

ENABLING PRODUCTIVITY IN MANAGED SERVICES

WHITE PAPER



Abstract

In the last couple of decades, Enterprises have been going via the Managed services route for their operational improvements, ease of management and to handle cost challenges. Vendor Consolidation & Centralized Operations has also been one of the main objective, when IT Organizations are feeling the challenges to handle disparate geographical locations, vendors and terms and conditions.

At the same time, IT Service Providers have also been struggling to maintain the profitability of the managed services deal due to dynamic work demand, disparate skills and increasing client expectations.

A recent study shows that while new revenue for Managed Service Provider (MSP) services has actually risen by 42 percent, profit margins have shrunk by 30 percent. Some of this is because MSPs have to expand their portfolio of services, while still relying on their former pricing structures.^[2]

This whitepaper primarily focuses on one of the ways to achieve a common unit in a managed service area with multiple roles being managed, wherein both the client and the service provider can have a win-win methodology to arrive at optimum productivity and maintain profitability for the IT service provider.

History & Brief on Managed Services

Fortune 500 companies who were dealing with large networks always had to battle with fixes and resolution in time to serve their customers. They also needed a specialized partner who could take on their IT support, while they focus on their core business. In the 90's Hardware and Software Vendors were adding better ways for systems to detect problems early. As reliance on IT grows, the resources, needed to support the increasingly complex IT environment, may not be able to focus on their core tasks. In many small businesses, IT resources are limited and can be quickly overwhelmed. In the 21st century, when remote monitoring and remote resolution are no longer an issue, achieving cost optimization through MSP has been often sought by enterprises. This primarily achieves key objectives of a) Cost Optimization b) Better Network Monitoring & IT support c) Enable customer to focus on the core business d) Minimized Downtime.^[1]

Different Pricing Models

Some of the common Pricing Models for Managed services, which MSPs have been proposing to the customers are as follows^[3]

- ❖ **Flat Pricing** - Customers & the MSP usually agree on a fixed price committed over a period of time. This is typically arrived based on the expected savings on the current operational cost that the customer has to spend in his current operational set up.
- ❖ **Per device Monitoring** - Customers are charged based on the devices that they are expected to monitor and own for any resolution.
- ❖ **Per User Monitoring** - Another way of arriving at the price is how many end Customers are monitored by MSP.
- ❖ **Value based pricing** - Pricing arrived at the potential n/w outage loss that may be incurred or efficiency gains that MSP will bring.
- ❖ **Tier based models** - This is based on the various tiers of the services that MSP may list depending on the catalogue of services and their classification into Basic, Standard, and Premium.

Challenges faced by IT Service Providers

Typical challenges faced by IT Service Providers are

- ❖ **Resource Ramp up Skills availability** – some of the niche skills are not readily available across all locations
- ❖ **Offshore location** – Though it is considered the new normal, Lack of face to face connect is seemingly making the task more time consuming and challenging
- ❖ **Learning Curve** – It takes some period of stability for the new vendor to match the productivity levels of the incumbent partner/customer due to their awareness of the customer environment.
- ❖ **Transition (via Vendor Consolidation)** - A complex task, when it involves numerous roles operating from various regions with different variants of skills involved.

Why Work Unit?

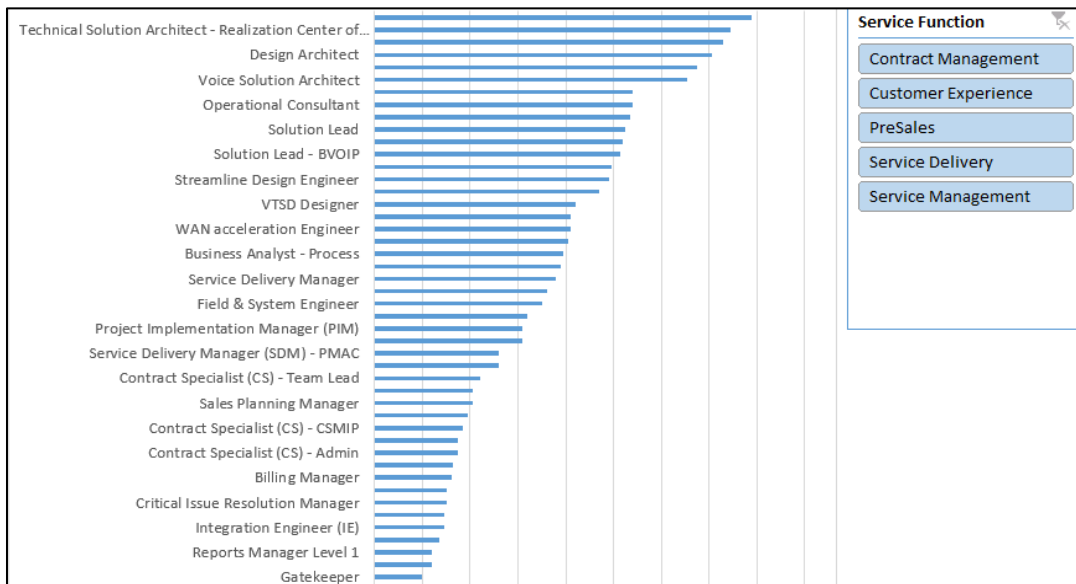
Typical Pricing models work well when you have standardized set of resources across a single location or directly transitioned from the customer organization. However, when there is a large Managed Services deal, which involve multiple roles handled by multiple Managed Services Partners, estimating and transitioning becomes difficult. Standardizing baseline productivity for different roles in a multi-geo set up is another issue that Managed Services Vendor struggles to arrive at. In such cases, if the client requirements are also to drive productivity improvements Year on Year, it becomes a major challenge for the Managed Services Vendor to retain profits for their organization.

What is Work Unit & How Do We Go About It?

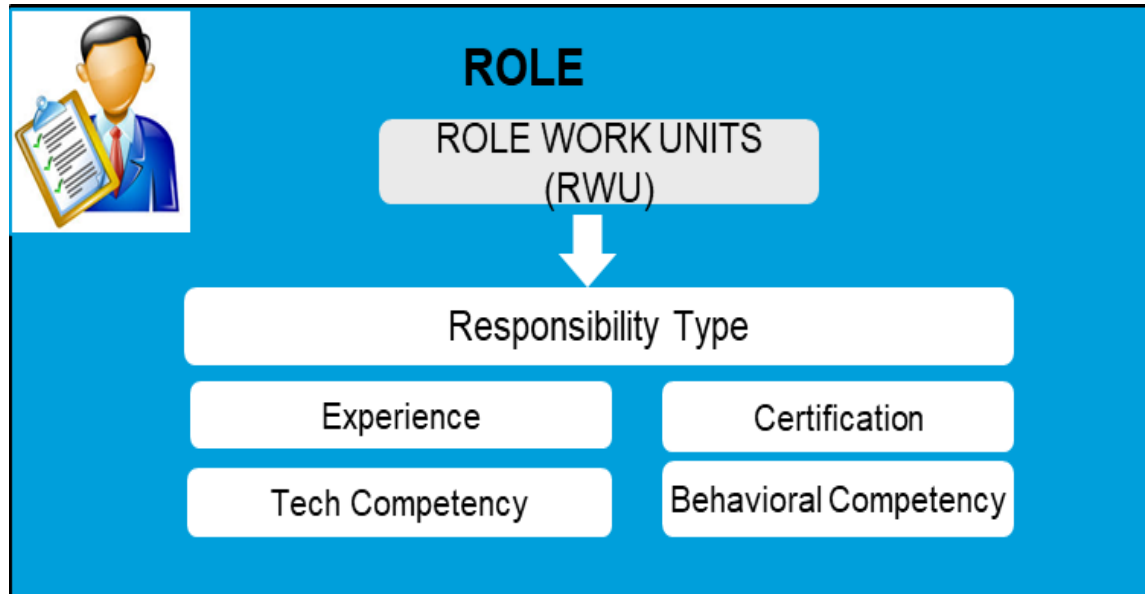
Typically every role would have an associated billing cost associated with it. With the contract now converted to Fixed Price, there has to be a way to apportion it in a logical manner. This brings us to the concept of Role Work Unit.

Role Work Unit is a measure of work delivered by a single role in a single business day.

To find what makes each role unique, arrive at a set of parameters that define the characteristics of that role & justifies the billing rate. As an example for a Managed services program, consider there were 70 odd roles that were to be managed by the offshore vendor. Define a set of parameters across 70 odd different roles, ranging from Call Centre Executive to Enterprise architect that define characteristics for the role.



Role Work Unit

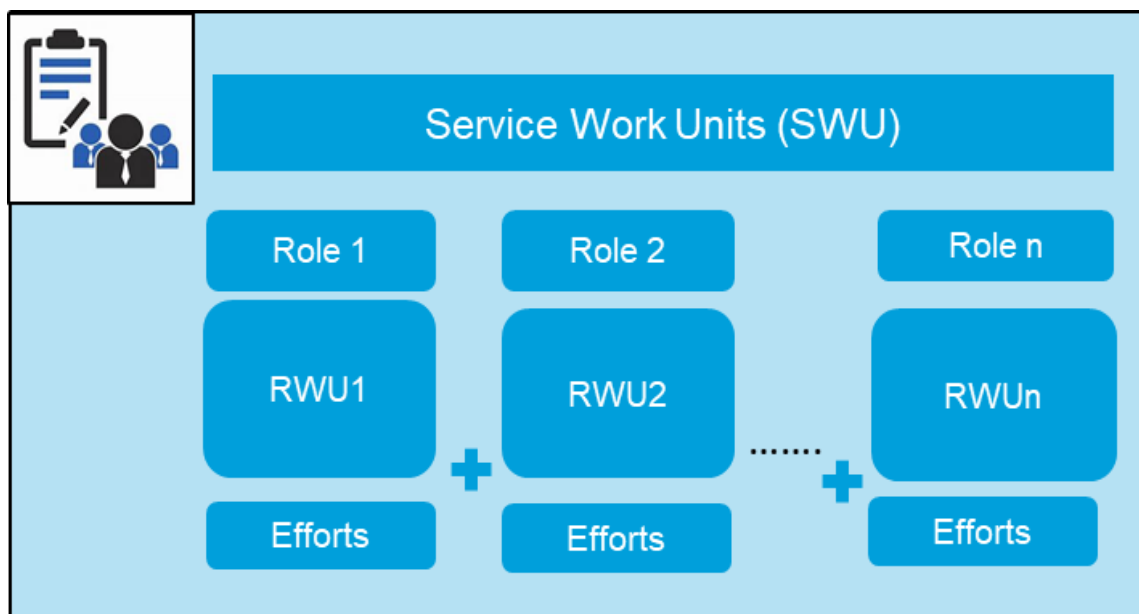


Weighted score for each role based on the key parameters. Each of the below parameters was rated from 1- 10 (1- lowest and 10 – highest)

- ❖ **Responsibility type** - This is the primary attribute which defines the kind of responsibility that is handled by the role. For. E.g. Team Leader would have a rating of 4, whereas an Enterprise Architect would have rating of 10.
- ❖ **Technical Competency** - Technical skills of each role would be assessed and weighed upon. E.g. A receptionist would have a technical skills of 1 and Solution Architect ~ 8
- ❖ **Behavioral Competency** - Critical soft skills & client facing required for a role would attract a higher weightage i.e. Call Center executive would be rated at the higher end whereas a network engineer would be at the lower end of the scale.
- ❖ **Experience Score** - Any role with higher experience would attract more weightage.
- ❖ **Certification** - Special certification required for the role would also benefit the overall Role Work Units.

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No	Service Function	Role	Description	Responsibility Type	Experience Score	Certification	Technical Skill	Behavioral	Role Work Unit (per Day)
20	PreSales	Executive Deal Lead (EDL)	Executive Deal Lead (EDL) : 1. Provide Service	9	10	9	8	7	158
31	PreSales	Technical Solution Architect - Realization	1. Research and provide recommendations	9	9	9	8	7	149
19	PreSales	Design Architect	1. Supports the Solution Architect communit	9	7	10	9	7	141
23	PreSales	Operational Architect	1. To facilitate seamless, integrated, globa	9	7	8	9	7	135
34	PreSales	Voice Solution Architect	1. Design to fit with existing AT&T Managed	9	7	9	8	7	131
24	PreSales	Operational Consultant	1. Engages on special projects that support	7	7	9	9	7	108
32	PreSales	Technical Solution Architect (TSA)	Provide Solution for Presales requests with	7	8	9	6	7	108
27	PreSales	Solution Architect - Hybrid Cloud Solution	Solution Architect - Hosted Cloud Solution-	7	8	9	7	7	107
29	PreSales	Solution Lead	1. Provide the support of opportunity from S	7	7	9	7	8	105
12	PreSales	Big Data Analyst - SLA	1. Evaluates custom SLA requests for transp	7	8	6	9	7	104
30	PreSales	Solution Lead - BVOIP	1. Provide the support of BVOIP/opportunity	7	7	9	6	8	103
21	PreSales	Full Stack Developer	*Create and maintain tooling to manage OA	9	5	4	7	7	99
54	Service Delivery	Streamline Design Engineer	Streamlined Designed & Configuration (SD	6	8	9	8	8	98
28	PreSales	Solution Architect - UVN	Solution Architect - Unified Voice Network:1	7	7	5	7	7	94
35	PreSales	VTSD Designer	The Voice Technical Support & Design (VTSD	7	5	7	7	7	84
36	PreSales	WAN acceleration Engineer	1. Focus on the overall end to end technical	7	4	10	6	7	82
46	Service Delivery	Project Management (PM)	1. Responsible for all aspects of project/pro	5	8	8	10	7	82
56	Service Delivery	System Engineer - Level 2	Responsible for facilitating and supporting the imp	6	7	9	6	6	81
7	Customer Experience	Business Analyst - Process	Business Analyst-Process Produce contracts	7	7	0	7	7	79
17	PreSales	Contract Specialist (CS) - Signer	The Contract Specialist - Signer is a role tha	8	6	0	5	6	78
6	Customer Experience	Application Developer	1. Advanced understanding of Structured Qu	7	4	6	6	7	73
11	PreSales	Application Developer	1. Advanced understanding of Structured Qu	7	4	6	6	7	73
20	Service Delivery	Field & System Engineer	Field and System Engineer provide on-site su	6	5	0	5	6	70

Service Work Unit



Service Work Unit (SWU) is the measure of work to deliver a particular service.

Over a period of time, when the services offered by various role stabilizes, the customer organization would seek productivity improvements. This becomes a challenge for the service provider to enable profitability on the whole program especially due to the initial investments on transition, training and resource augmentation. In such a case, base lining the output against

the services provided by each role will now be required. This needs to be done over a period of time, post the stabilization and completion of the training of the newly on boarded Service Provider resources.

Once done, the new baseline needs to be arrived based on the output delivered. This needs to be arrived based on the average values across the year to factor out any resource efficiency calculation issues, volume peaks and troughs across the year or the nature of the work.

To arrive at Service Work Unit (SWU) calculation – the monthly efforts of the o/p delivered is equated to overall summation of the individual role work units involved.

Once each unit arrives at the catalog list of services, the output delivered needs to be tracked for improvements QoQ with the help of Value stream teams/Lean Sigma Experts.

Enabling Productivity Improvements

Each unit can arrive at the productivity improvement through various set of initiatives like

- a) **Automation** – ChatBots, RPA exercise, System transformation
- b) **Knowledge Management** – Improving productivity by reskilling resources sharing knowledge across.
- c) **Eliminating redundant activities** – Identifying and eliminating the redundant activities or re-distributing to right skill resource can help improve the overall throughput within the team.
- d) **Team activities** – Sharing set of activities across the team during peaks and troughs can help the team achieve more.

Exceptions – Certain Roles where the output of the deliverables is not certain within a timeframe (e.g. Consultants) or low volume work or unable to measure throughput even after 6 months, needs to be treated as exceptions and should continue under RWU mode itself. The unit however remains the same and it could be utilized to sum up the overall efforts delivered across all the roles.

Implementation Challenges

However, the move to RWU & SWU way of working may not be as smooth as it seems. These are the few challenges which we have seen in our journey to roll this out.

- ❖ **Resistance to change** - Any change will involve backlash and debates on why the status quo should be maintained. To constantly provide value add and enable productivity improvements, it is important to measure the baseline, and track it for improvements QoQ.
- ❖ **Clash in Ratings** - Every unit leader would feel that their role is critical and needs more weightage. It thus becomes important for an arbitrator comprising of sr. management across all units to be part of this discussion and negotiate for a common understanding along with the client leadership.
- ❖ **Internal**
 - Organization Unit Individual split
 - Resource Efficiency & Work Pressure
- ❖ **Team Morale** - In case where estimations and baseline have not been accurately calculated, the team morale may be impacted if they were to stretch themselves to achieve the target by delivering more with same set of resources.
- ❖ **Incorrect Baseline** - Sometimes the baseline might have arrived considering the highly skilled and experienced existing client/vendor resources; whereas post transition Service providers would have to endure a certain training and stability period before being highly productive to provide efficiency gains.
- ❖ **Demand for more** - The Clients expectation for more with less may become at times unsustainable even with automation and workforce efficiency. It thus becomes important to maintain a certain level of lower limit beyond which efficiency gains can't be fulfilled without compromise in quality of deliverables or resource morale.

Conclusion

Overall, the work unit methodology works when the organization is committed to drive the changes with continuous improvement. This could be achieved by optimizing the output with improved automation and productivity improvement initiatives. A baseline of the Work unit needs to be established in agreement with the customer. Constant measures to increase the throughput and driving efficiencies will help the service provider and the customer to arrive at a win-win situation.

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About the Author

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Pravin is a Sr. Business Consultant within TechMahindra. He is having around 20 years of Telecom Experience working in various roles for Tier 1 Enterprise Telecom Service Providers in US, Europe & Mexico. He has also been providing ITIL Consultancy & Leading projects in Managed Services & Cloud Transformation area.

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- We help our clients transform their operations and processes in line with this strategy
- We also help them build a key enabler for achieving these objectives: agility and automation in the technology function
- Our program and change management services ensure on-track implementation of the various transformation initiatives

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