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Managed Services: A brief guide to success

Report author:

Annie Turner
Publications Managing Editor
aturner@tmforum.org

Managing Director, TM Forum Insights Research:

Rob Rich
rrich@tmforum.org

Creative Director:

David Andrews
dandrews@tmforum.org

Commercial Sales Consultant:

Mark Bradbury
mbradbury@tmforum.org

Publisher:

Katy Gambino
kgambino@tmforum.org

Client Services:

Caroline Taylor
ctaylor@tmforum.org

Marketing Manager, Publications & Virtual Events:

Saryia Green
sgreen@tmforum.org

Report Designer:

The Page Design Consultancy Ltd

Head of Research and Publications:

Rebecca Henderson
rhenderson@tmforum.org

Advisors:

Keith Willetts, Chairman and Chief
Executive Officer, TM Forum

Martin Creaner, President and Chief
Operating Officer, TM Forum

Nik Willetts, Chief Information
Officer, TM Forum

Published by:

TM Forum
240 Headquarters Plaza
East Tower, 10th Floor
Morristown, NJ 07960-6628
USA
www.tmforum.org
Phone: +1 973-944-5100
Fax: +1 973-944-5110



Page 4 Executive summary

Page 6 Section 1 Setting the scene

Page 9 Section 2 Matters to consider

Page 14 Section 3 In conclusion

Page 16 Section 4 TM Forum's role in managed services

Page 18 Sponsored feature Amdocs

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Executive summary

Managed services mean different things to different people. In this *Quick Insights* report, we are using it as the generic term for the outsourcing of services.

The big question this report seeks to address is how can the adoption of managed services help communications service providers (CSPs) prosper as the demand for communications services soars but revenue declines?

Squaring that circle puts significant pressure on cutting operating costs while improving operational effectiveness. We are seeing the industry start to move in a number of directions: infrastructure consolidation, including network sharing and mergers; infrastructure rationalization, that is moving to one multi-service network rather than many; and IT/ process transformation – moving to standardized, commercial-off-the-shelf IT components.

So what part can managed services play in this – can it deliver successful results or does it bounce back to haunt you?

Section 1 sets the scene – the way of the world when Moore's Law begins to apply to bandwidth, doubling in speed yet halving in price every year or two.

In Section 2, we offer some advice about issues to take into account when considering opting for managed services, how to approach their procurement, picking the right partner and managing the situation. Outsourcing is not about getting out of anything: it is simply choosing a different means of service delivery while maintaining control of core assets.

Managed services must be aligned with your business goals and revisited frequently to make sure they stay that way. Approaching them simply as a way of cutting costs is unrealistic and likely to end in disaster. The aim is to establish a long partnership that yields sustainable economic and operational benefits.

Section 3 is a summary of the key points outlined in the previous section for quick reference, while the final section outlines how TM Forum can help CSPs successfully deploy managed services.

This *Quick Insights* report is intended to be a brief, pragmatic introduction to avoiding pitfalls and reaping the potentially substantial benefits of exploiting managed services. It is based on several keynote speeches and panel discussions that took place at *Management World 2010* in Nice in May. In particular, it draws heavily on the presentations given by Mary Whatman, former Vice President of IT Services Delivery, Rogers Communications, and Ger Coolen, CTO, Vodafone Netherlands, to the T8 meeting at the event.

TM Forum would like to thank all the senior executives who attended and contributed for their time and willingness to share their wit and wisdom. We would especially like to thank Mary Whatman and Ger Coolen for sharing their insights.

Section 1

Setting the scene

Managed services mean different things to different people, and the term is often used interchangeably with outsourcing.

This *Quick Insights* report is based on the definition provided by Mary Whatman, former Vice President, IT Services Delivery, Rogers Communications: the delivery and management of network-based services, applications and equipment to enterprises, residences or other service providers.

Managed service providers (MSPs) could be hosting companies or access providers, which offer services that can include fully outsourced network management arrangements. These could be features like IP telephony, messaging and call centers, virtual private networks, managed firewalls and/or monitoring and reporting of network servers.

Most of these services can be performed from outside a company's internal network, with a special emphasis placed on integration and certification of Internet security for applications and content. MSPs serve as outsourcing agents for companies, especially other service providers like Internet service providers (ISPs), which don't have the resources to constantly upgrade or maintain computer networks.

Unlike outsourcing, managed services tend to extend beyond the movement of people/ infrastructure and responsibilities to a third party and also include the option of using Software as a Service (SaaS), cloud computing solutions, virtualization or other such models to provide the services.

Many communications service providers (CSPs) are revisiting the possibilities of managed services as the market demands more and more from service providers while being willing to pay less and less (see Figure 1.1).

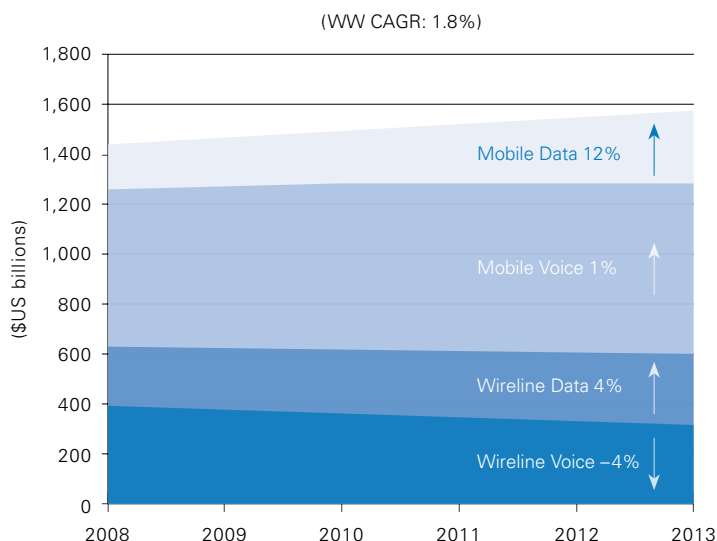
Sally Davis, CEO, BT Wholesale,

commented in her keynote speech at *Management World 2010* that CSPs "haven't yet cracked the new business models' code, so we have to be relentless in our approach to costs" and warned that as far as traffic levels are concerned, "We haven't seen anything yet."

She pointed out that in three years' time, 80 percent of Internet traffic will be video, almost all of it generated by individuals. In early May, it was reported that YouTube is now having 24 hours of video uploaded to its site every minute, reinforcing this view.

And voice over IP is growing fast too – Skype is now by far the biggest international carrier of voice minutes. According to TeleGeography, in January 2010, Skype's on-net international traffic between two Skype users grew 51 percent in 2008, and was projected to have grown 63 percent in 2009,

Figure 1.1: Worldwide telecom services outlook: 2008-2013



Source: IDC World Wide Telecommunications Services Database 2H09

to 54 billion minutes. By comparison, ordinary international phone call volumes grew at 8 percent in both 2008 and 2009, to an estimated 376 billion minutes across all carriers in 2009.

Furthermore, Davis said that while the industry's overall investment in fixed infrastructure would have to increase by a factor of four, capital investment in mobile would have to rise 17 to 20 times over. This would be driven by people watching video snippets on their cell phones and bandwidth-hungry devices, such as the iPad, spawning new applications.

As Rob Rich, Managing Director of TM Forum Insights, comments, "Revenue won't ever rise commensurate with traffic again." This is largely because "the lowest value services eat up the most bandwidth," as Liu Aili, Executive Vice President and Board Member, China Mobile Communications, noted

in his keynote speech at *Management World*. Figuring out how to do more with less is not easy, as Giovanni Chiarelli, CIO, Telecom Italia, said in a panel discussion around lowering costs for competitive survival.

He pointed out that intensive programs of capital investment for medium to long term benefits had long been the habit of CSPs, and one that is difficult to break – especially when it is imperative to reduce CapEx.

However, as the revenue crunch draws ever nearer, many CSPs are seeking to cut their IT costs through standardization and a move to using commercial off-the-shelf products. And, in tandem, they are looking to improve their operational efficiency and effectiveness (see Figure 1.2).

There is a three-pronged approach to achieving these aims: making processes more flexible and replicable; introducing automation

Figure 1.2: Two big operational thrusts



wherever appropriate; and reducing the time and cost involved in the integration of components.

To put this into perspective, Keith Willetts, Chairman and CEO, TM Forum, said, "IT normally accounts for between 5 and 8 percent of an operator's OpEx, and of that expenditure, CSPs typically invest around 15 percent on software licenses, while a massive 60 to 70 percent goes on customization and integration."

Today's fast-moving markets won't support the 'luxury' of highly customized approaches which typically produce ratios of up to 5:1 between software license costs, and customization and integration costs.

Clearly there is a lot of scope to reduce the amount spent on customization and integration which Willetts asserts is "largely wasted and unnecessary if CSPs move away from supporting custom processes and software and move to standardized IT systems."

He went on "as well as reducing IT costs, plugging together systems that are designed for integration produces a much better business impact rather than the least common denominator approach we typically see today."

While there is a great deal more fluidity than ever before in what is done in-house and bought off the shelf, it is likely to be some time before CSPs find the optimum balance between the two.

In this climate, as much of the world struggles to emerge from recession, the use of managed services is looking like an attractive option, although not one without risk. Several recent, well-publicized incidents involving poorly deployed outsourced services – including major network outages – sent a collective shudder around the industry. Clearly the cost of poor planning and execution could be very high

indeed, and not only in financial terms.

There are also plenty of instances of less dramatic, but unsatisfactory deployments, where the services concerned are taken back in-house – usually with less fanfare than when they were contracted out. In these cases, the experiment in managed services has cost the organization a lot in terms of money, effort and time, and has possibly damaged customer relations and its reputation.

As ever, there is rather less publicity when things go right. In the next section we look at why you should consider managed services.

"As ever, there is rather less publicity when things go right. In the next section we look at why you should consider managed services."

Section 2

Matters to consider

Not getting out of anything

Perhaps outsourcing is a dangerous term, because using managed services is not getting 'out' of anything. Whatever function or part of a network you entrust to someone else to run does not mean you no longer have responsibility for it.

Managed services have to be managed by the customer as well as the supplier, among other things to ensure you're getting what you pay for, that the terms and conditions of the contract are being met and that the service(s) continue(s) to meet your business needs.

In particular, Mary Whatman, former Vice President of IT Services Delivery, Rogers Communications, warned against seeing outsourcing simply as a way of getting rid of a problem. The issue won't magically go away because it is no longer in-house; if anything it will be compounded and cause more trouble further down the line. The perception might then be that the managed service approach failed, but in fact it couldn't do anything else in such circumstances.

Outsourcing is only for non-strategic parts of the business. Until recently, network operators would not have considered having an outsourcing supplier running some of their key assets. It would have seemed as strange and reckless as sharing network resources. But in the last two or three years both of these things have come to pass.

The key is for CSPs to keep control of their strategic assets, but use managed services where it makes economic and operational sense to do so.

Clearly, there is no universal answer, and as Whatman comments, "It's a matter of balance and figuring out what works for you."

Striking a balance

Although some CSPs continue to develop their own software in-house, for many it no longer makes sense to generate their own bespoke systems without the economies of scale that software product companies can deliver. Few CSPs would argue for an in-house software strategy as the way forward.

Some, however, still cling to the idea that this software is an important market differentiator and continue to pay heavily for highly customized commercial products. This too is declining in favor of customizable software 'out of the box' to get the best of both worlds, rather like an airline orders standard, commercial aircraft, but picks from these options to configure its own seat layout, color schemes and so on.

While the best of breed and best of suite argument still rages concerning the best supplier strategy, whichever route is chosen, the key is how systems come together to automate business processes. How easily and comprehensively do they integrate together? Get that part of the strategy wrong and it not only ramps up integration costs, but is ineffective for the business.

One of the world's largest CSPs has successfully pursued the strategy of building its own systems with equipment from a number of suppliers. Tellingly the key to its achievement is its adherence to and insistence on standards-compliant products, so that the time, cost and effort involved in integration is kept to a minimum but the impact on business is significant. As Giovanni Chiarelli, CIO, Telecom Italia, underlined at *Management World* "doing less with less isn't an option."

Whether you continue to run systems internally, or look to outsourcing, it makes sense to specify that your supplier adheres

"Until recently, network operators would not have considered having an outsourcing supplier running some of their key assets. It would have seemed as strange and reckless as sharing network resources."

to industry-wide standards rather than those of a specific supplier or in-house approaches. Without fully open, international standards, it is very difficult to row back from an outsourcing contract and you will be locked in effectively. Similarly with internal standards, while suppliers will happily take your money, it is an extremely expensive approach.

TM Forum's *Framework* is the industry's definitive architectural blueprint, developed and backed by over 700 companies worldwide. It defines the mechanisms to integrate the Forum's widely deployed NGOSS components, including the Business Process Framework (eTOM), Information Framework (SID), Application Framework (TAM) and the Integration Framework (for more information, see Section 4).

What are you doing and why?

Simply transferring staff to get the payroll down is not generally a recipe for success when considering managed services, not least because outsourced service suppliers are usually only willing to take people on to work across multiple contracts; that is, the people who have been transferred are unlikely to work on your contract exclusively. So you might save money, but you've not necessarily got a bargain if the human resource is too depleted to be effective.

The crux of the issue is what functions or infrastructure elements does a company want to move to a managed service and why? What are you trying to achieve, and why do you think managed services are the best alternative? Are they the best way of providing better services?

Treat your managed service provider as key parts of your IT delivery model because that is exactly what they are. Speed and slashing costs should not be the priorities so much as gaining sustainable, flexible operational efficiencies. Remember lowest cost means lowest quality and least flexibility.

While the theory is that outsourcing should be cheaper, due largely to exploiting economies of scale and labor arbitrage, CSPs' legacy IT environments are typically bespoke and complex. And of course to some extent

many CSPs will be stuck with legacy systems for a long time to come, for instance, those supporting the copper local loop or 2G – both likely to be around for some time to come.

Good reasons to examine the possibilities of managed services are because they will enable you to focus on your business, allowing you to innovate, restructure costs and improve quality. Other possible gains include access to knowledge, talent and operational expertise.

Managed services could also be a catalyst for change, help reduce time to market and enable you to treat certain aspects of IT as commodities, while smoothing your path towards standardization. They could also offer better risk management, greater access to venture capital and tax advantages.

Top management support

Any combination of the above means that managed services are going to have a profound effect on your organization achieving its corporate goals. Decisions about managed services must gain approval and support from board level to ensure they match corporate business objectives – and continue to meet them. Managed services cannot remain solely the responsibility of the CIO.

In addition, many large network operators, with properties in many countries, are looking to put in place a standardized approach to IT to benefit from economies of scale, including developing a common architecture. The key here is that the common architecture has to be sufficiently flexible to accommodate some local conditions.

One CSP has set an ambitious agenda in taking this approach, including molding its IT staff into a single team to work across all its operating companies in different countries to do so. It has already brought unit costs down by almost half, passing the target of 30 percent cost reduction promised to the board while still only part way through implementation.

Establishing a common architecture across many countries is a sensible strategy using managed services, but only if the move is enforced from the top – preferably after C-level executives have explained the rationale to the

troops. Typically where in-country teams have been left to their own devices, and IT systems have developed organically, trying to impose core commonality is likely to meet considerable resistance.

While it is wise to consider increasing the ratio of services delivered from offshore locations to reduce cost, a note of caution should be sounded: simply looking at the most obvious costs, such as salaries, is not a good idea – there are always additional costs associated with working with an overseas managed services supplier, as well as issues such as different cultures, working practices and time zones.

Choosing the right partner

As ever, choosing the right partner means an all-round assessment and mitigation of risk by avoiding hurried, tactical decisions that inevitably result in long term pain – marry in haste, repent at leisure.

Yes, price is an important component, but it needs to be balanced against a whole lot of other criteria, including being a good cultural fit and having a commonality of strategic plans. Whatman advises companies to benchmark pricing and the market to figure out what you want the price to be before you start negotiating. TM Forum already supports a major benchmarking program involving over 170 CSPs and is extending this to cover outsourcing benchmarking activities – (see Section 4 for more information).

If there is a likelihood of you or your potential partner changing strategy or direction, especially in tough economic conditions, opt for a shorter term contract. Extending or renegotiating longer terms with a satisfactory partner is more cost effective than ending an agreement.

Certainly you should be aiming to establish a long term partnership with trust on both sides. Davis said in her keynote speech that BT Wholesale had formerly made only 10 percent of its revenue from long-term contracts; this was now up to 40 percent and rising.

She added that the company's strategy is to have deep relationships with customers

and work out how products and services could be tuned to best meet their needs. As BT Wholesale has more than 1,000 customers, this is important as clearly one size does not, and never will, fit all in managed services.

Negotiation

CSPs need the competencies to manage the sourcing strategy analysis, due diligence, vendor management and governance in dealing with IT providers across all phases of the sourcing lifecycle. If you haven't got that talent in-house, buy or hire it in.

Don't be tempted to rush this stage – the time and resources spent now will pay big dividends later – you can't build a stable structure on wonky foundations.

You need input from all levels and affected functions during the negotiation and transition phase. Take your time to absorb their input and insist on a transition period of at least 30 days. Run it like a project, and ensure the transition costs aren't spent elsewhere.

You must build in flexibility. Structure outsourcing contracts so that you can shift from cost control and cost removal toward additions and innovation. You need to be able to mirror shifts in the economy and the markets you serve. Ask vendors to open renegotiations on the basis of changing market conditions, competitive pricing and well-defined business needs.

The best developed and structured contract and service level agreement (SLA) aren't enough on their own to manage vendor relationships. They are typically overly complicated and either too long or too short. Again striking the right balance is crucial.

Client organizations often rely on external service providers to define the scope of work, and to determine their deals' service levels and prices. These service levels often measure processes or activities that do not deliver value to your business, which can lead to an overpriced deal.

Avoid paying incentives to external service providers if they exceed service levels, unless they provide equal or greater business value than the incentive.

“Structure outsourcing contracts so that you can shift from moving cost control and cost removal toward additions and innovation.”

Penalties in the form of fee reductions (that is, the service recipient reduces the provider's fee) must be significant enough to change an external service provider's behavior. If any one of the defined service levels is missed, then the organization should assess a penalty against the provider.

Gartner has found that fee reductions in the 10 to 20 percent range are usually effective in governing behavior. Don't forget that the point is not to rack up penalties but to have the service provider react quickly to problems and to fix them fast, in keeping with timeframes written into the contract.

Agreements with integration service providers should set proper expectations in the form of specific terms and conditions regarding task completion, network and application availability, and timely problem resolution.

Insist on specific levels of network and application availability, including scheduled downtime (if any), mean time between failure and mean time to repair for single-point errors in the data center.

As Whatman outlines, ten years ago, many companies could tolerate hours of periodic outages and scheduled downtime each week (95 percent to 99 percent availability, excluding scheduled downtime). However, more businesses today operate on a 24/7 basis and can only tolerate momentary disruptions in service without any scheduled downtime (greater than 99.9 percent availability overall). As a result, customer vulnerability to service outages has increased, and even short, occasional outages can cause a huge amount of trouble for users.

Think about what will happen when the deal ends from the start. Negotiators should include a comprehensive exit clause in the contract. This will minimize the risk of costly disputes and pave the way for a smooth transition. Renegotiate at

the best time for you. This may mean early. Use renegotiation as leverage in troubled times. Your partner will be suffering too.

In first generation deals, clients often opt for the limited risk, fixed fee contracts, but renegotiate pricing models and move toward more flexible, usage-based pricing for second generation outsourcing deals.

Whatman counsels, "No matter how difficult, if something isn't working, change it." The longer a problem is allowed to continue, the greater the ramifications, which could be falling customer satisfaction rates leading to churn, and/or lost revenue, failing to leverage maximum value from assets and resources or not being able to respond to changes in the market.

Managing the transition

Whatman says that a common failing in the setting up of managed services is that the customer doesn't embed people properly with the provider, whereas close cooperation is the only possible way of conveying what is required and ensuring the SLA meets those needs.

CSPs need a 30-day transition period and clear governance for long term success, and should be wary of transferring all their people to the managed services provider because they lose that in-house skill set. True, the supplier might take them on, but then put them to work on other projects or even get rid of them after a while to cut costs. One option to consider is making it a contractual obligation to retain certain people to work on your contract alone.

Whatman comments that from her experience on the IT side, added benefits promised by suppliers often don't materialize unless they are clearly written into the contract and governed under tight key performance indicators and SLAs.

"In first generation deals, clients often opt for the limited risk, fixed fee contracts, but renegotiate pricing models and move toward more flexible, usage-based pricing for second generation outsourcing deals."

She singles out a supplier's commitment "that the transition and transformation will be seamless to the IT and business communities" as a major area of mismatched expectations. The introduction of new people, processes and tools by the supplier will, irrespective of promises, invoke disruption in the short term with the intent to improve performance mid to long term. The permitted degree of impact must be understood by all parties to properly manage expectations.

To counter such broken promises, Whatman advises, "You should have a different team for the negotiation of terms than the one that will work with the managed services provider once it is in place." The team involved in the negotiations can be adversarial and drive to more rigid terms while the team responsible for operationalizing the deal can focus on the compromises required to make the partner relationship work.

She also warns that another, all too familiar scenario is that a few months down the line, if the partner relationship has not taken its proper form, serious consideration is given to bringing the outsourced services back in-house. The main challenge often is that a CSP will be without the skills necessary to execute the operations. Hiring new people takes time and is an expensive proposition. Therefore, expending the management focus to establish the right partnership relationship the first time is critical to the success of managed services.

Automation and virtualization

Intelligent deployment of automation and virtualization is relatively inexpensive, but can cut the cost of servicing customers – allowing them to serve themselves online or via interactive voice response is popular when done well. Improved services at reduced cost is a winner, but the execution is all.

During the panel discussion on lowering costs for competitive survival at *Management World 2010*, the Managing Director and CIO of UPC Broadband Operations, Mehrdad Mansourpour, told the audience that his company has been able to reduce IT costs to under 5 percent of revenue by virtualizing data

centers, costing "less to service more people."

Virtualization has paid dividends for Telecom Italia too, as its CIO, Giovanni Chiarelli, explained in the same panel discussion. His company is planning to reduce OpEx by 40 percent through virtualization of its network, leading to shorter timeframes for less intensive CapEx.

He said Telecom Italia started testing the technology in 2007 on a server farm with 2,000 servers running 800 internal applications. It has since been able to switch off 6,000 servers, resulting in 40 percent energy savings. He added that he expected to be able to dispense with 20,000 more servers by the end of 2010 and a further 20,000 by the end of 2011.

Cloud cover

Virtualization is, of course, the central idea of cloud-based computing. However, while there is a lot of industry excitement around public and private clouds there are also many issues yet to be addressed that otherwise will hamper the uptake of cloud services.

One attraction is moving projects into the cloud to drive short term efficiency, but there are both technological and contractual issues. For example, disaster recovery measures are unlikely to be the same across geographic boundaries, or from network to network, yet cloud services might be provided by more than one network and more than one provider.

TM Forum's Enabling Cloud Services Initiative was set up to help the industry overcome barriers to adoption and assist the growth of a vibrant commercial marketplace for cloud-based services. The centerpiece of this initiative is an ecosystem of major buyers and sellers who will collaborate to define a range of common approaches, processes, metrics and other key service enablers.

As one senior executive observed, "This is not just about beating cost out of suppliers, but gaining savings from lots of peripheral activities, such as not having to put up another server."

For more about using cloud services, see the *Quick Insights* report, *Cloud services: the user's perspective* on our website.

Section 3

In conclusion

Here is a list of golden rules concerning the procurement and use of managed services, deduced from the evidence and experience offered by the T8. It is not exhaustive, nor is it meant to be, but we hope it provides food for thought.

- 1.** One size doesn't fit all – integrate the use of managed services into your overall strategy as appropriate, but choose wisely where you apply it. Select your partner and don't build your contract around meeting short term objectives but to address your long term strategy. Ensure your partner has complementary directions.
- 2.** Make sure you have the commitment and involvement of C-level executives. It is imperative that your managed service strategy is in alignment with your company's business goals and contributes towards them. It helps a lot if they explain to the troops what you're trying to achieve and why.
- 3.** Expect resistance.
- 4.** Don't let go of the control of your strategic assets, and never forget that you are managing the managed service supplier, not the other way around. Make sure you establish clear lines of reporting concerning who is responsible for reporting what to whom.
- 5.** Ensure you negotiate flexibility into the contract without giving away the family silver. If you don't you may discover that the anticipated savings disappear in penalty clauses for retro-engineering of terms and conditions. It is imperative that your managed services can map changing market conditions – quickly.

6. Don't think of managed services primarily in terms of costs savings, but in terms of sustainable efficiencies and how to deliver services better. Manage what you know your expertise really is and outsource to others the things they can do better and more cost effectively. Figure out the baseline of where you are, and set goals that will be a stretch for your partner but are realistic and map to business outcomes.

7. Customer experience is paramount at all times – don't sacrifice it at any price; it will cost you dearly in the long run. As BT Wholesale and others have found, you can improve customer service while cutting costs through the intelligent implementation of automated processes.

8. Invest in the necessary talent if you don't have it in-house with regard to negotiating and setting up the services; it will pay huge dividends.

9. A common architecture and use of standardized processes, software and interfaces cannot be overstated in terms of saving time, money, effort and resources concerning integration and subsequent testing. TM Forum's *Framework* is a great example of how to proceed. If you decide it makes economic and operational sense to write your own software or build your own network and systems, the use of standards will greatly ease the process and save you time and money. Consider how you can best specify and build the use of standards into the contract. Remember that differentiation of services through customization probably only involves 10 percent of systems and services, at most, says Keith Willetts, Chairman and CEO, TM Forum.

10. If a supplier doesn't pass all the specific test cases at the start, don't have them back.

11. Ensure key staff are embedded with the service provider and vice versa – and make sure that those people will continue to work for you as part of the contract. Beware letting go of in-house skill sets. Who will know enough internally to manage those working externally, and what happens if the contract is brought back in-house – an all too familiar scenario?

12. Simply transferring people won't achieve your goals – make sure you are clear about what those goals are from the start.

13. While following a common IT approach across all your operations to maximize economies of scale, don't impose a straitjacket – think global, but act local.

14. Managed services are an instrument to deliver customer and business value, not an automatic fix for business problems. Outsourcing a problem won't fix it or make it go away.

15. Revisit the terms of the contract and how well it is meeting your business needs regularly to ensure ongoing value. No matter how difficult, if something isn't working, fix it.

16. To borrow from George Orwell's rules regarding good writing, break any of these rules rather than do anything outright barbarous.

“To borrow from George Orwell's rules regarding good writing, break any of these rules rather than do anything outright barbarous.”

Section 4

TM Forum's role in managed services

TM Forum's *Frameworkx* is the industry's only integrated business architecture that serves as a blueprint for a service provider's entire operational back office. It enables end to end business and service management across organisational and departmental boundaries. *Frameworkx* is compatible with industry standards such as ITIL and service oriented architecture.

It defines standard process and information models required to run the business and the major systems required to implement and automate those processes. It also defines the architectural rules for grouping systems into logical domains – such as enterprise resource planning and customer relationship management – and the standardized interfaces between those domains.

Frameworkx underpins managed services strategies through clear delineation of business domains coupled with standard partner interfaces, business to business processes, and supporting best practices in areas such as service level agreements.

Integration costs outstrip software licence costs by at least a factor of five today, but both are dwarfed by the day to day operational costs of the business.

Striving to reduce costs solely through a commercial off the shelf approach to systems is insufficient as it fails to adequately tackle these cost generators. A radical reduction can only be achieved through standardized interfaces and an end to end management view that spans the value chain.

Frameworkx provides that standards-based approach which allows service providers to minimize their operating costs through more highly integrated and automated processes. It also reduces the risk associated with

implementation, while offering a path to outsourcing from which you can return.

Frameworkx has a range of supporting products and services to enable rapid and effective use of its integrated business architecture:

■ Business decision support

The TM Forum Business Performance Benchmarking program provides the industry's most comprehensive means of comparison, enabling service providers to evaluate their businesses' performance against that of the market. This provides key decision makers with information on where to target their investment to make the most impact. Studies are undertaken in the area of converged services, broadband, revenue assurance, and mobile services.

■ Best practice guidebooks

The guidebooks combine the insights and experience of our members to define best practices in service level agreements and revenue assurance. Both are crucial enablers in partner management as well as overall business operations.

■ Procurement Support

Frameworkx Conformance Assessments, and the supporting standardised RFX Templates, enable the procurement of software and solutions that align with a *Frameworkx*-based architecture. This greatly reduces the risks and costs associated with integration.

■ Implementation support

TM Forum provides a comprehensive program of management and technical training and workshops. They are designed to help teams adopt *Frameworkx* standards and best practices rapidly to deliver results through their own programs.

The syllabus includes:

- Interactive workshops on best practices for managed services and business transformation;
- A high level introduction to *Frameworkx* for management and presales staff;
- Detailed technical training on *Frameworkx* and revenue assurance;
- *Frameworkx* and Revenue Assurance Certification Programs to help organizations ensure their staff have the necessary, proven skills and resources.

■ Collaboration support

Frameworkx is developed collaboratively through the Forum's online community. This unique forum enables members to interact with thousands of other industry professionals to obtain advice, answers, best practices and recommendations concerning the deployment of *Frameworkx* and to further its evolution as the integrated architecture for the industry.

In addition to the online community, the Forum has several Collaboration Programs aimed directly at partner management and managed services such as:

- *Service delivery*
Service delivery is a key function of *Frameworkx*. To be profitable in this complex environment, service providers must standardize and automate service delivery

processes throughout the lifecycle of any given service to shorten the time from concept to market. The Service Delivery Reference Architecture defines a reference model of the building blocks needed to manage the creation, monetization and delivery of next generation services.

- *IPSphere*

The IPsphere Framework defines mechanisms to automate offers, and purchase and provision service components among multiple stakeholders. This helps service providers improve efficiency, because less manual intervention is needed, and increase flexibility better to accommodate changing circumstances.

- *TM Forum Catalyst Program*

The Catalyst Program is the Forum's innovative approach to incubating leading-edge solutions. Think of it as a rapid prototyping environment where service providers, system integrators, and hardware/software suppliers work together to solve common, critical industry challenges. Each Catalyst project culminates in a series of live demonstrations. The program is driven by service providers which challenge groups of supplier to solve problem with real technologies, not PowerPoint. This is a huge, real benefit of Forum membership as the service is free to members that are service providers.

For more information about any of the Forum's activities above or getting involved please contact George Greenlee, SVP, Portfolio and Product Management via ggreenlee@tmforum.org

“Think of it as a rapid prototyping environment where service providers, system integrators, and hardware/software suppliers work together to solve common, critical industry challenges.”

Managed Services:

Enabling the Connected World

Are You Ready for the Connected World?

Over the next decade, trillions of devices will be networked, doing far more than enabling simple communications – they'll connect industries and impact our daily activities. The ongoing march towards a connected world holds great promise for service providers, including super-fast, highly efficient networks, constantly connected customers, and new connected devices.

It all adds up to new revenue streams (and a new competitive environment) waiting to be realized. In order to capture the new opportunities of the connected world, service providers will need to support services, content and applications spread across trillions of networked devices across both communications and other industry verticals.

For service providers, the payoff from tapping into the connected world could be huge in terms of revenue, customer loyalty, and market leadership. But this will depend on their ability to:

- Expand quicker by bringing new products and services to market faster
- Drive experience by differentiating through a unique, real-time customer experience
- Run leaner by embracing lean and agile operations

Maintaining current operations while building for the future requires enormous investments in enabling systems, tools, and business processes. One business strategy that is being embraced to support these challenges is the transfer of B/OSS and service delivery application, infrastructure

and business process management functions to a trusted third party.

In a January 2010 Amdocs survey conducted with Frost & Sullivan, two-thirds of service providers interviewed responded that outsourcing part of their operations will be critical to succeeding in the connected world.

Managed Services 2.0 – Delivering More than Cost Reduction

In the emerging connected world, CIOs will increasingly be asked to take on a more strategic role in driving business enablement, innovation and competitive advantage. Traditionally they have embraced outsourcing as a way to cut IT costs and gain greater cost predictability. Although CAPEX/OPEX reduction is still a primary driver for outsourcing decisions, more than ever, outsourcing models are being leveraged as a strategic differentiator to enable greater levels of customer value and to adapt more quickly to customer needs and to a rapidly changing industry.

As a result, service providers will need to shift from a “cost-based” to a “business-outcome based” decision framework when considering their managed services strategy and partnerships.

In addition, many service providers have recognized that they can leverage managed services not only to lower costs and improve operations, but also to launch new operations, execute transformation and modernization projects and to drive a better customer experience. A new competitive environment in a constantly changing technological environment means increased focus on the “What” and not on the “How”.

Why Amdocs Managed Services?

Leading service providers worldwide have selected Amdocs Global Strategic Sourcing (GSS) to manage their B/OSS and service delivery infrastructure, applications and processes so they can focus more on their business strategy – growth, new products, improving the customer experience and competing better. In addition, they are seeking a strategic partner, not a vendor, who can provide the deep domain expertise, tools and methodologies to help improve their IT and business efficiency and significantly lower their OPEX and CAPEX costs.

Our approach consists of three main pillars – Expertise, Foresight and Value:

Expertise

Amdocs GSS offers our customers unmatched industry experience and access to best practices gained by working with leading Tier 1 and Tier 2 service providers across 60 countries. We believe we have the largest concentration of dedicated telecom software experts in the world – providing our customers with access to a knowledge and experience base that is unparalleled.

Foresight

Amdocs is totally dedicated to the industry. We have a vision and strategy for the future, which drives our constant investment in R&D. Our experts are regular speakers at industry events and forums. We participate and contribute to industry standards bodies. Our global perspective combined with our industry focus enables us to help our customers prepare for the future.

Shift to Business Outcome Focused Outsourcing

TRADITIONAL OUTSOURCING APPROACH: COST FOCUSED

Prime driver:
Control/Reduce IT costs

Reducing OPEX and CAPEX
Improving operational efficiencies

OUTSOURCING IN A CONNECTED WORLD: BUSINESS OUTCOME FOCUSED

Prime driver:
Leverage the investment in IT
outsourcing for generating business value

Reducing OPEX and CAPEX
Improving operational efficiencies

- Improving customer service levels
- Faster time to market for new products and services
- Delivering a consistent customer experience
- Enhancing the quality of customer experiences and interactions
- Enabling growth and innovation



Value

Our customers are able to leverage our global software, systems integration, and operations best practices for each customer engagement, regardless of service provider size, to enable best-in-class service levels. For example, we've helped customers improve billing accuracy to 99.95% and reduce the amount of their "rejected" service orders by 83%. The direct impact on costs and the customer experience are significant.

Amdocs is also the only company that can effectively bring together industry-leading products, services and transformation experience to provide long-term and sustainable business value. For example, we've helped service providers such as Bell Canada enhance and transform complex B/OSS environments (across multiple lines of business) to achieve modernization and

full convergence, while lowering their overall costs of managing and running their support operations.

Finally, we guarantee our results through contractually defined key performance indicators (KPIs) and service level agreements (SLAs).

Conclusion

The business imperative to do more in the connected world may seem daunting, especially when today's challenges – fast-growing capacity demand, insufficient ARPU, maintaining outdated legacy systems and more – are taking the bulk of resources.

But by focusing on strengthening their core revenue-generating capabilities and partnering with a managed services provider that has the expertise and capabilities to host, manage and run back-office infrastructure, applications and business operations, service providers can succeed in today's world and thrive in a network-connected future.

Amdocs Global Strategic Sourcing is in a unique position to support service providers' core business and operations success today while bringing them a giant step closer to the connected world of tomorrow.

About our sponsor:

For nearly 30 years Amdocs Global Strategic Sourcing has been a strategic partner for leading communications and media service providers worldwide, helping them to accelerate business growth, enhance their customers' experience and reduce costs.

We deliver cost-efficient business and operational management services by combining flexible financial and delivery models with industry-specific expertise and an unmatched delivery record.

Amdocs Global Strategic Sourcing offerings provide a wide range of managed services to support business and operational support systems (B/OSS), service delivery platforms (SDP), and directory publishing for the media and communications industry. Our flexible and tailored outsourcing solutions include support for IT infrastructure management and hosting, application management and business process operations (operational and IT oriented).

In addition, Amdocs provides managed transformation services, enabling service providers to modernize or consolidate their systems while saving on operational and capital costs. Our services are designed to provide value across all environments, based on Amdocs or legacy in-house or third-party systems.

For more information, please visit <http://gss.amdocs.com>

A blurred photograph of business professionals walking on a city street. In the foreground, a man in a dark suit and a woman in a black blazer are walking towards the right. In the background, another woman in a grey sweater is walking away. The scene is brightly lit, suggesting a sunny day. The background shows a modern building with a glass facade and a red sign.

For nearly 30 years Amdocs Global Strategic Sourcing has been a strategic partner for leading communication and media service providers worldwide. Let us accelerate your business growth, enhance your customers' experience and reduce your costs. Learn more at gss.amdocs.com.

**WE DRIVE BUSINESS OBJECTIVES.
WE GUARANTEE BUSINESS RESULTS.**

**ACCELERATE GROWTH
ENHANCE EXPERIENCE
REDUCE COST**

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