

FOCUS | MASTERIT

Bartlett firm provides businesses preventive maintenance on their technology systems for a fixed monthly fee



Stan Carroll/The Commercial Appeal

Michael Drake (left), chairman and CEO, with Gary Wiseman, president and CTO, of masterIT, stand in the network operations center in their Bartlett office. Michael Scallion (left, in background) and David Beasley monitor customer's systems.

SAY GOOD-BYE TO TECHNOLOGY HEADACHES

By JONATHAN DEVIN / Special to The Commercial Appeal

MICHAEL DRAKE isn't a psychologist, but he makes his living lowering his clients' stress levels.

"If you're a CEO and you're traveling, and you've got a problem with your BlackBerry or your iPhone, it is a very emotional moment and the world just stops," said Drake, 46, the chairman and CEO of the managed service provider masterIT at 8024 Stage Hills Blvd. Information technology is not emotional, he says, "until it's not working."

MasterIT's signature service is a trademarked system called IT-as-a-Utility in which businesses, typically ranging from 20 to 500 employees, receive preventive maintenance on their technology systems for a fixed monthly fee.

The company purchases clients' computer infrastructure and assumes responsibility for timely upgrades to hardware and software, data storage, system monitoring, and remote on-site help.

According to Drake and Gary Wiseman, masterIT president and chief technical officer, improvements in computer and Internet speed and technology allowed them to follow in the footsteps of other outsourced industries.

"Twenty-five years ago businesses started outsourcing the janitor," Drake said. "Ten years ago they outsourced the payroll clerk. Today and for the last few years, the people, the process and the technology have been in place for IT services to out-task some or all of a business' IT needs, and we happen to be the pioneers in the Memphis market."

Drake and Wiseman, who have been friends for about 15 years, joined forces in business in the early part of 2006 after Drake sold his IT company, Econocom USA Inc.

"We both had the 'pay-for-the-spouse' profile — we're both Type A

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personalities," said Drake. "We split the business in two. Gary is responsible for engineering and delivery and I'm responsible for sales, marketing, communication and strategy."

Together they invested about \$1 million to create masterIT, which acquired Wiseman's company, Wisetech, in October 2006, after the masterIT network operating center had been built and tested.

Wiseman said that the managed service option is often a great relief to executives, who may not want to keep up with day-to-day technology problems.

"We hear this all the time from CEOs and COOs: 'I just want it to work,'" said Wiseman, also 46. "They want to come in, turn it on, and everything works."

MasterIT's network operating center allows engineers constant and uninterrupted access to critical elements of clients' systems and the ability to assist at a moment's notice.

Karen Spacek, chief operating officer for the nonprofit organization ArtsMemphis, said that the alternative to monthly managed service is the less

palatable "break/fix" model.

"That means when something breaks, someone comes out and fixes it," said Spacek. "Our expertise is in the arts and fundraising for the arts, not technology, so it was always like taking your car in for repairs and trusting someone to fix things when you have no basis to understand it."

Budgeting for technology was also difficult for the organization because, Spacek said, they had no way to plan for the expenses of their future technology needs.

In February 2008, ArtsMemphis became a masterIT client at a board member's suggestion.

"We went through a refreshing of our environment and since then, we have virtually no problems with our technology on a daily basis," said Spacek. "We also know how much we're going to spend on technology each month, and we can budget for it."

Drake said a third of his clients choose managed service, and that his company's fixed-fee revenues increased by 50 percent in 2008 after the company received accreditation by the global Managed Service Provider Alliance. He now employs 17 regular staff members and eight subcontractors.

Clients' monthly fees can be "anywhere from \$500 to several thousand depending on their size and needs," according to Drake, but he believes that on average they save about 20 percent in overall IT expenses.

"As we assessed it, we would be spending money to replace servers and desktops, but (masterIT) incurs those costs, not us," Spacek said. "Over a three- to five-year period, assuming you'd make those investments, it made a lot of sense for our organization. That's just in terms of dollars, but there's also the time that we're not spending dealing with (technology)."

SMALL TALK

Outside workers replacing staffers

By JOYCE M. ROSENBERG
Associated Press

NEW YORK — As the recession forces small businesses across the country to cut expenses, some are making a dramatic shift — they're laying off employees and using independent contractors instead.

Back in 2006, Ron Gold had only full-time employees in his advertising agency, but business began to slip and he began using freelancers. Last year, he closed the agency and started a marketing services firm, using only independent contractors — some of whom used to be former staffers.

"It was not that we wanted to hurt anybody, but we needed to grow," said Gold, owner of Marketing Works in East Setauket, N.Y.

Bonnie Harris also began using independent contractors when her marketing business slowed in the summer of 2007. Until that point, she had four full-time employees as well as part-timers.

"My business was really having a hard time and the biggest problem was payroll taxes and employees, carrying salary burdens," said Harris, owner of Wax Marketing in St. Paul, Minn. "I couldn't pay myself because I was paying these people."

So she began replacing her employees with independent contractors. The result: "2008 was our best year."

There are many benefits to hiring contractors rather than employees, and not just during a recession. Businesses don't have to pay for benefits and don't owe the government payroll taxes for contractors. When there's less work to be done, the contractor isn't paid, unlike the employee who draws a regular salary.

There are other pluses: Owners can hire different contractors for different projects, depending on workers' strengths and talents.

It also means less time spent managing workers. Harris has an unexpected feeling of relief without any employees.

But making the switch from full-time employees to contractors also had a learning curve for Harris — supervising an independent contractor is very different from overseeing the work of someone on your payroll.

The difficulty that Harris encountered comes in part from the fact that independent contractors must by law be treated differently from employees. An owner doesn't have what the IRS calls the right of control over contractors — for example, the place where they work, the hours they put in on a project, the tools they use and how much supervision there is.

If a worker is too much under the control of an owner, the IRS could find that this is in fact an employer-employee relationship, and the business then must pay Social Security and Medicare taxes retroactively and will also have to pay penalties.

Owners can find information on this on the IRS Web site at irs.gov/businesses/small/.

One way to avoid any problems is to spell out in writing at the start of a relationship how it will be conducted. And, as it proceeds, to be sure that both the owner and the contractor adhere to that description.

PEOPLE IN BUSINESS



David Prather

■ David A. Prather has re-joined Ford & Harrison, a national labor and employment law firm, as senior counsel.

■ The following have been promoted at Reynolds, Bone & Griesbeck Certified Public Accountants and Advisors: **Amy Albert**, audit senior; **Mary Johnston**, audit senior; **Joseph Callicutt**, audit senior; **Anne Hull**, CPA to tax senior; **Sherry Burrage**, CPA to tax manager; **Todd Bobo**, audit senior manager; **Terry**

Johnson, audit senior manager; **Lewis Perkins**, audit senior manager; **Kay Williams**, audit senior manager, and **Laurinda Ingram**, tax senior manager. **Ralph Gabb** has joined the firm's auditing staff. **Will McQuiston**, **Park Roach** and **Lee King**, students at the University of Mississippi, and **Rebecca Horton** and **Kelly Summons**, students at Christian Brothers University, are participating in the firm's internship program.

To submit items for People in Business, please e-mail information and photos to cbiznews@commercialappeal.com.

WHAT TO DO

Today

Engineers' Club of Memphis meeting and lunch: 11:30 a.m., University of Memphis Holiday Inn, 3700 Central. Fee: \$14. Speaker: Jay Coughman, Allen and Hoshall. Topic: "Modern Surveying - A discussion on the current technology of land surveying."

HealthSpring ABCs of Medicare: 2 p.m., Memphis Health Center, 360 E.H. Crump. For information, call (866) 593-4468.

Tuesday

HealthSpring ABCs of Medicare: 10:30 a.m., 1750 Madison, fifth floor. For information, call (866) 593-4468.

Wednesday

Kiwanis Club of Memphis meeting: Noon-1 p.m., The Peabody, 149 Union. Speaker: Dr. Michael Ugwueke, CEO of Methodist Health Care South Hospital. Fee: \$24.

To submit items for What to Do, please e-mail information to cbiznews@commercialappeal.com.