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10 key success factors for sourcing an IT Managed Service Provider

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In an ecosystem driven by the constant introduction of new technologies, partnering with an IT Managed Service Provider (MSP) for a subset of your IT services can be a boon. Managed IT services give you the support you need for your critical IT services — development, networks, servers, security, infrastructure, etc. — without the cost and hassle of managing everything in-house. All types of businesses, from small companies to large ones, can benefit from partnering with IT managed services.

Managed Service Providers also allow to leverage innovation and to reach further maturity, especially when they come with new technologies (automation, Artificial Intelligence, etc.). However, to reap all the benefits from an MSPs, you need to find and select the adequate IT partner and implement successfully the new operating model shifting to managed services.

So, what do you need to conduct your sourcing process that will enable your ambitions followed by a successful implementation strategy?

In this article, we will shed light on market best practices approaches for sourcing an IT Managed Service Partner in the private sector for large enterprises, learned from more than 6 companies and with more than 20 providers interviewed..

1	2	3	4	5
Define a clear target with qualitative and quantitatve objectives for the project	Build a project team with strong operations roots	Leverage market insights	Don't write a full request for proposal[1] (RFP), co-construct it with the bidders	Design a pricing model align with your transformation stakes

6	7	8	9	10
Structure provider selection process in 3 gates	Focus on the right selection criteria	Anticipate transition & transformation as of RFP writing	Don't close the RFP without identifying the target organization	One more thing, don't rush on RFP process, there are other ways

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[1] A request for proposal (RFP) is a business document that announces a project, describes it, and solicits bids from qualified contractors to complete it.

1. Define a clear target with qualitative and quantitative objectives for the project

Before you start looking for a Managed Service Provider, you need to identify your company's needs and internal IT gaps. Therefore, we recommend to first identify the following points if you want to leverage full benefits of MSP's:

- The top three reasons that push you to enter in a sourcing process;
- The scope of services and geographies that are in scope;
- The expected achievements in terms of quality of services;
- The expected financial goals;
- The key risks and key success factors.

These goals should be clearly defined within a 1 year, 3 years and 5 years horizons.

At the early stage of the process, there is absolutely no need to land on a detailed rationale. A "one-slider" is usually enough and will be the good vector to onboard the management, the team and the business partners.

2. Build a project team with strong operations roots

While it seems normal to have a sourcing project structure separated from the operations team (which are supposedly still managing the incumbents) it does not mean that operations teams should not be part of the program.

A joint leadership between a temporary project structure and the target RUN structure should be setup, allowing the operations team to mature along with the program and to be fully onboarded as soon as the contract is signed. Strong effort is required to analyze and compare the different proposals that will shape the service for the years to come. As operations teams were involved in upstream commercial discussions, they were in better position to have the chosen provider to "walk the talk" with regards to their initial commitment. An effective governance split between IT teams and procurement is also the good match to align finance and IT requirements all along the sourcing process.

3. Leverage market insights

Now that you have a pitch and a team, it is finally time to get started.
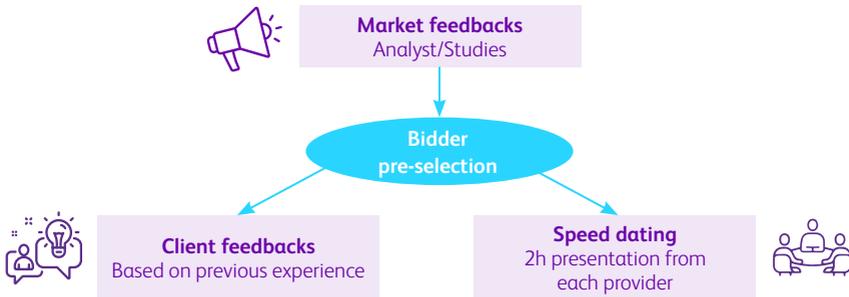
However, it is not yet the moment to rush on requirements definition. Indeed, while the "adopt not adapt" mantra is not yet considered as a standard in the "Managed Services" domain, understanding what the market has to offer is often the best first move.

Discussing with providers will allow you to quickly get up-to-speed on industry best-practices for service delivery (i.e. what you should integrate in your Statement Of Work (SOW) to leverage economy of scale from providers) and trigger new transformative ideas for your service design.

One of the best formats to engage discussion with the market ahead of any sourcing process is through the use of "speed dating" sessions. Based on the pitch or the "one-slider" describing your vision, providers will defend for 1-2 hours their vision and their recommendations for moving forward.

Beyond helping you to design and formulate your need, this will also provide a better understanding of providers' vision, strengths, references and positioning in the market.

Ideally speed datings should be setup with 5-6 providers to get a broad overview of the market offering. This means that it can be arranged within a dedicated business day which would be a great way to kickstart your project!

Market feedbacks
Analyst/Studies

Bidder pre-selection

Client feedbacks
Based on previous experience

Speed dating
2h presentation from each provider

4. Don't write a full RFP, co-construct it with the bidders

Clients often tend to misinterpret RFP content with a contract.

RFP is just a vector to reach the market and receive offers that will then be discussed and finetuned to ultimately lead to a contract.

To this extent, it is perfectly fine to leave several grey areas or open questions within the RFP. It is even often a good idea because it will give you the opportunity to benefit from multiple answers coming from different providers (if not already collected as part of speed datings).

Trying to fill the gaps in the client needs could sometime result in forcing providers to "adapt" their offering to satisfy a need that might not be that vital for the client in the end.

This being said, some dimensions are very important to fix before entering in a RFP process. In order to receive financial and technical offers which could stand a first level of comparisons, the following dimensions should be closed before launching the RFP.

	Expertise
Scope delimitation	+ sets the priority + avoid unnecessary scope extension and non ending discussion
Local regulation awareness	+ Anticipate any gegraphical scope limitations
Pricing model	Described in the following point
SLA	+ Align with business requirements + Professional perception of managing service delivery quality

5. Design a pricing model align with your transformation stakes

Well-structured price model and a calculator tool enable price comparison between providers. With the shift to a "Full Managed Services" model, all partner activities need to be reflected under working units which will serve as a basis for invoicing.

In a nutshell, hundreds or even thousands of RACI (Responsible, Accountable, Consulted and Informed) lines and dozens of resource cost will be summarized under a handful of "simple" price x volume combination(s) resulting in an increase or decrease of the overall bill. It is that important and thus a key area to dedicate your time!

From our experience there are not any market standards for managed services, but some principles should apply in all situations:

- Simplicity, fairness, transparency to support invoicing and communication; Flexibility to support volume ramp-up/ramp-down;
- Inclusive of Cost Of Living & Forex Adjustments, YoY productivity & optimizations; Well isolated from all one-shot costs (transition, reversibility, on-demand quotes);
- Reliability of used working units: 1 year data history and fair understanding of usage patterns

For large outsourcing deals, achieving simplicity is a wishful thinking.

Best practices in terms of pricing model design would be to rely on a fairly simple work-unit (per user per month for end-user services, per tickets per month for application management services, etc.) which would be combined with other "clearly cut" ratios, such as:
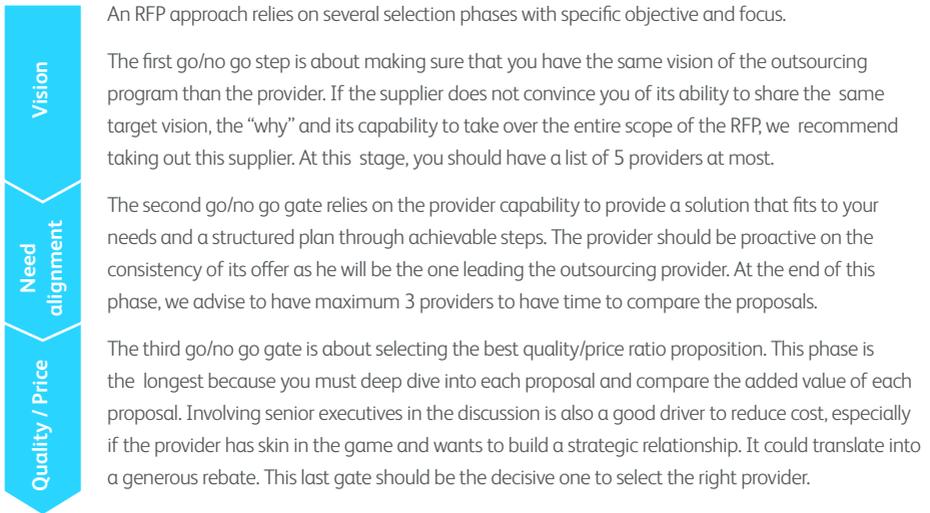
Pricing ratio	Description
Complexity ratios	Incident vs change vs request, SLA level, language, persona, application type, etc.
Transformation ratios	Cloud vs on-premises, automated vs non-automated, onshore vs offshore, etc.
Productivity ratio	Distinguishing "plain productivity ratio", committed transformation ratio and co-enabled transformation ratio

While this might appear complex, it is an effort which is worth being thought through (keeping in mind that it needs to be "simple" enough to be billed monthly).

Indeed, it gives:

- To the customer, an active role in the financial steering of its operations, offering several levers to activate looking for optimization;
- To the provider an incentive to transform and improve to generate more margin.

6. Structure provider selection process in 3 gates

Vision

Need alignment

Quality / Price

An RFP approach relies on several selection phases with specific objective and focus.

The first go/no go step is about making sure that you have the same vision of the outsourcing program than the provider. If the supplier does not convince you of its ability to share the same target vision, the "why" and its capability to take over the entire scope of the RFP, we recommend taking out this supplier. At this stage, you should have a list of 5 providers at most.

The second go/no go gate relies on the provider capability to provide a solution that fits to your needs and a structured plan through achievable steps. The provider should be proactive on the consistency of its offer as he will be the one leading the outsourcing provider. At the end of this phase, we advise to have maximum 3 providers to have time to compare the proposals.

The third go/no go gate is about selecting the best quality/price ratio proposition. This phase is the longest because you must deep dive into each proposal and compare the added value of each proposal. Involving senior executives in the discussion is also a good driver to reduce cost, especially if the provider has skin in the game and wants to build a strategic relationship. It could translate into a generous rebate. This last gate should be the decisive one to select the right provider.

7. Focus on the right selection criteria

Define and prioritize the key success criteria that will be the guidelines to fulfill along the selection process. Common understanding will provide a shared basis to compare the stakeholders.

Most of the Leading Managed Service Providers have similar capabilities in terms of resources (mostly India-based delivery centers) and skills. They are also able to subcontract to local providers when the customer requires onshore/nearshore presence and they do not have the necessary capabilities in-house. Therefore, these are not the topics on which a client should spend too much time during Due Diligence nor focusing its decision criteria.

In our customer experience, sourcing processes had allowed to align most providers in terms of activities, resources volumes and skills as well as financials. The considered differentiation criteria were hence the following:

Differenciation criteria	Description
Alignment and completeness of the vision	Providers who share the same ambition than their customers will tend to take a faster and easier road to success.
Maturity of their Digital-first support offering	Those who made the right investment early enough are still far ahead from the pack and can make a real difference at Day 1.
Embedded change management capabilities	As the partner will need to look after proper adoption of its transformation capabilities to execute its roadmap.
References and ability to deliver niche services	While most leading providers share similar capabilities to support standard services such as ServiceDesk, server management or corporate application maintenance, things get more complicated when dealing with more specific needs. Providers' capabilities to serve areas such as Public Cloud Operations, scientific applications maintenance or Field-force support are far more heterogeneous and then need to be looked at thoroughly whenever needed..

8. Anticipate transition & transformation as of RFP writing

Consider IT Ecosystem interdependencies: ensure the provider is flexible enough to adapt its plan to local specificities. These interdependencies should be modelled so they are clearly understood and subsequently managed in the transformation plan.

Preparing for transition and transformation ahead in the sourcing process is as important as looking at the map before embarking on a journey!

It is a huge challenge to fully finalize the transition and (ransformation framing while being busy with service design and provider selection. However, preparing a few key items will allow to jump directly to the next phase after contract signature, saving some precious weeks or months in the overall planning. From our experience, here are the key elements to secure:

Mobilize the stakeholders of the transition and present them the methodology and planning

High-level transition plan should be requested to the providers as part of the selection process

Transition methodology should be a direct input from the provider, based on their previous experiences and their own know-

Transition and transformation organization should also be requested to the provider and can be leveraged during a joint workshop to build a mirrored organization on customer side

9. Don't close the rfp without identifying the target organization

It is typical to see retained IT organization defined after contract signature. In this case, CIO did warn from the start: "I will not sign anything if I don't know how to run it". Organization and target operating model design were thus embedded into the Sourcing Program as a dedicated stream.

Advantages to define the future organisation before contract signature
Gaining precious months in the planning as client team was ready to receive the service right after contract signature
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Setting the right requirements in terms of processes and delivery model as part of the commercial discussions
Designing the contractual governance in mirror of the actual internal
Organization; Obviously, answering to CIO's request!

10. One more thing: don't rush on RFP process, there are other ways

While RFP process is often seen as the royal path to outsourcing, it is also the one which requires the most effort. It is worthwhile considering different options. Smart usage of exclusive negotiation can also, in some cases, lead to similar results in shorter time.

Exclusive negotiation is equivalent to sole source supplier. Like for any purchase performed through procurement methods with full and open competition, a sole source evaluation will take place, but in a significantly different manner because no comparison will be performed against other prospective providers. There is no other option but to go with the supplier which is the only source for the service required by the organization.

Launching an exclusive negotiation should fulfill some key conditions:

- A long-lasting incumbent partner with excellent knowledge of the ecosystem;
- Incumbent partner is listed as the few market leaders in all the sourcing categories which were considered;
- Early proposal is submitted with significant savings commitment as a basis for Exclusive Negotiation discussions.

To transform the service and prevent this approach from being a "simple" financial negotiation, the existing contract and statement of work should be challenged through joint design workshops.

Workshops agenda should be defined by the client (e.g.: SLA, Service X, pricing model, etc.) and follows the sequence: joint assessment of the current state, provider-led proposal for the new contract, client counter-proposal and eventually common alignment.

In order to sustain the right level of pressure on the incumbent provider, it is recommended to trigger an exclusive negotiation in the frame of an overarching sourcing project. This will send a clear signal that, in case of exclusive negotiation failure or difficulty, a RFP stream could emerge and bring other providers around the table.

BearingPoint ®

BearingPoint est un cabinet de conseil en management et technologie indépendant aux racines européennes et à la couverture mondiale. Le cabinet est structuré autour de trois entités. La première couvre les activités de conseil en mettant clairement l'accent sur les domaines d'expertises clés du cabinet à développer dans le monde entier. La deuxième fournit des solutions technologiques avancées combinant conseil et logiciel, et offre des services gérés à forte valeur ajoutée aux clients. La troisième se concentre sur des investissements innovants ; par exemple dans des solutions logicielles très spécifiques permettant de répondre aux exigences réglementaires ou d'accompagner la transformation numérique. Elle a également pour vocation d'explorer des business models innovants avec les clients et les partenaires, en favorisant la création d'écosystèmes, le financement et le développement de start-ups.

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