N.O. IT STRATEGY LLC

WHITE PAPER

MSP vs. Internal IT: When the Numbers No Longer Support External IT

A data-driven framework for SMBs and mid-market organizations evaluating the transition from managed services to internal IT.

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Executive Summary

For businesses under 50 users, outsourcing IT to a Managed Service Provider (MSP) is almost always the right financial and operational decision. The coverage is broader, the expertise is deeper, and the cost is lower than any single internal hire can match at that scale.

That calculus changes as organizations grow. The per-device and per-user fees that make MSP relationships cost-effective at small scale begin to compound at 50, 75, and 150 users. Out-of-scope billing adds a variable layer on top of the base contract. The gap between what the MSP charges and what an internal team costs narrows to the point where the comparison demands a serious look.

This white paper builds that comparison at four stages of business growth: 25, 50, 75, and 150 users. It uses conservative, nationally sourced pricing data for both MSP contracts and internal IT salaries, cited throughout. It acknowledges the full range of MSP pricing models, including all-inclusive and hourly arrangements, and qualifies where the figures in this analysis apply and where they do not.

The central finding is this: the decision to transition from outsourced to internal IT is not primarily a cost decision at smaller scales. It becomes one at larger scales. At 150 users and beyond, the financial case for internal IT is strong. The strategic case, including institutional knowledge, organizational control, and long-term alignment, is compelling at every stage.

This paper does not advocate for any particular vendor, pricing model, or transition approach. It is designed to give business owners and financial decision-makers the factual foundation to ask better questions of their current provider and make a more informed decision about their IT strategy going forward.

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The Question Worth Asking

At some point in the life of a growing business, someone in the room looks at the monthly IT invoice and asks the question out loud.

> *Look at how much we are paying our Managed Service Provider (MSP)! I wonder what it would cost to have our own internal IT team?*

It is a fair question, and for some businesses that moment hits sooner than others. Sometimes the answer is simply in doing the math. That is exactly what this briefing is focused on: building the full picture of what an MSP relationship actually costs, what internal IT actually costs, and what the comparison looks like at four stages of business growth: 25, 50, 75, and 150 users. No vendor advocacy. No inflated numbers. Just the arithmetic.

Pricing Disclaimer: *All figures in this briefing represent conservative national estimates based on publicly available MSP pricing data as of early 2026. Actual costs vary significantly by geography, environment complexity, provider size, and contract scope. Your market may be higher or lower. Use these figures as a framework for asking the right questions, not as a substitute for getting actual quotes from providers in your area.*

How MSP Pricing Actually Works

Before the numbers make sense, you need to understand how the bill is built. Most MSPs serving SMBs and mid-market organizations with hybrid environments (local Active Directory, on-premises servers, and cloud services like Microsoft 365 or Google Workspace running alongside each other) use a combination of per-device and per-user pricing, with flat fees layered on top for infrastructure management.

Some MSPs bill exclusively on an hourly basis, charging only for the time a technician spends on your environment with no recurring monthly contract. If that describes your current relationship, the monthly contract figures in this briefing will not map directly to what you are paying. This guide can still be of significant value to you. Pay particular attention to the sections comparing internal IT staffing costs at each user tier. That is where the most relevant comparison lives for your situation.

It is also worth noting that many businesses today, and increasingly so in recent years, operate in fully cloud-based environments. If your organization runs entirely on cloud services with no on-premises servers or local infrastructure, the server management fees in this briefing do not apply to you. Your MSP cost structure will look lighter on the infrastructure side. The user-based line items, including M365 or Google Workspace management, cloud backup, security stack, and helpdesk, will still be relevant.

The base contract covers the predictable, recurring work. Here is what those line items typically look like:

Service	Billing Model	Conservative Rate
Workstation management	Per device/month	$50
Server management (hybrid AD)	Per server/month	$200
Firewall / network management	Flat/month	$150
M365 / Google Workspace management	Per user/month	$15
M365 / Google Workspace backup	Per user/month	$8
Security stack (EDR, email filter, MFA)	Per user/month	$15

Service	Billing Model	Conservative Rate
Helpdesk / remote support	Bundled	Included

Out-of-Scope Work: When the Hourly Clock Starts

The moment a request falls outside the defined scope of the base agreement, the meter runs. This is not unique to bad MSPs. It is how the model works. The base fee covers steady-state management. Anything that changes, grows, breaks unexpectedly, or requires project-level effort is billed separately.

First, a qualification. Well-structured MSP contracts often include routine items such as standard new employee onboarding, basic software installs, routine adds and moves, and standard M365 or Google Workspace administration. What falls outside even a solid contract tends to be work that requires significant time, specialized skills, or project-level planning:

- Infrastructure projects: server replacements, office moves, network builds, cloud migrations
- After-hours emergency response, unless specifically contracted with a premium SLA
- Hardware procurement, configuration, and deployment
- Compliance preparation and audit readiness work
- Major software rollouts or line-of-business application migrations
- New employee onboarding and offboarding beyond contract thresholds, if volume limits apply

Hourly rates for out-of-scope work vary by technician tier and time of day. Industry data from Clutch (2026) places standard IT services hourly rates at $100 to $149 per hour nationally. Advanced security and senior engineering work ranges from $150 to $400 per hour (IronEdge Group, 2025).

Work Type	Tier 1 (Helpdesk)	Tier 2 (Systems/Network)	Tier 3 (Senior Engineer)
Business hours, remote	$100/hour	$125/hour	$150/hour
Business hours, onsite	$125/hour	$150/hour	$175/hour
After-hours, remote	$150/hour	$200/hour	$250/hour
After-hours, onsite / emergency	$175/hour	$225/hour	$300+/hour

Sources: Clutch IT Services Pricing Guide, April 2026; IronEdge Group Managed IT Services Pricing Guide, August 2025; Velo IT Group Managed IT Services Cost Guide, March 2026.

25 Users: The MSP Is the Right Answer

At 25 users, there is no real argument for building internal IT. The math is not close.

Line Item	Detail	Monthly Cost
Workstations	25 devices x $50	$1,250
Servers	2 x $200	$400

Line Item	Detail	Monthly Cost
Firewall / network	Flat	$150
M365 / GWS management	25 x $15	$375
M365 / GWS backup	25 x $8	$200
Security stack	25 x $15	$375
Helpdesk	Bundled	$0
Base Contract Total		**$2,750/month**

Now compare that to the alternative. The minimum viable internal IT hire for a 25-person business is a helpdesk technician or IT generalist. According to the U.S. Bureau of Labor Statistics Occupational Outlook Handbook (2024), the national median salary for computer user support specialists is approximately $63,256 per year (source: BLS OOH; Glassdoor, 2025). Fully loaded costs, including salary, payroll taxes, benefits, training, and equipment, typically add 25 to 30 percent on top of base salary. That puts the position at approximately $79,000 to $82,000 annually, or $6,600 to $6,850 per month.

And that one person:

- Works business hours only
- Has no backup coverage when sick or on vacation
- Has one skill set, limited to whatever they were hired for
- Cannot provide cybersecurity expertise, cloud architecture, or compliance guidance
- Requires ongoing training investment to stay current

> *At 25 users, a single internal hire costs more than the MSP, covers less, and leaves the business exposed the moment that person is unavailable. The MSP wins this stage decisively.*

A well-run MSP relationship at 25 users delivers something genuinely valuable: an entire team of specialists, including network engineers, security analysts, helpdesk techs, and a virtual CIO, for a monthly fee that a single salary cannot match. The breadth of coverage is real. The economics make sense. This is the model working as intended.

50 Users: The MSP Still Makes Sense, If the Relationship Is Healthy

At 50 users the conversation gets more nuanced. The base contract grows, the out-of-scope events become more frequent as the business becomes more complex, and the monthly all-in number starts to climb. The MSP model can still be the right answer. The qualifier is whether the relationship is actually delivering what it is supposed to.

Line Item	Detail	Monthly Cost
Workstations	50 devices x $50	$2,500
Servers	3 x $200	$600
Firewall / network	Flat	$150

Line Item	Detail	Monthly Cost
M365 / GWS management	50 x $15	$750
M365 / GWS backup	50 x $8	$400
Security stack	50 x $15	$750
Helpdesk	Bundled	$0
Base Contract Total		**$5,150/month**

Add a realistic month of out-of-scope activity, such as two new hire setups, one onsite visit, and one small project, and you are looking at an additional $800 to $1,500 on top of the base. A real all-in number at 50 users runs $5,950 to $6,650 most months. A bad month with a server issue or after-hours emergency pushes past $8,000.

That number is still defensible. The condition is that you are getting the full value of the relationship. So what does a healthy MSP relationship actually look like at this stage?

What a Healthy MSP Relationship Delivers at 50 Users

- **A dedicated point of contact who knows your environment.** Not a different tech every call. Someone who has been in your server room, knows your line-of-business applications, understands your compliance requirements, and can speak to your history without you re-explaining it.
- **Proactive communication, not just reactive response.** You hear from them before something breaks, not just after. Quarterly reviews. Capacity planning conversations. Heads-up on licensing changes or end-of-life hardware before it becomes a crisis.
- **A documented environment.** Your network diagrams, server configurations, application dependencies, and credentials are current, organized, and accessible. Not living in one tech's head.
- **Strategic input, not just ticket closure.** At this size, technology decisions start to have real business consequences. A good MSP relationship surfaces those conversations, including vendor contract renewals, cloud migration readiness, and security posture gaps, without you having to ask.
- **Transparent billing.** You know before the month starts roughly what you will pay. Out-of-scope work is scoped and approved before it happens, not discovered on the invoice.

> *If you have all five of those things at 50 users, your MSP relationship is working. The value is real and the model makes sense. If you are missing two or more of them, you are paying for something you are not receiving. That is a different conversation.*

75 Users: The Math Starts Shifting

At 75 users, the base contract alone crosses a threshold that makes the internal hire conversation unavoidable. The gap between the two options has closed enough that it demands a serious look.

Line Item	Detail	Monthly Cost
Workstations	75 devices x $50	$3,750
Servers	4 x $200	$800

Line Item	Detail	Monthly Cost
Firewall / network	Flat	$150
M365 / GWS management	75 x $15	$1,125
M365 / GWS backup	75 x $8	$600
Security stack	75 x $15	$1,125
Helpdesk	Bundled	$0
Base Contract Total		**$7,550/month**

With a realistic out-of-scope layer on top, the all-in monthly number at 75 users runs $8,500 to $10,500 in a normal month. A month with a major incident or infrastructure project pushes well past that.

According to the U.S. Bureau of Labor Statistics, the national median salary for network and computer systems administrators is $96,800 per year (BLS OOH, 2024). A solid systems administrator runs approximately $121,000 to $126,000 fully loaded annually, or $10,100 to $10,500 per month in most markets.

The gap is closing. But one person still has the same limitations as before: single point of failure, no after-hours coverage, narrow skill set, no strategic leadership.

> *At 75 users, the question is no longer "Can we afford to build internal IT?" The question is "What are we actually buying from our MSP, and is it worth the premium over a direct hire?" That is a healthy question to be asking. The answer depends entirely on the quality of the relationship.*

If the relationship is strong, with a documented environment, proactive service, strategic input, and consistent personnel, the premium may still be worth it. If the relationship has degraded into ticket closure and monthly invoices, the math is already telling you something.

150 Users: The Numbers Make the Argument

At 150 users, the spreadsheet stops being a conversation starter and starts being a decision driver. The base contract alone reaches a level where you can staff a complete internal IT department at a comparable cost while keeping more control in the process.

Line Item	Detail	Monthly Cost
Workstations	150 devices x $50	$7,500
Servers	6 x $200	$1,200
Firewall / network	Flat	$150
M365 / GWS management	150 x $15	$2,250
M365 / GWS backup	150 x $8	$1,200
Security stack	150 x $15	$2,250
Helpdesk	Bundled	$0

Line Item	Detail	Monthly Cost
Base Contract Total		**$14,550/month**

With out-of-scope activity factored in, the realistic all-in number at 150 users runs $16,000 to $19,000 most months. That is an annual IT spend of $192,000 to $228,000, paid to an external provider for an environment you do not fully own or control.

Here is what that same budget builds internally:

Internal Role	BLS Median Base Salary	Fully Loaded Monthly Est.
IT Manager / Director	$169,510/yr (BLS OOH, 2024)	~$18,300/month
Systems Administrator	$96,800/yr (BLS OOH, 2024)	~$10,450/month
Helpdesk / Support Technician	$63,256/yr (Glassdoor, 2025)	~$6,850/month
Full Internal Team (3 People)	**Sources: BLS OOH; Glassdoor**	**~$35,600/month**

At approximately $35,600 per month fully loaded, a three-person internal IT team costs meaningfully more than the MSP base contract at 150 users. That is an important clarification. The math at this stage is not that internal IT is cheaper. It is that the gap has narrowed enough that the decision is now about value, control, and organizational fit, not just cost. What you get in return for that investment is fundamentally different:

- **Institutional knowledge that stays.** Your IT team knows your environment because they live in it every day. That knowledge does not walk out the door when a technician takes a job elsewhere.
- **Onsite presence.** Your team is physically in the building. They see what is happening, respond immediately, and are part of the organization.
- **Control over your own stack.** Your tools, your licenses, your documentation. No dependency on a vendor's RMM platform or their tooling ecosystem.
- **Aligned priorities.** Your internal team's job is to serve your business. Only your business. Not a portfolio of fifty other clients.

> *At 150 users, the math no longer makes internal IT the obvious cheaper choice. It makes it the obvious strategic conversation. The question shifts from cost to control, institutional knowledge, and long-term organizational fit.*

More Than 150 Users: The Math Gets Stronger

If your organization has grown beyond 150 users and you are still operating with a fully outsourced MSP relationship, the financial case for building internal IT becomes more compelling with every user you add.

The per-user and per-device fees in a managed services contract scale linearly. Every new workstation, every new user, every new server added to the environment adds directly to the monthly recurring cost. At 200 users, a standard line-item contract using the rates in this briefing runs approximately $19,400 per month on the base contract alone. At 250 users, that base climbs to roughly $24,250 per month.

Meanwhile, the cost of a three-person internal IT team does not scale the same way. The same IT Manager, Systems Administrator, and Helpdesk Technician that supports 150 users can, in most environments, absorb 200 or even 250 users without adding headcount. The team cost stays relatively flat while the MSP cost continues to climb.

> *At 150 users the decision is strategic. At 200 users it is financial. At 250 users and beyond, continuing to fully outsource IT is difficult to justify on a pure cost basis alone.*

There are legitimate reasons larger organizations maintain MSP relationships even at scale: specialized compliance requirements, multi-location complexity, specific security certifications, or a deliberate decision to keep the IT function lean and outsourced. Those are valid strategic choices. The point is that they should be deliberate choices made with full visibility into the numbers, not a default that persists because the comparison was never run.

If your organization is above 150 users and has not done a full cost comparison recently, that analysis is overdue.

The Gap the Math Does Not Show

The numbers above make the financial case. But there is a second layer to this decision that does not appear on a spreadsheet. It is the one that catches businesses off guard when they make the move without accounting for it.

Three people handle the technical work. Nobody is handling the strategy.

An IT Manager at the helm of a three-person team is focused on keeping things running. That is the job. What that role does not naturally produce is a technology roadmap. Vendor contract governance. Budget planning tied to business objectives. Security posture leadership. Compliance oversight. The thinking that happens above the operational layer.

In a well-run MSP relationship, the vCIO function provides some of that, even if it is light. When you build internal IT without replacing that function, you end up with operations coverage and a strategic gap. The team keeps things working. Nobody is asking where the technology needs to be in three years.

This is where the fractional IT Director and vCIO model earns its place in the structure. It is not a replacement for the internal team. It is the strategic layer that sits above it, owning the roadmap, the vendor relationships, the security posture, and the alignment between technology decisions and business direction.

The internal team handles execution. The fractional IT Director handles strategy. Together they cover the full scope of what a mature IT function actually requires.

The Decision at a Glance

User Count	Base MSP Cost	All-In MSP Est.	Internal Option (Fully Loaded)	Verdict
25 users	$2,750/mo	$3,500-$4,500/mo	1 tech: ~$6,850/mo	MSP wins
50 users	$5,150/mo	$6,000-$8,000/mo	1 tech: ~$6,850-$10,450/mo	MSP if healthy

User Count	Base MSP Cost	All-In MSP Est.	Internal Option (Fully Loaded)	Verdict
75 users	$7,550/mo	$8,500-$10,500/mo	1-2 staff: ~$10,450-$28,750/mo	Evaluate hard
150 users	$14,550/mo	$16,000-$19,000/mo	3-person team: ~$35,600/mo	Strategic decision

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A Note on All-Inclusive MSP Pricing

The pricing model used throughout this briefing reflects the line-item, per-device and per-user structure that is common in the SMB and mid-market MSP space. It is accurate for many providers. It is not the only model that exists.

A significant number of MSPs, particularly mature, full-service providers, operate on an all-inclusive or flat-rate model. Under this structure, a single per-user monthly fee covers everything: helpdesk, remote support, onsite visits, after-hours response, patching, backup, security stack, M365 or Google Workspace management, and in many cases vCIO services. No out-of-scope billing. No surprise invoices. One number, every month.

That model is genuinely valuable. It is priced accordingly. Industry data places all-inclusive MSP pricing in the range of $175 to $300 per user per month for a comprehensive, no-surprises engagement (Velo IT Group, 2026; MSPAA, 2025). At 50 users that is $8,750 to $15,000 per month. At 150 users, $26,250 to $45,000 per month.

If you are in an all-inclusive relationship, the base contract figures in this briefing will look lower than what you are paying. That is by design. Your MSP is absorbing the variable costs, the after-hours calls, and the project work that would otherwise appear as separate line items. You are paying a premium for predictability, and for many organizations that premium is well worth it.

> *The point of this briefing is not to characterize any particular pricing model as better or worse. It is to make the total cost visible, in whatever form that cost takes, so the comparison to internal IT is made on accurate footing.*

If you are evaluating your current MSP relationship or comparing options, the right question is always the same: what is the full annual spend, and what does that investment deliver? The model that answers that question most honestly is the right one for your organization.

How to Use This Analysis

The numbers in this document are a framework, not a formula. They are built from national salary data, published MSP pricing ranges, and industry research. They are intended to give you a structured way to think about the decision, not to make the decision for you.

Every situation is different. Your market affects what MSPs charge and what IT talent costs. Your environment, including its complexity, compliance requirements, number of locations, and infrastructure age, affects what managed services actually cost to deliver. Your organization's risk tolerance, growth trajectory, and internal management capability all affect whether internal IT is the right move and when.

A few things this briefing cannot tell you:

- **What your specific MSP contract costs to deliver.** MSPs price for their market, their cost structure, and the complexity of your environment. Your actual contract may be higher or lower than the figures here.
- **What IT talent costs in your geography.** Salaries in rural Oregon are not the same as salaries in Seattle or Chicago. The BLS figures cited here are national medians. Your local market may require meaningful adjustments in either direction.
- **Whether your organization is ready for the transition.** The math is one input. Operational readiness, leadership bandwidth, and the quality of your current MSP relationship are equally important factors that no spreadsheet can capture.

Use this briefing to start the conversation, not to end it. If the numbers prompt you to look more closely at your IT spend and ask harder questions of your provider, or yourself, it has done its job.

Conclusion

The MSP model is not broken. For businesses under 50 users, it is genuinely the right answer: more coverage, more depth, and more resilience than any single hire can provide at that price point.

The model was built for a specific stage of business. As the user count grows, as the environment gets more complex, and as the monthly invoice climbs, the economics shift. The math makes that shift visible. The math does not lie.

The question is not whether to build internal IT. The question is when, and how to do it without creating a bigger problem than the one you are solving.

That transition, done well, requires a plan. A timeline. A clear picture of what the MSP is handing off and what the internal team is picking up. A documented environment that does not disappear when the contract ends. A strategic layer that provides IT leadership above and separate from the technical work.

Organizations that get this right treat the transition as an organizational change, not a staffing decision. They move deliberately, maintain continuity, and build internal capability in stages. They do not fire their MSP on a Friday and expect a fully functional internal team by Monday.

If the numbers in this paper prompted you to look more closely at your current IT spend, that is a productive starting point. The next step is a structured conversation with someone who has navigated this transition from both sides: as an MSP technician who built and maintained client environments, and as an IT Director and CIO who inherited them.

> *If your organization is approaching this inflection point, N.O. IT Strategy LLC offers a no-obligation discovery call to help you assess where you are, what the full cost picture looks like for your specific environment, and what a structured transition would require.*

Schedule at noitstrategy.com or reach out directly at strategy@noitstrategy.com.

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Nate Olson has 16 years of IT experience spanning MSP technician work, IT Director, and CIO roles inside corporate organizations. He started his career on the MSP side, building and supporting client environments from the ground up, and went on to serve as IT Director and CIO managing multi-location environments, substantial technology budgets, and executive-level technology strategy.

In January 2026, Nate founded N.O. IT Strategy LLC to provide fractional IT Director and virtual CIO services for small and mid-sized businesses. His engagements are built around three service lines: Fractional IT Director/vCIO, Digital Business Foundation, and MSP-to-Internal-IT Transition.

The analysis in this white paper draws on his direct experience on both sides of the MSP relationship: as the technician documenting client environments, and as the IT leader evaluating whether to keep the MSP contract or bring IT in-house.

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