

BTR: As MSPs Mature, Consolidation and Operational Discipline Drive the Next Wave of Growth

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/EINPresswire.com/ -- As small and mid-sized businesses continue to outsource their IT operations, the managed service provider (MSP) market is undergoing a quiet transformation — from a fragmented cottage industry to a maturing, data-driven, and increasingly consolidated sector.

Fueled by rising cybersecurity demands, vertical compliance requirements, and rapid advances in automation and AI, MSPs are evolving from reactive tech support shops into full-scale IT partners. But not all MSPs are keeping up with the pace of change.

According to industry veteran Paul Daigle, CEO of [Biz Advisory Board](#), the widening gap between high-performing MSPs and the long tail of under-resourced providers is reshaping the competitive landscape. “You’ve got a clear divide emerging between MSPs with scalable infrastructure and those still operating like local service shops,” Daigle said in a recent BizTechReports vidcast.



Paul Daigle, Biz Advisory Board

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A Market on the Rise

The broader market context is bullish. The global managed services market, valued at \$297.2 billion in 2024, is expected to grow to \$330.4 billion in 2025, ultimately reaching \$878.7 billion by 2032, according to Fortune Business Insights. This growth represents a compound annual growth rate (CAGR) of 15.0%, driven largely by the need for outsourced IT management among SMBs, cloud adoption, and heightened security needs.

In North America, which accounts for 43.8% of the global

market share, MSPs are increasingly positioned as strategic enablers of digital transformation rather than just break-fix providers.

The competitive environment is intensifying as more businesses adopt hybrid cloud environments, remote work models, and AI-powered security tools — all of which require specialized expertise that many internal IT teams lack. As a result, MSPs are evolving into essential business enablers, with differentiation now hinging on industry specialization, automation capabilities, and the ability to deliver measurable outcomes.

Consolidation Accelerates as Complexity Grows

As MSP clients demand more sophisticated services — including layered cybersecurity, cloud orchestration, and compliance support — smaller providers face mounting operational and financial pressure. This is driving a wave of consolidation across the industry.

“Mature MSPs in the \$6 million to \$12 million revenue range are acquiring smaller competitors to expand capabilities and vertical expertise,” Daigle noted. “It’s no longer viable to be a generalist. The winners are standardizing on specific industries like healthcare, finance, and legal, and scaling their delivery models accordingly.”

Focusing on specific industries early allows MSPs to build deep institutional knowledge, develop reusable solution frameworks, and establish long-term relationships with clients who share similar operational needs. This foundation enables more efficient service delivery, stronger client retention, and creates a natural runway for both organic growth and strategic acquisitions.

The sector saw 71 M&A transactions in Q4 2024 alone, and 2025 is expected to bring a 50% increase in MSP deal volume, according to analysts at Greenwich Group and Austindale Capital. Private equity interest remains high, due in part to the sector’s high-margin, recurring revenue structure — with top-performing MSPs generating EBITDA margins of 30–40%.

Daigle pointed out that operational discipline, not just technical capability, is the main differentiator: “Once MSPs build out executive teams, invest in core business functions, and benchmark themselves against their peers, they scale faster and attract higher valuations.”

AI Moves from Hype to Operational Advantage

While artificial intelligence has generated buzz across the tech sector, MSPs are starting to apply AI in targeted, results-driven ways — particularly in customer service, cybersecurity, and IT operations.

“About 80% of the AI tools we’re seeing are deployed on the client side — to automate remediation, predict outages, and streamline security responses,” said Daigle

This aligns with recent data from Canalys, which reports that 53% of MSP partners are already realizing significant opportunities with AI. Efficient use of AI — especially for filtering alert noise, automating patching, and self-healing systems — is quickly becoming a competitive necessity rather than a novelty

“AI is helping MSPs shift from reactive to predictive service models,” Daigle added. “That translates directly into margin expansion and improved client satisfaction.”

By leveraging AI to anticipate and resolve common issues before they affect the end user, MSPs can reduce ticket volume, shorten resolution times, and provide a more seamless client experience. Intelligent chatbots, automated onboarding workflows, and proactive system alerts are making it easier for MSPs to deliver faster, more personalized support — while freeing human technicians to focus on high-value tasks.

The Path Forward: Scale with Strategy

While demand for managed services remains strong, the sector is clearly bifurcating. Larger, more disciplined firms are pulling away from the pack through specialization, acquisition, and investment in scalable infrastructure.

Meanwhile, many smaller MSPs — often led by technically adept founders without formal business structures — are struggling to keep pace.

Smaller MSPs in the \$1 million to \$4 million revenue range often lack dedicated marketing, sales, or HR functions. Without repeatable processes or formal leadership structures, they rely heavily on the founder's technical expertise to drive growth. This limits their ability to scale, attract capital, or compete for larger clients that demand standardized service delivery and robust compliance.

“The MSPs that grow past \$6 million and \$12 million have built repeatable, industry-specific playbooks and invested in leadership,” Daigle said. “Those that don’t are becoming acquisition targets or stagnating.”

With market conditions less-than-favorable and capital now more expensive and challenging to secure, the level of discipline exercised by MSP leaders over the next few years will define the long-term winners of the sector.

[Click here to read the Q&A Feature based on this interview.](#)

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