to the public Internet. In the 1992-1994 era, Netscape and others were building browsers to use a new protocol called hypertext transfer protocol – http.

The reason I draw a line with the introduction of Windows 95 is that it originally shipped without a web browser. But the browser was finished soon thereafter and included in all releases after the first. This is a clear indication that connection to the Internet was important.

As Windows NT 3.5 was introduced, and then revved to NT 4.0, Microsoft moved very quickly into competition with Novell for the hearts and minds of network consultants. Notice I didn't say computer consultants.

There were people who still just worked on tiny networks and helped people dial up to the Internet. But there were others who connected those Microsoft servers to big networks and connected it all to the Internet. This is when we begin to see a major divide growing between *SMB consultants* and *Enterprise consultants*. There was also a huge push for certifications – coming mostly from the enterprise space.

In the late 1990's and the first couple years of the new century, it was Boom Time for SMB consultants. Basically, everyone who wasn't connected to the Internet wanted to be. Many didn't even know what it was and still wanted to be connected.

During that period – as the tech bubble grew and grew – it seemed that everyone had money, everyone wanted technology, and it didn't matter how skilled you were. Anybody and everybody was calling themselves a consultant and getting paid good money to help small businesses get connected.

The core products in the SMB space were servers (Novell and Microsoft, moving more and more to Microsoft), desktop PCs, and Office products. There were lots of opportunities to sell hardware and software. Anybody who didn't know hardware had difficulty competing. But with a little aptitude, you could learn enough to get by.

And then the bubble burst.

In 2001, the technology bubble burst. And with it, the stock market tumbled. In fact, there was a double-crash. The Dow went from a high of 11,301 to a low of 8,235 in 2001. Then in 2002 it built up to 10,607 and fell all the way to 7,528.

All those companies built on dreams and venture capital came crashing down. Money dried up for many people. It became harder to sell servers and networks. Two things came out of that period. First, most of the people who really didn't belong in consulting dropped out and did something else. These were the people who never learned the technology, never worked to get better at what they did. They just enjoyed the bubble while it lasted.

Second, there were growth opportunities for people who were a little more professional, who had a decent sales pitch, and who could demonstrate that they knew what they were doing. It became harder to be a "trunk slammer" and easier to be a professional consultant in the SMB space.

By 2003, there were many SMB consultants (we didn't call ourselves that) who loved the Windows Small Business Server (SBS) family. We learned about it from Harry Brelsford, the only person at the time to write books on the product.

"User groups" of computer consultants grew up around the SBS product. Most of the IT Pro groups today started out as SBS User Groups. These groups all loved the SBS team at Microsoft, they loved Harry, and they really loved it when Harry put together a conference so they could meet each other – SMB Nation (see www.smbnation.com).

The SBS 2003 product is, in my opinion, the second greatest product Microsoft ever produced (#1 goes to the Office Suite). Nothing did more for the growth and professionalism of the SMB consultant profession than this product. It was stable. Rock solid. Every component worked. They played nice together. It made networking new offices a breeze.

For five years, our profession grew larger and larger, more professional and more professional. We developed communities of user groups all over the world. Harry held his conference every year. Other conferences grew up. It may have taken longer for the rest of the country to get fat and successful after the 2002 crash, but SMB IT consultants did very well.

As you may recall, the period 2003-2008 was another “bubble” – this time a housing bubble. During the housing bubble real estate prices grew irrationally. People started refinancing their houses to take out some of the equity they’d invested. People took riskier and riskier loans. All of this pumped lots of money into the economy.

SBS 2008 was a fine product. It did its job. Other than a few changes in the way things were done, and the latest version of the included software, it was not a necessary or desired upgrade. And it had very unfortunate timing.

During this period, the service model we call “Managed Services” evolved. On many fronts, companies all over the world had (independently) been working on a flat-rate or fixed-fee service model. For some it meant “all you can eat” pricing.

For others it was prepaid blocks that automatically renewed. For IT consultants managed services meant recurring revenue. For our clients, managed services meant predictable spending.

Tools emerged at the same time. ConnectWise, Autotask, and other “professional services automation” (PSA) tools brought ticketing systems and help desk tracking down to the small business consultant. Kaseya, Level Platforms, Zenith Infotech (now Continuum), and other “remote monitoring and management” (RMM) tools emerged. They allowed a small IT shop to manage thousands of desktops instead of hundreds.

The core components of the Managed Services Model were:

- An RMM agent on every server and every desktop*
- A PSA system for tracking time and billing
- Support service that bundled all this together for a regular, recurring monthly fee

*When I say “desktop” I mean workstations, including laptops. Because I started with mainframes and mini’s, I find it hard to use the term workstation for anything other than a terminal or thin client.

Some folks (like mine) charged per device. That is, so much per server per month and so much per workstation per month. Others calculated an estimated cost for all services and then agreed on a set price. But they all had RMM, PSA, and recurring monthly revenue.

By this time, the housing bubble had grown to the point where it was unsustainable. And in October of 2008, the housing market crashed hard and the stock market fell just as hard. As a result, money really dried up this time. It wasn’t that *some* people had no money.

Almost *nobody* had money. Those who did have money did not want to spent it until they saw some stability. Banks weren’t lending because they had been hit so hard by their own stupid practices. They needed to retool their processes.

New server installs happened, but at a much slower pace. Servers that needed to get replaced were patched and propped up instead. Consultants who still relied on break/fix work were not selling much hardware or software. They were doing an awful lot of low-end, low-pay jobs.

In the meantime, Managed Service Providers had a very different experience. Most were using a per-device model. Their contracts continued in force. Their monthly payments continued. Many clients laid off employees. As a result, many MSP (managed service providers) saw a reduction in the number of desktops billed each month.

Many – MANY – small IT companies went out of business in the period 2008-2013. Many merged with, or sold out to larger IT companies. I can tell you from talking to thousands of IT consultants all over the world: Most of those who went out of business were not managed service providers.

MSPs saw reductions in revenue. Many of us had to learn to lay off employees for the first time ever. But our revenue did not spike down and did not disappear. It floated down as clients made cutbacks.

Like everyone else, we experienced fewer big projects, fewer server sales, and fewer network migrations. But there was literally a limit to how far down our revenue could go. Our monthly recurring revenue kept us alive during the recession.

And this recession may come and go and drag on for a long time. As I write this (early 2013), the housing slump in the US is still at or near the bottom, the stock market has just finally managed to stay above the October 2008 level for several months, and there are bank crises in Greece and Spain.

I would love to believe this recession is over and we'll be in total growth mode again by the end of the year. But this is a book and not a magazine, so I am very confident that I won't be embarrassed to have you read this a couple years from now:

I believe the economy will be slow and sluggish through 2015. I believe a few more mini-crises have to shake down. I believe the housing glut needs to go down so the stock market can go up significantly. I believe Europe will go through some tough economic times, and it will take more than 6-12 months to be in a solid growth mode. And I believe the US stock markets will have new highs and major setbacks.

In October of 2008, the stock market dropped more than 2,700 points. It didn't stop until it went down another 1,500 points, bottoming out at 6,547 in March of 2009.

By October of 2009, the stock market was right around 10,000 – exactly where it had been a year before. It went up, and then