BUILDING AN OUTSOURCING RELATIONSHIP

KEY FACTORS FOR SUCCESS, IN A TIME OF RAPID CHANGE

STRATEGIC WHITE PAPER

With the transformation now taking place in telecommunications, more communications service providers (CSPs) are considering outsourcing part or all of their network, business, and IT operations. While many CSPs are focused on reducing costs, taking a broader view and a relationship approach to a managed services engagement can actually provide much greater benefits for the CSP's business. Choosing the right managed service provider (MSP) with a shared mindset, outsourcing becomes a creative partnership focused on meeting the CSP's key business objectives, today and into the future. In addition to reducing costs, successful outsourcing opens up new ideas and resources for benefiting from the latest changes in technology and responding to customer demand. This white paper discusses twelve crucial areas to consider when engaging an effective MSP – factors that can contribute to transformation and innovation, as well as cost savings.

TABLE OF CONTENTS

INTRODUCTION

Powerful trends are driving the need for communications service providers (CSPs) to transform the way they do business and operate their networks. These shifts are moving the industry:

- From fixed to mobile
- From voice to data and video
- From simple handsets to complex multi-functional devices
- From basic voice users to sophisticated demanding end users
- From standalone services to convergence of IT and telecom
- From focus on managing day-to-day operations to focus on managing subscriber retention
- From dedicated infrastructure to flexibility through cloud
- From closed interfaces to open Application Programming Interfaces (APIs)

With all these rapid changes, more and more CSPs are considering outsourcing part or all of their network, business and IT operations.

The MSPs of the future can no longer just offer “like-for-like-for-less”.

Managed services for network operations have been available for over two decades. But today, engaging a managed service provider (MSP) is no longer just about running a network cheaper. MSPs must now help deliver rapid innovation and transformation that can successfully address fast-paced changes in technology and the marketplace. These transformational capabilities will provide a competitive advantage — both for MSPs that can deliver the services and for CSPs that want to stay ahead of major trends and end-user demands.

The MSPs of the future can no longer just offer “like-for-like-for-less.” They must lead with the transformation of software-based Operations Support Systems (OSS), delivered as a managed service model. They must also support new evolutionary CSP business models like infrastructure sharing and netco/servco arrangements.

But most importantly, MSPs and CSPs must align in a partnership arrangement, in which they share both the risks and rewards of what happens with a CSP’s business. It will be the MSP’s responsibility to help support and manage the rapid operations and business changes — in other words, to play a crucial role in executing transformation for the CSP. This calls for a true partnership engagement model, supported through structured governance, change management and a mutual commitment to success. As its operational goal, the MSP must support the CSP’s competitive differentiation, by helping it deliver new services faster, cheaper and with a better quality of experience for end users. This needs to be accomplished in line with the CSP’s key business objectives (KBOs), such as increasing ARPU, decreasing user churn and improving margins and revenues.

To contribute to the success of today’s outsourcing relationships, this white paper explores twelve crucial areas that a CSP needs to consider when engaging an MSP — beginning with the shared mindset that is needed.

1. START WITH A PARTNERSHIP MINDSET

For a successful managed services agreement, it's essential for the CSP and MSP to share a trustworthy partnership mindset. This goes well beyond what is in the T's and C's in the contractual agreement – it's an attitude and set of assumptions about how to work together. Both parties must have a commitment to being in this arrangement for mutual success. There must be a fair and balanced win-win approach, ensuring that both parties succeed together, or neither succeeds. If either party goes into the agreement with a sense that they can be successful at the expense of the other, then the managed services arrangement is almost certainly doomed from the beginning.

With that in mind, CSPs need to assess whether an MSP has a track record for trustworthiness and is culturally aligned with the way they like to do business. Key questions include: Has the MSP built a reputation of credibility and trust? Or will it do anything for a profit? Does the MSP engage fairly and respect its customers, as well as its customers' subscribers?

Has the MSP built a reputation of credibility and trust? Or will it do anything for a profit?

Many major MSPs are also vendors of equipment and other services, so they may welcome an opportunity to introduce additional hardware and services to their CSP customer, once a managed services deal is in place. In these circumstances, CSPs should carefully evaluate whether the trust is really there — and if the up-sell is truly in the CSP's best interest and necessary to support their business objectives. This means assessing all the MSP's motivations. Sometimes managed services offers are structured as "loss-leaders" to encourage a CSP to buy equipment or other services, providing the MSP with larger margins later on. Important points to consider here include: Will the managed services arrangement only work with the MSP's network gear or can it function in a multi-vendor environment, in case the CSP opts to use a third-party vendor's gear as part of the transformation to new technology? Will there be a penalty or a breakdown of the agreement with the MSP?

On the other hand, a CSP's main objective needs to be working with the MSP to reduce operational costs and improve service quality. Some CSPs see leveraging penalties against the MSP for missing SLAs as a short-term way to take advantage of an outsourcing arrangement to lower their cost. In that case, CSPs would negotiate SLAs that they know an MSP cannot achieve with the constraints they apply. This is a formula for total partnership breakdown. Eventually, the relationship will become confrontational — a game of lose-lose and not win-win. At that point, the MSP will do what it can to cut its losses, which can also affect the CSP. As the MSP seeks opportunities to cut corners and costs, the quality of service being delivered is eventually impacted, along with the CSP's own profitability.

Even when a CSP-MSP relationship is equitable, some MSPs focus narrowly on meeting their contractual SLA performance goals, which can have a detrimental effect on their CSP customer's real business needs. To avoid this situation, both parties need to ensure that their outsourcing agreement provides the flexibility to adjust SLAs over time. In today's fast-changing business environment, there is little point in setting contractual SLAs that are static for five years, when business objectives can change in a few short months. A process for flexibly managing and adjusting SLAs is too important to leave to an ad hoc process of change control and renegotiation. Instead, a strong partnership structure needs to enable proactive, continual assessment of service-performance targets and processes, with adaptation that supports the CSP's evolving business objectives. This means planning to sit down together, with the necessary trust and agreement, to assess whether the SLAs still support the operator's KBOs as desired. It also means determining what can be done to better align the SLAs, as priorities change for customer retention, service delivery, QoS, cost of operations and transformation planning.

CSP-MSP trust is built over time, through a successful and balanced relationship. If both parties can benefit from their agreement, they will have more interest in trusting each other. The win-win scenario is a result and not a starting point. To get there, the managed services contract must be balanced, realistic and equitable. This outcome is more likely with a fast-growth environment or a strategic transformation program, where speed and skills are essential and provide a good framework — and where both parties will strongly benefit from a partnering approach.

CSP-MSP trust is built over time, through a successful and balanced relationship...

With the right partnership mindset, an MSP becomes a strategic asset to a CSP's long-term plans. To use this asset most effectively, the CSP needs to understand all the direct, as well as subtle, benefits it hopes to gain, including refocusing its attention on a full business transformation. The bottom line is: The most successful managed services engagements in telecom have been built on a trustworthy win-win partnership between the CSP and the MSP.

2. FOCUS ON METRICS THAT MATTER MOST

Traditionally, managed services engagements have incorporated many performance metrics in the SLA computation to measure the MSP's performance. Sometimes as many as 100 overlapping key performance indicators (KPIs) have been used. This traditional approach no longer makes much sense, considering that the number of business objectives that really matter today is typically fewer than ten. Think about it – most companies are focused on increasing top-line revenues, reducing operations costs, improving bottom-line margins and having satisfied customers and employees. What else really matters?

So why have so many KPIs been used in the past? Perhaps CSPs believed they needed to measure and manage every detail of their network's performance. Sometimes this occurs as a direct consequence of local authorities and regulators that, in turn, want to micro-manage the network performance of the CSP, and this behavior cascades down through the CSP. An MSP can still provide a CSP with hundreds of needed measures and KPIs every month to keep regulators happy. However, this large set of KPIs is rarely useful for measuring the success of an MSP-CSP business relationship.

The reality, today, is that a CSP can have great network performance, as measured by KPIs, while at the same time it has dwindling revenues, profits and unhappy customers. The correlation between statistical network performance (measured though KPIs) and a CSP achieving its business goals is complicated by other extraneous variables. But understanding their relationship, and knowing how KPIs impact KBOs, is critical.

In most cases, the business objectives that need to be high priorities are reducing customer churn, increasing the number of subscribers and ARPU, and successfully keeping up with trends, such as transitioning from a dedicated-infrastructure approach to the flexibility of the cloud. The SLAs should be based primarily on the goals of the communication service provider's CFO, COO and CEO, not the goals of network engineers.

To establish SLAs that satisfy the needs of both partners in an outsourcing relationship, the MSP needs a structured and rigorous results-focused methodology. It should be able to help the CSP fine-tune its KBOs, determine the value of the service the CSP is delivering to achieve those objectives — and then align the appropriate contractual SLAs to that value. This results-focused approach to selecting metrics for outsourcing contracts has the following benefits:

- Clarifying accountability
- Maximizing the rewards of the outsourcing agreement
- Creating a true partnership
- Facilitating administrative efficiency
- Encouraging the right innovations and optimization[1]

A recommended way to set SLAs with an MSP is to keep them simple and focused on the business goals. The MSP will have to manage the network KPIs, as well, but this can be left to the MSP to manage internally. Micro-managing dozens of KPIs can easily push an MSP to focus on a numbers game, which can consume resources and add to the cost of operations. A better way of measuring an MSP's success is to evaluate its contribution to achieving the CSP's strategic business goals. That is the right way to structure a managed services agreement.

3. WORK TOWARD A TRANSFORMATIONAL VISION OF THE FUTURE

MSPs that only deliver a "like-for-like-for-less" solution can lower the CSP's short-term OPEX. But without a vision and plan to deliver transformation into the future, the CSP will likely lose its competitive edge within a few short years. According to Wikipedia:

> *Business transformation is the fundamental change to the way a business operates, whether that be moving into a new market or operating in a new way. It is an approach that attempts to align an organization's activities relating to people, process and technology more closely with its business strategy and vision. This fundamental change aims to meet long-term objectives. Business transformation is achieved by aligning the areas of people, process and technology to achieve significant change.*

To keep a CSP from falling behind its competitors, a multi-year managed services engagement with an MSP should include managing change and transformation as a primary objective. That means the CSP needs to share its transformational vision, based on the business's strategic direction, and expect the MSP to help develop the transformational plan. It is not realistic to expect the MSP to lay out all the answers upfront. In today's rapidly changing world, there is no certainty of what will play out as the best options in three to five years.

The number of business objectives that really matter today is typically fewer than ten.

However, the MSP should be an innovation leader that can execute on the CSP's vision, turning it into a successful business reality. In addition, it must be able to contribute to the vision by being creative, understanding technology trends, and recommending and delivering an innovative approach to meeting the defined objectives. The MSP's

[1] "A Results Focused Approach to Selecting SLAs for Outsourcing Contracts," Alcatel-Lucent Bell Labs, E. P. Matthews, B. Polonsky, October, 2011.

recommended plan needs enough flexibility to keep the CSP moving forward, ahead of the competition. Its options should allow the CSP to successfully benefit from trends like the shift from fixed to mobile, voice to data and video, and simple handsets to complex multi-functional devices. Keeping up with these changes is like water-skiing; if a CSP stops moving forward, it can easily sink.

The best MSPs have a depth of experience and understanding of the current service drivers, market needs, technical alternatives, efficient methodologies and regulatory operating environment. As a result, they can work effectively as a partner with a CSP to implement a best-in-class transformation, focused on the CSP's business objectives. The MSP should be directly engaged with the CSP in weighing technical and strategic alternatives, such as IP, LTE, cloud-based software and services, single RAN mobility and metro cells. The CSP needs to co-define the network blueprint of the future jointly with the MSP, while the MSP ensures a smooth migration, with minimal operational impact to subscribers during the evolution toward this blueprint. The MSP should also have access to appropriate subject-matter experts and be able to call them in as needed.

Keeping the CSP focused on a full business transformation is one of the MSP's most strategically important contributions, when delivering on a managed services engagement. While delivering the transformational vision of the CSP, the right MSP will drive lower OPEX, increased revenue from new and existing services, and an improved end-user quality of experience.

4. INVEST IN AN INITIAL CONSULTATION

Although the benefits of managed services can be significant, this option still represents a major strategic decision that can have a profound impact on the CSP's business. Managed services contracts can be five or more years in duration and have price tags in the tens or hundreds of millions of dollars. Such a decision should be made very carefully.

When evaluating the possibilities, CSP executives often ask: "Should we proceed?" "What is the appropriate scope and duration?" "Who is the right MSP for me?" Fortunately, most MSPs offer the option to start small, with a consulting engagement to evaluate these questions. This "toe-in-the-water" approach allows the CSP to get many crucial questions answered through a consulting engagement, where the MSP can deliver a detailed evaluation of the possibilities, benchmark the CSP's operations against a best-in-class model, and develop a phased milestone-based transition plan with flexible options.

Most importantly, a consulting engagement with the MSP gives the CSP the opportunity to assess whether the MSP is truly the right partner for a long-term outsourcing commitment. In many ways, it is like dating and going out as a couple to get to know one another, before committing to a long-term relationship. CSPs need to become familiar with the mindset of the MSP and evaluate whether a long-term managed services partnership will work.

…a consulting engagement with the MSP gives the CSP the opportunity to assess whether the MSP is truly the right partner for a long-term outsourcing commitment.

5. UNDERSTAND THAT OUTSOURCING OFFERS A CSP MORE CONTROL

If you ask CSPs' directors of network operations why they may be against outsourcing, one typical response is "fear of losing control over day-to-day network operations." In fact, a properly structured managed services engagement can give a CSP more control over the things that really matter to the business: more control over costs, delivered levels of service, on-time delivery to market and use of scarce resources to grow its business.

On the surface, this conclusion appears counter-intuitive. But consider this analogy. If you currently cut your own lawn, you probably assume that is the best way to control costs and quality. But what if your mower breaks down and needs costly repairs or replacement? Or you are too busy, and the grass gets long? Or you ask your teenage son to cut it when you are busy, and he does a poor job? You may think you have control over costs and quality by doing it yourself, but by "in-sourcing" the job, you retain all the cost and quality-control risks.

By 'in-sourcing' the job, you retain all the cost and quality-control risks.

Now imagine that you sign a contract with a lawn service company to outsource the lawn cutting. The contract guarantees that your lawn will be cut neatly and properly (as jointly defined by both parties), on time, when needed and at a fixed price each week. You now have passed the risks of cost, on-time delivery and quality control to the lawn service company. Similar principles apply to many functional aspects of the CSP's business. With the right contractual terms, CSPs can outsource most of their network and business operations to an MSP and have more, not less, control over the KBOs of cost and quality.

6. TAKE A HOLISTIC VIEW OF TCO

OPEX reduction will always be a primary objective of CSPs when engaging an MSP. But again, the view of cost reduction must go beyond the "like-for-like-for-less" focus and should holistically include the business's total cost of ownership (TCO). During the outsourcing contract's due diligence stage, the MSP will make a best effort to assess the present mode of operations (PMO) and will, in turn, asses the required OPEX to manage the PMO. Once the managed services contract begins, the MSP may discover inconsistencies between the due diligence results and the actual PMO. These inconsistencies should then be reconciled between the CSP and the MSP. Over time, the MSP will transform aspects of the network, operations and business to create the future mode of operations (FMO).

A new TCO emerges from the difference between the PMO and the FMO, when considering total operations costs and all the repercussions of the changes. Say, for example, that the MSP manages the NOC and, as a result of the FMO, is able to reduce service problems — thus reducing call center incoming calls by 50 percent. Then the TCO difference must include the 50 percent reduction in call center operations costs, even if the call center is not part of the outsourcing contract. Without taking a full TCO view (along with the "ripple-effect" impact), a CSP can easily miss out on the true economic value of a managed services engagement and not accurately measure the true benefit that outsourcing brings to the business.

Defining the TCO parameters and boundaries is not an easy task. But it is critically important, and the MSP and CSP should do it jointly, as part of the partnership and trust-building effort.

7. INCLUDE ONGOING IMPROVEMENTS TO CUSTOMER EXPERIENCE

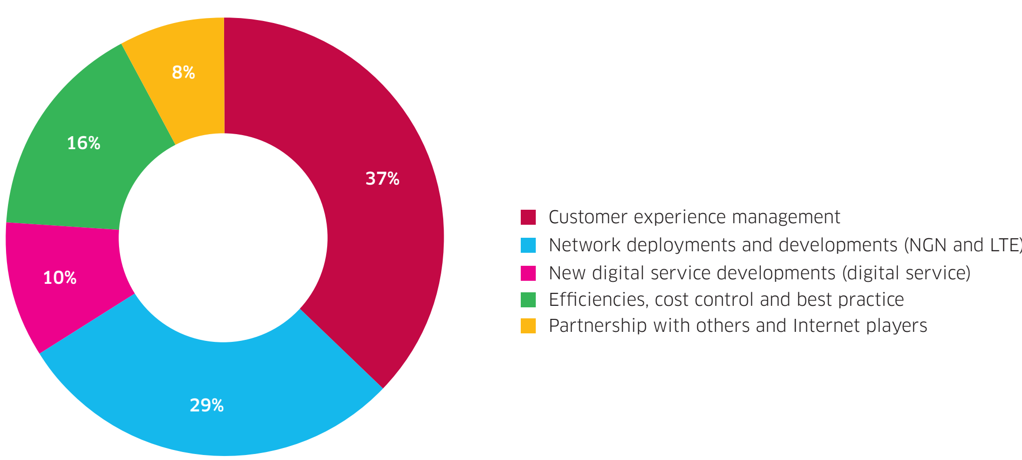
In the days of voice telephony, CSPs merely had to deliver dial tone, a reasonable voice quality and minimize the number of dropped calls to meet customer expectations. Today, subscribers with sophisticated multimedia devices expect ubiquitous connectivity, excellent customer experience, convenience, ease-of-use and immediacy. As long as the end users' experience meets expectations, they will be content with their services — and likely to continue doing business with their current CSP. However, if the end users' experience does not meet expectations for any significant period, they will get frustrated, and the likelihood of churn increases dramatically. Research by Convergys suggests that 40 percent of end users consider switching CSPs after a bad experience.[2] And according to research by Bain & Company, a 5 percent improvement in customer retention rates can yield as much as a 75 percent increase in profits for companies across a wide range of industries.[3]

"40 percent of end users consider switching CSPs after a bad experience."
– Source: Convergys

"5 percent improvement in customer retention rates can yield as much as a 75 percent increase in profits..."
– Source: Bain & Company

The importance of customer experience management (CEM) is now more critical than ever, and it will be a key differentiator for CSPs in the coming years (Figure 1). Therefore, it's essential for CSPs to select an MSP that is a leader in CEM and capable of delivering an integrated CEM approach with its managed services. CEM expertise requires highly specialized tools, innovative methodologies, data analytics and skills in managing larger volumes of data. While many new approaches to CEM are still in their early stages of evolution, some MSP vendors are leading the industry in developing new tools and methodologies for delivering an effective CEM solution.

Figure 1. Informa Industry Outlook survey 2011 – Q: What will be the single most important area for operators in 2012?



CSPs need to question potential MSPs about their current CEM strategy and approach and their vision for the future. For example, can the MSP use analytics to predict and help control churn rates? Does the MSP provide reports that will help the CSP to understand the relationship between end-user service quality and ARPU? Have the CEM tools and methodologies been tested and validated?

[2] "New perspectives on the customer experience," Convergys Executive Briefing, 2008.
[3] "Customer Experience in a Connected World," TM Forum INSIGHTS Research Report, Rob Rich, September, 2011.

An MSP with a solid CEM strategy for its managed services is likely to measure the success of its partnership with a CSP using key quality indicators (KQIs) and key business indicators (KBIs), instead of traditional network management KPIs. Focusing on end users' satisfaction with their quality of service will have a direct impact on the CSP's business success.

End users only care about three things when selecting a CSP:
1. Getting the services and devices they want
2. Getting value for the price paid
3. Getting a great customer experience

MSPs offering best-in-class CEM in a managed service model will help CSPs meet these expectations through the proactive management of service quality. The result will be lower operational costs and increased top-line revenues for the CSP.

8. LEVERAGE INDUSTRIALIZED OPERATIONS DELIVERY

MSPs are making huge investments in developing "industrialized" operations delivery capabilities, leveraging best-in-class tools, methodologies and highly skilled technicians. They have structured their delivery models to meet industry best practices and standards, like the TeleManagement Forum's eTOM[4] and the Office of Government Commerce's ITIL.[5] This delivery approach typically works well to drive out cost and accelerate time-to-market with new service deployments and technologies, and it is better able to support the rapid, seamless transformation of networks and operations.

In addition, some MSPs have developed new proactive monitoring tools and methodologies and are integrating these advanced problem-detection techniques into their operations delivery model. In terms of operational efficiency, methodologies and cost to operate, these techniques can outpace existing CSP platforms that are even just a few years old. For a CSP, it may be cost prohibitive or too disruptive to integrate these sophisticated capabilities into an existing infrastructure, whereas an MSP's industrialized delivery approach could already have these innovative capabilities built in.

Yet, some CSPs are reluctant to change their older, inefficient homegrown processes and existing systems and expect an MSP to maintain those legacy tools and methods. It can be hard to let go, but CSPs have a valuable opportunity to focus on the functional requirements and business objectives that must be accomplished, with the support of an MSP, rather than the tactical approach used. So when a CSP outsources its operations to an MSP, it should examine the benefits of transforming its current operations infrastructure to the MSP's industrialized operations delivery model. To gain the most from the MSP's capabilities, CSPs should be cautious about dictating the tools and processes to use, in their RFPs, and should focus primarily on requirements.

[4] http://www.tmforum.org/BestPracticesStandards/BusinessProcessFramework/1647/Home.html
[5] "Best Management Practice: ITIL V3 and ISO/IEC 20000," Office of Government Commerce, Jenny Dugmore and Sharon Taylor, 2008.

9. BE FLEXIBLE ON THE SCOPE OF AN AGREEMENT

As they consider outsourcing, many CSPs have a predetermined view of which services and functions they want to outsource and which to keep in-house. However, those choices may not be optimal for meeting the CSP's strategic business goals at the best cost. When deciding on the specifics of what to outsource and what to keep in-house, it can be valuable for the CSP to ask the MSP for recommendations, based on its understanding of the CSP's strategic direction, business goals and existing network management expertise and challenges. In addition, the MSP may offer valuable experience and scalability across multiple CSPs that can be advantageous to the CSP.

MSPs know the efficiencies and economies of scale, when including and excluding certain functions in the managed services contract scope. The key is to leverage the synergies and expertise of the MSP, whether they are locally based or global. For example, a CSP may want the MSP to include all field operations, along with NOC and centralized maintenance tasks. In that case, an MSP that has efficient local field operations resources in-country may be well positioned to deliver lower-cost field operations. On the other hand, if the MSP does not have an established local presence, it may outsource the field operations, separately, to a local vendor with an existing footprint in-country, which offers local economies of scale and low-cost resources to deliver this less-skilled function.

The more highly skilled fault-resolution and problem-management role carried out at a remote NOC may, on the other hand, be better suited for an MSP with that specialization. In this case, forcing the MSP to take on the field operations, as part of a deal, can dilute the MSP's margins and drive up its deal price, to the disadvantage of both parties. Again, a good partnership and trusting relationship with the MSP can lead to an understanding of what makes the most business sense for everyone.

MSPs can recommend where it makes good business sense to expand the scope of an outsourcing engagement…

Similarly, MSPs can recommend where it makes good business sense to expand the scope of an outsourcing engagement, beyond the initial bounds proposed by the CSP. They can provide insight into the functions needed to manage a transformational opportunity. Furthermore, the MSP may require control over certain operational functions in order to deliver on its SLAs.

10. ASSESS THE MSP'S APPROACH TO PEOPLE RESOURCES

MSPs typically talk about the assets of their managed services business as being "people, processes and tools." The people part is typically the largest share of OPEX, and it can be the most challenging to manage. If an MSP has established processes and standards and a solid track record of managing the transferred people in past outsourcing engagements, it is more likely to perform effectively when managing future operations transitions.

Cost-effective management of human resources in an outsourcing engagement is probably the toughest challenge for MSPs. Many engagements require hundreds, if not thousands of employees to transition, over time, from the CSP to the MSP. The myriad of rules, regulations, employee attitudes, benefits bridging, need for service quality consistency and re-training make it a daunting task. Some scenarios involve significant downsizing or required relocations. And if employees are not happy, there may be serious problems with morale, leading to operational issues, as well as significant attrition of the workforce.

If an MSP has a solid track record of managing the transferred people… it is more likely to perform effectively when managing future operations transitions.

Simply put, a CSP must investigate an MSP candidate's successes (and failures) in dealing with human resources in past outsourcing engagements. It's important to find out attrition rates, cost impacts and employee satisfaction statistics. Those with a dismal record in managing people are likely to propagate other problems with the business, in the future, that can be very difficult to repair once they occur.

11. COMBINE STRUCTURED GOVERNANCE AND OPEN COMMUNICATIONS

Structured governance and open communications are essential elements for a successful managed services engagement. Of course, when the MSP takes over day-to-day operations, the CSP wants to be kept in the know on what is going on. Governance structures must include defined interfaces and protocols at all levels — from day-to-day interactions at the technician level to quarterly executive reporting for the C level.

When there are few changes to a network, with no major incidents, governance and communications can be fairly routine. As long as the agreed-to procedures are followed and KBOs and SLAs are being met, usually everybody is content. The challenges emerge along with changes or issues. These fall into the following major categories:

1. Planned or scheduled changes, such as the phased implementation of a transformation to the operations, network or business environment
2. Unplanned changes, like a major outage, service failure or unexpected major shift in user activity
3. Occasions when KBOs, such as customer retention, are being impacted by network performance and service quality

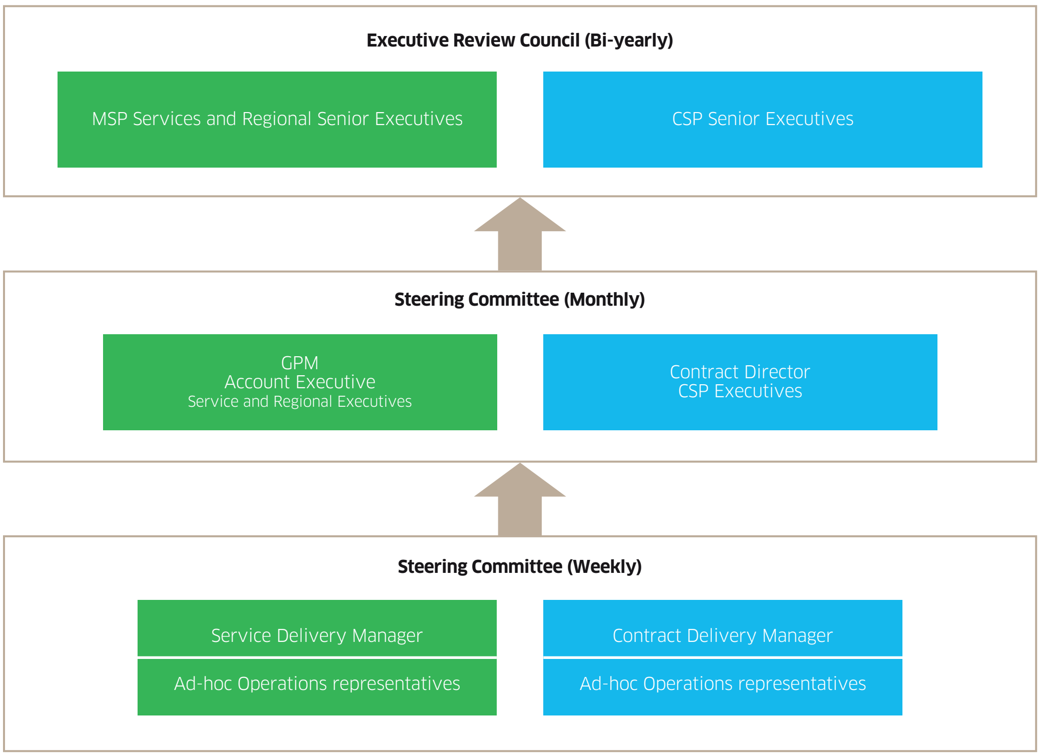
During changes and incidents, communications and governance must be properly managed to avoid surprises and frustration for the CSP and the MSP.

Both parties are responsible for good governance, but the burden is on the MSP.

Both parties are responsible for good governance and communications, but the burden is on the MSP to structure the plan and shoulder the blame, if there is a failure in the governance model. Ideally, a governance plan should be flexible, easy to follow and have fail-safe triggers when unexpected changes occur. Easy-to-access dashboards are also valuable for providing CSPs with relevant statistics about the MSP's business operations. These tools should offer drill-down capabilities that can reveal more details behind the numbers, if needed. By showing trends over time, the dashboards can illustrate how the various metrics are evolving — and indicate whether or not results are meeting the expected targets. If there is a problem, or a negative trend occurs, MSPs also have the responsibility to proactively communicate this information to the CSP, along with a recommended plan of action and options to consider.

The governance and communications plans may need to be periodically re-visited and reviewed jointly by the CSP and MSP. The goal is to make sure both partners are comfortable and satisfied with the information they are receiving — and with their decision-making process. During a major transformation of the business, especially, the governance plan may need adjustments to accommodate the new and different business and operations issues that can arise.

Figure 2. Network operation outsourcing – governance model



CSPs should assess an MSP’s proposed governance and communications plan very carefully. It must be structured, documented and flexible. It’s also important for the plan to work at multiple levels, be fully understood and include an escalation path that does not punish any MSP or CSP employees who are whistle-blowers. The plan should not be taken lightly or overlooked, because a good governance and communications plan is far more challenging to implement correctly than it appears. A well-constructed plan can save a managed services engagement that gets into trouble. Likewise, a poorly designed plan can sink a managed services engagement that is, otherwise, proceeding well.

12. LOOK FOR INNOVATIVE STRENGTHS AND VISION FOR THE FUTURE

The visionary leadership that an MSP can provide to the CSP for its business model brings together many of the principles outlined earlier in this paper. In this case, the MSP, as a trusted partner, supports the CSP on its path to a growing business by delivering a transformational vision of the future, measured by the successful achievement of KBOs.

As a strategic advisor to the CSP, the MSP should be able to offer alternative financial, business, technical, and operational options to help make the CSP's business successful and profitable. Possible business and financial structured options scenarios include netco/servco business models, shared infrastructure (where it makes sense), and "virtual telco" approaches. Likewise, innovative technological changes, such as deployment of LTE and metro cell technology and transformation to a cloud services-based infrastructure, are visionary changes to help deliver exceptional service quality and new applications.

As a strategic advisor… the MSP should be able to offer alternative financial, business, technical and operational options…

With growth of 91 percent year-over-year, cloud services represent a $14 billion opportunity for CSPs worldwide. Multiple opportunities in cloud include owning and operating an Amazon-like cloud infrastructure, offering a CSP-grade, highly reliable cloud service, enabling and managing consumer and enterprise applications over the cloud, playing a cloud brokerage role to facilitate cloud consumption, and migrating existing CSP assets to the cloud. A knowledgeable MSP should be able to offer and augment a rich cloud management platform with a comprehensive set of consulting, design, build, operate, manage, service evolution and transition practices for cloud.

With growth of 91 percent year-over-year, cloud services represent a $14 billion opportunity for CSPs worldwide.

MSPs that are good candidates for partnership should be able to offer multiple flexible options and recommend a customized approach for the CSP's transformation to achieve the greatest business success. As a result, CSPs should ask candidates for their vision of the CSP's business in five years, along with why the MSP thinks this option is best for the CSP. When the MSP's response is well aligned with the CSP's business direction, then the CSP has an opportunity to focus its energy on marketing, packaging, delighting end users — and on its future business strategy — while the MSP delivers on the technology and implementation strategy.

CONCLUSION

This white paper has reviewed twelve valuable principles to consider when evaluating MSPs for a successful managed services engagement. It can be easy to overlook their importance, if a review of MSP candidates is focused narrowly on getting the lowest price. However, in the longer-term, a strong partnership — based on a common transformational vision — can yield better business results for both parties.

Author Biography

Jack Zatz oversees the development of new offers and solutions in the Managed Services Division within Alcatel-Lucent's S3 Group. In this role, he drives the scope and content of new managed services offers.

Prior to his current role, Jack was a managed services pursuit leader for Lucent Technologies. Prior to joining Lucent, he worked at Telcordia Technologies. Jack's professional career began at Bell Laboratories as a switching maintenance engineer.

Jack received his Bachelors and Master of Engineering in Operations Research from Cornell University, and his Juris Doctor Cum Laude at Rutgers University's School of Law in Newark, New Jersey.

Alcatel·Lucent