DEMYSTIFYING THE ESSENTIALS OF MANAGED SERVICES - THE BALBHAS APPROACH

Executive Summary

This article briefly presents the current trends in IT Managed Services engagements. It highlights certain challenges and gaps that hinder the greater success/ adoption of Managed Services arrangements. Balbhas, a leading Automation and Technology Services company, provides its view on the *ideal structure* of a Managed Services delivery model. The Balbhas service delivery framework, ***B-NSure^TM*** illustrates the core ingredients of Managed Services such as Service Ownership, Service & Process Industrialization, Business Aligned IT, Continual Service Improvements, Committed Transformation, Continuous Automation, Outcome-based delivery and Risk Management. This article also provides a quick approach how to migrate to Manage Services and a short note on key enablers and success factors for this migration.

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About Balbhas
Balbhas is a Leader in Automation & Technology Services to IT customers of Small, Medium and enterprise businesses. Balbhas focuses on areas such as Development Process Automation, Support Process Automation and Performance Engineering, with an objective to accelerate customers business and optimize their IT spend through large scale automation, simplification and optimization strategies.

1 BACKGROUND

The term, "**Managed services**" refers to the management of an organization's in-house functions by a third-party service provider. Generally, a Managed Services engagement with a service provider is expected to aid in enhancing operational efficiencies and cutting down the organizational expenses for a customer. The scope of Managed Services includes services that deal with applications, network, security, infrastructure, cloud, mobility, printing etc. which support the IT users and business users. Although Managed Services concept has been in use in the past 10+ years, the adoption of Managed Services has not been so fast/ vast. From the customer/ organizational view point, some of the barriers for Managed Services adoption are: Lack of control on resources, perceived risk of service degradation, risk of not being cost effective, internal resistance, location/ cultural differences etc.

According to the market research, Managed Services, as a concept, has been snowballing, consistently. The Mordor Intelligence 2016 report shows a gradual increase in the size of Managed Services market, globally. If we look back, the Managed Services market was 128B USD in 2014. This is expected to grow from USD 152.45 Billion in 2017 to USD 257.84 Billion by 2022. With so much potential to grow in the Managed Services market, the concepts are still evolving and not consistent across the industry.
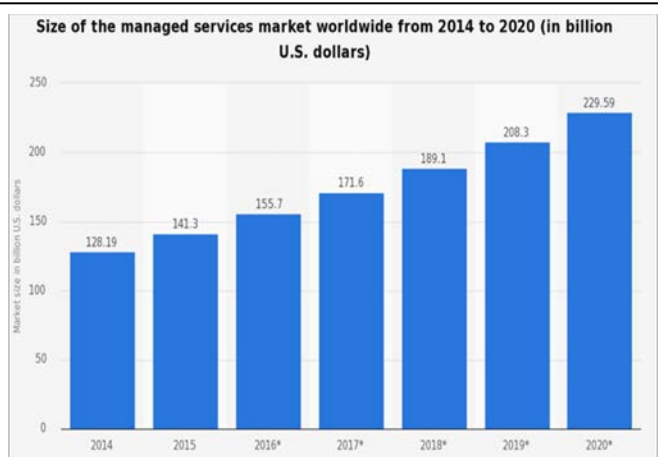
Source: Mordor Intelligence Report 2016
https://www.mordorintelligence.com/industry-reports/global-managed-services-market-industry

The "Managed Services", as a term, is used differently, by different players. *Many think that a managed service provider monitors and maintains a customer's IT system on a regular basis and charges a monthly fee for the service.*In this article, Balbhas, an automation and technology service provider, is sharing its different views on Managed Services. While recapping its experience in this area, Balbhas ispresenting its thought leadership.

2. BALBHAS DEFINITION

Balbhas is favour of a Managed Services model in which the IT function of a customer is relieved from heavy demand for services amid growing complexity, with limited in-house resources &lack of expertise. This model should handle the continuous pressure on IT due to shrinking IT budgets but deliver business value&innovative outputs.

> *"Strive not be success, but rather to be of value"* – Albert Einstein
>
> *"Always give people more than what they expect to get"* – Nelson Boswell

At a high level, a managed services model is a service delivery arrangement where pre-defined services are expected to meet or exceed a minimum service level and services are provided with predictable cost, efficiency and effectiveness. In this model, the Service Provider should be completely accountable for the end-to-end service delivery. This ownership would include the day-to-day management of operations, monitoring of systems and maintenance of services without any business disruptions, plus continually improving the delivery eco-system.

> *Thus, the simple definition of Managed Services is: "Management of services with clear end-to-end ownership with a culture of continuous improvements to optimize the services and enhance the services in a value-driven approach to be able to articulate the achievement of IT to Business".*

Balbhas envisions that a Managed Services engagement must have the following **characteristics**:

- Industrialized delivery eco-system, underpinned by process & service standardization
- TCO reduction, as a bought-in program, run continuously, by the Service Provider
- Guaranteed availability of a pool of subject matter experts from the Provider
- A continuously learning service provider, bringing in the best practices and innovative solutions proactively to the customer
- Optimized service levels – Services should be in favor of the customer or end-user. Metrics are aligned to the business objectives
- Measurable outcomes & continuous value delivery – They should also be demonstrable & repeatable
- Service ownership – Be accountable for end-to-end services
- Trusted partner – Move away from a mere service provider mode
- Cost efficiency & productivity improvements – *Every quarter or every year, improvements are to be delivered, as a commitment and quantitatively reported*
- Client resources are freed-up for strategic initiatives, reduced load on governance

3. B-NSure™ – 8 COMMANDMENTS OF BALBHAS'S MANAGED SERVICES FRAMEWORK

*In **vanilla Managed Services engagements**, the focus has been largely on labour arbitrage, contracting for longer tenure and reducing the operational costs. Do these contracts address the following questions?*

- *What is the value of IT to Business?*
- *What is important for IT and Business Leadership?*
- *How does IT perform in a multi-vendor delivery structure?*
- *How does IT present its key achievements to Business?*

Such questions are generally left unanswered. Balbhas has a comprehensive proprietary framework, **B-NSure™** that provides greater focus on key components other than costs, to ensure an outcome oriented, value delivery. What are those core *commandments*?
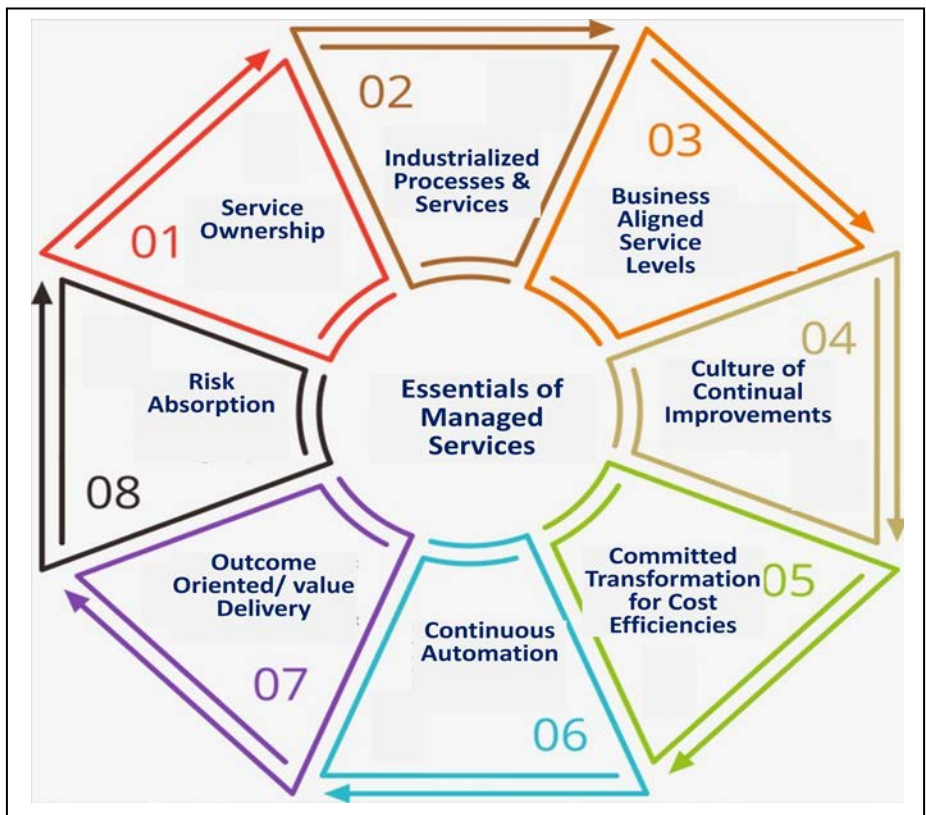
3.1 Service Ownership

There needs to be an end-user centricity in service delivery all the times in the whole enterprise of the customer.**B-1Desk**^{TM}a unified service desk solution from Balbhas, focuses on service ownership in order to provide an excellence service experience to the end-users. Whatever may be the IT service that is rendered to Business, whoever (one or more suppliers) provides the service, *only one need to be accountable for end-to-end management* of such a service. It weighs greater importance to ensure service management and integration in a multi-vendor scenario through both SLA refinements and adoption of appropriate OLAs. An integrated, real-time dashboard interlocking all IT services can be a great aid for IT Leadership to view the service performance holistically.

- Balbhas believes that 10-20% of vendor-related issues can be reduced by modernizing the vendor eco-system and refining the service ownership.
- By properly fixing the service ownership, the onus of taking decisions shall go to the primary Managed Services Provider.
- Being a Trusted Partner, the Service Provider must be always thinking about "how am I going to solve my customer's problem?", regardless of whether the customer knows such problem or not.

3.2 Industrialization of Services andProcesses

Our way of standardization of core processes and platforms is a key to industrialize our services. We employ the industry best practices in managing customers' IT resources – in particular, aligning with the ITIL-based IT service management framework. What does the customer get out of service industrialization?

- The standardization results in very high operating efficiency and tighter IT controls and greatly improves the productivity of all resources.
- This leads to a universal access to and use of a single IT Service Management system, culminating in "*one global process and one global tool*".
- We providenew valuesand appropriate timely changes based on the best practices gathered from multi-customer experiences.

3.3 Service levels aligned with Business

Response SLA and Resolution SLA are not just enough!! The combined force of IT should guarantee a throughput that aids the business to carry out a business transformation. Example – IT support & service enables the business to activate a customer in 2 hours rather than 2 days. Enhanced service qualityand effective demand management are the core values that a managed services provider should provide to IT, which will in turn greatly satisfy the business objectives. Our service delivery, driven by **B-NSure**^{TM}, is so scalable to cope with any scope &size, based on the customer' business.

- Our service ability and flexibility allows our customers to quickly &better align their IT with businessrequirements and accelerate time to market with fast provisioningof IT services and resources.
- It is important to bridge the expectation from the business and the capability of IT through creation of an enterprise-wide SLA matrix and a governance structure to sustain the service quality.

- Balbhas recommends restructuring the service levels from the top, taking business objective, as the reference and cascade the effect uniformly across the enterprise.
- IT should be in a position to quantify the unique benefits to Business, by means of service level changes and Managed Services arrangements.

3.4 Culture of Continual Improvements

Balbhas employs a proprietary framework, called, *B-Propel*^{TM}, which is designed to uncover the improvement opportunities, as a regular delivery objective. It requires an unfiltered evaluation of all opportunities which will impact the future.

> "Strive for continuous improvement, instead of Perfection" --- Kim Collins
>
> "To Improve is to Change. To be Perfect is to Change Often" --- Winston Churchill

Even small improvements such as incident escalation and auto-notifications will save a lot of time and effort for support staff. Since *B-Propel*^{TM}, being a holistic improvement methodology, is derived based on our delivery experience, it is adoptable for any customer with a great advantage of reusing the best practices and lessons learnt across all managed services engagements.

3.5 Cost efficiencies thru Committed Transformation

Balbhas strongly focuses on economies of scale and industrialization of servicesto enable us to manage the cost challenges of customers better than what their in-house team will do. For example, employing a sophisticated technique like advanced analytics can drive incident prevention through analysis of failure patterns across platforms and processes, leading to greater transformation and cost reduction.

Similar to Continual Service Improvements, *B-Propel*^{TM} also identifies the transformational opportunities and forces delivery team to commit the deployment of transformational solutions, on top of delivery bandwidth. In every opportunity, an attempt should be to introduce the emerging technologies such as Cloud, Social, Mobility and Analytics. Certain transformation examples are:

- sophisticated alert mechanisms
- advanced workload categorization
- technology refresh
- application-infrastructure synchronization
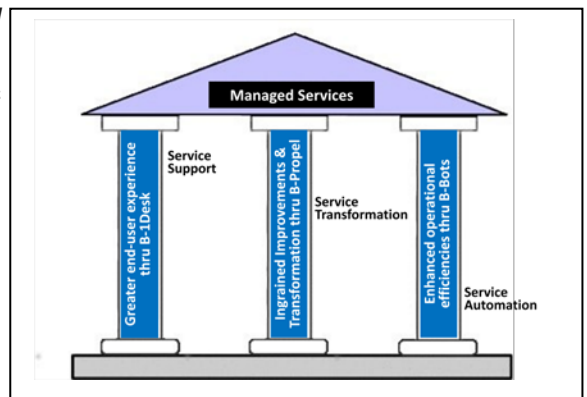
The *B-Propel*^{TM}framework comes with a Transformation Catalogue, Transformation Handbook and a Transformation portal. This framework will create a culture of "*early adopter of new technologies and an innovation leader*", rather than a "follower" attitude. With the spectrum of skills and resources, we possess the ability to transform IT systems and processes of customers in a scientific and controlled way. This commitment enables our customers to more readilyexploit IT innovations that can provide new business value and changing market environment, an on on-going basis.

- Through *B-Propel*^{TM}, Balbhas views that an year-on-year cost reduction & productivity improvement in the order of 10-15% can be definitely achieved.
- For a customer, this will translate to 30-35% cost gains for a 3-year contract and 40-45% cost gains for a 5-year contract.

3.6 Continuous Automation

Automation should be a de facto ingredient in any Managed Services delivery, as it enables the service delivery staff to be more effective and efficient, which in turn enables them to spend more of their time for value adding activities. Balbhas uses its automation framework, called **B-Bots^{TM}** that constantly injects the culture of continuous automation for the customer engagements. The objectives of continuous automation are:

- To reduce human intervention as much as possible
- To improve the service quality
- To enhance the staff productivity
- To greatly cut down the operational costs
- To eliminate the non-value added activities from the delivery
- To reduce the technology risks and vulnerabilities

Automation strategy is also a great risk mitigation mechanism to deduce risks proactively and automate a broad range of IT functions (ex: from basicpatch management to vulnerability scanning to data backup) as early as possible. Automation is to be tightly coupled with continual improvement and transformation opportunities.

3.7 Outcome Oriented/ Value Delivery

Outcomes at IT process level or at Business process level can be carved out and guaranteed if we can explore the synergies across various IT portfolios and service lines such as Applications, Infrastructure and Business Process Operations. By having a proper alignment of all the 3 major service lines, IT can commit to support Business Level Agreements. In a matured Managed Services delivery, a Provider should go for outcome based pricing options rather than the conventional application-based pricing, resource unit-based pricing. All value-additions by the IT Managed Services Provider should be quantifiable and demonstrable. As IT and Business would want to get the benefits of their purchases quickly, reliably, and consistently, a reliable "Value Articulation" framework is needed (ex: QBR). IT should be able to articulate the benefits of having moved to Managed Services; some benefits to mention:
- Faster speed to Market
- Guaranteed availability
- Performance of IT against the budget
- Throughput improvements from IT
- Return on Investment from IT investments
- Improved ability to predict cost to budget optimally

Being a Trusted Partner, the Service Provider must understand the business challenges and must take a lead to address them proactively.

3.8 Greater Risk Absorption

People risk is the biggest risk among all the risks, due to dynamics in the industry now. A matured Managed Services arrangement should reduceskills-related risk because the responsibility for attractingand retaining skilled individuals falls on the provider. Balbhas is in the best position to pool andutilize the resources among multiple customers, offering our resources greater and exposure. **B-NSure^{TM}** brings in a lot of resource flexibility to respond to changing circumstances. Our framework also addresses to reduce the risks related to security, business continuityand compliance with associated regulations.Balbhas brings proven processes,

procedures&infrastructure resources to help customers recover criticalsystems and data on a timely manner and test these procedures regularly to make work. Asa managed services provider, the provider should help the customers integrate and create a more holistic approach to the overall IT risk management.Whenever we implement any transformation, we assumemost of the risk of new technology innovation by taking care of design, investment, training and implementation.

4 How does the Managed Services journey impact the Customer?

"Moving to Managed Services is a Journey!!! It does not happen overnight. Various dots need to be touched and connected…."

4.1 Managed Services Journey

Balbhas has a structured approach to move an existing customer to Managed Services, depending on the customer internal rate of change acceptance. The migration may take anywhere between 6-18 months. However, for matured customers and new relationships, Balbhas proposes to commence the Managed Services arrangement immediately.

4.2 Major impacted areas

When the Managed Services structure is implemented, it is very relevant to discuss and chalk out a plan for those areas that will have an impact on customer. Some of the impact areas:

Delivery Model
- Service Ownership is moved to the provider
- Customer needs to concentrate on Service Management at strategic level
- Customer looks at only the critical resources from Provider
- Customer plans for internal team structure changes and communicates thru Change Managers

Process & Platform
- Customer needs to provide support for process standardization & harmonization and platform consolidation to ensure a homogeneous delivery eco-system
- The existing Process and Platform resources are to be redeployed suitably

Governance
- Formal review mechanisms are to be established with appropriate stakeholders Enablers such as integrated reports and dashboards are to be designed
- Customer needs to plan the role of the retained organization

Vendor Management
- Customer facilitates to integrate all vendors thru a set of refined SLAs and OLAs
- Contractual revisions need to be effected to rebase-line services, scope etc
- The primary Managed Services Provider can play the integrator role

Service Level Management
- The customer shall plan to establish matured service levels
- The Managed Services Provider should help the customer in identifying and formalizing certain Service Outcomes, IT Outcomes and Business KPIs

Business Communications
- IT communicates the impact of Managed Services outsourcing
- It is important to outline the primary benefits of Managed Services to Business

4.3 Empowered Organizational Change Management

As we all know, Managed Services migration is not project or program. It shall not be injected forcibly. A cultural change needs to be driven in the customer organization so that the rate of adoption of Managed Services can be faster. There are customers who a greater appetite for Managed Services whereas there are customers with lesser interest. The Change Managers should driveto accelerate the internal buy-in and expand the Managed Services structure across the enterprise.These Change Champions from both Provider end and customer end should also focus on effectively handling of softer issues such as perceived loss of control, job security, cultural barriers, time zone differences etc.

5 Concluding Remarks

Migrating from a self-managed delivery to a managed services model for a customer saves not only operational costs but also enhances the overall value of IT, especially for large customers. Balbhasis well experienced and greatly positioned in running any Managed Services delivery for any customer, with a focus on meeting today's demands as well as futureservice demands.While moving to Managed Services is a pressing need, one should ensure the following considerations:

- Integrated eco-system - Consolidation of resources (tools, people, vendors) to ensure uniformity across the enterprise
- Cultural change - Change Champion to drive change management both internally and externally
- Minimum size or scale of engagement
- Maturity of the relationship - Management oversight, reporting & review mechanisms need to exist with rigor
- Enterprise Knowledge Management System - dissipate the knowledge across the board, in a controlled manner