High-Performance IT

Managed Services Health Check

Usual Contract Management problems

1. Unanticipated and additional services costs.
2. Poor service and project delivery.
3. Financial disputes.
4. Lack of a customer contract management office. (Different to supplier management.)
5. Post execution contract managers not party to the contract negotiation.
6. Poor contract management practices such as no contract diary or schedule compliance monitoring.
7. Inexperienced contract manager. (The customer contract manager needs to have a working knowledge of each of the outsourced services (e.g., Development, Infrastructure, Communications).
8. The IT Architecture function is outsourced. (This must be retained in-house to ensure that the customer controls the IT Strategy to ensure alignment with the Business Strategy.)
9. The legal department manages the contract. (This is a huge no, no, as the lawyers only understand the terms and conditions and not the schedules which represent the day-to-day work).
10. Contract management meetings not being held weekly.
11. Provider not meetings SLAs and other contract obligations.
12. Issues and disputes are not handled in accordance with the contract terms.
13. Lack of accurate customer management reporting.

Assess Your Own Position

Take a moment to answer the following questions, it will give you a good perspective on where you are in terms of your managed services relationship and what level of service you are receiving.

Relationship.	Response
How would you describe the outsourcer relationship? (Joint venture, partnership, friendly, contractually based, acrimonious.)	
How satisfied are you and your users?	
Contract.	
Are their separate contracts with separate sets of schedules for each cloud platform?	
Are new services negotiations held in good faith?	

Are issues and disputes being handled to your advantage?	
Are there any current or possible future contract disputes?	
Is there a contract diary?	
Account Management.	
Is the providers contract manager held responsible for your overall satisfaction within the contract performance?	
Does the providers contract manager have a detailed knowledge of the account?	
1. Does the providers contract manager have detailed knowledge of the customer's practices and procedures?	
2. Do both parties have a working knowledge of the contract Schedules?	
3. What if any outstanding matters are there?	
Costs.	
4. Are you incurring unanticipated or Additional Costs?	
5. What if any financials are outstanding by both parties?	
6. What financial disputes exist?	
Delivery.	
7. How would you rate SLA compliance? (Low, Medium, High)	
8. Are business targets being met?	
9. How would you rate project delivery performance? (Low, Medium, High)	
10. How would you rate Service Delivery performance? (Low, Medium, High)	
11. How would you rate the providers Service Desk performance? (Low, Medium, High)	
12. What regular reporting is being received?	
Customer IP.	
13. Where is the IT Architecture function located?	

14. Who controls Security Standards?	
15. Who owns Data privacy (For example, does the outsourced data include personal data or competitively sensitive data such as trade secrets)?	
16. Who owns the data and is data encryption implemented?	
17. On termination of the contract, what data formats are available?	
18. Who reviews the providers technology lock-in position (Where the supplier implements a proprietary solution)?	
Disaster Recovery.	
19. Have you personally toured the disaster recovery back-up site?	
20. How familiar are you with the DR plan?	
21. Where is the DR plan physically located?	
22. If you share a back-up data centre with other customers, where are you in the recovery queue?	
23. Have your staff been walked through the DR plan as an implementation exercise.	

How To Turn Things Around?

If you're suffering from cost overruns, hidden costs or additional costs and poor service delivery, there is a way to turn this around.

1) All contracts can be renegotiated, in full or in part, this can happen at any stage, it does not have to wait until contract renewal. Renegotiations are a part of outsourcing, and the providers are used to it, they do not want to lose the business any more than you want to have move elsewhere or come back in-house. It's generally in both parties' interests to take a fresh look at the contract after one year's execution.

2) Failing this, putting in place a stronger contract management function goes a long way to getting what you need and what you are paying for. It is a case of the squeaky wheel gets the oil. Manage the contract *strictly in accordance with the schedules and any special terms and conditions*. Do not let the provider take any advantage of you, be spartan in your management approach.

3) Do not be afraid to withhold payments for full or partial non-delivery of service or failing to meet some other contractual obligation. This more than anything else

will get the providers attention and if necessary, get your lawyers involved to lay out to the provider what a legal case could look like to justify withholding payments.

4) At weekly contract, service delivery meetings - take the provider through the sections of the contract that you are not happy with, be detailed, record everything (the lawyers may want those notes later) and insist on the provider taking down Actions to address each failure. Then manage the provider according to the Actions and insist on detailed written explanations of their responses to each action and every delivery failure.

5) Make changes to your contract management by establishing a contract management office.

Best Practice Contract Management

High-Performance IT implements a Contract Management Office for the exclusive management of managed services contracts. (I received a Gartner award for world's best practice – managed service contracts.) The set up a customer contract management office looks like this.

1. A customer contract manager role or position is created depending on the scope and scale of the contract(s). The contract manager should ideally have been party to the contract negotiations otherwise they need to be extremely well versed in the contract(s).

2. An IT management role or position as a SME for each of the major services the contract covers. For example, if Infrastructure including Network and Communications has been outsourced then an Infrastructure Manager is required.

3. A Service Delivery Manager position is required to counterbalance the providers Service Desk and Service Delivery functions. This is a position and therefore is a full-time position.

4. The IT Architecture function is to remain in-house to ensure that the customer retains control over their technology destiny and to ensure alignment of IT and Business strategies. As such an IT Architecture role or position is required.

5. Creation of a Contract Diary that includes all events and obligations for both parties, such as regular meetings and contract annual reviews.

6. Weekly Service Delivery meetings to review as a minimum all service delivery activities, Service Desk performance, SLA performance, Project performance, Improvements, Financials, Reporting, Customer satisfaction levels and Disputes. The providers Service Desk should also table two reports 1) Top ten Problems report and 2) Top ten Recurring Problems report.

Best Practice Outcomes

1. The squeaky wheel gets the oil.

2. Reduced or Fixed costs.
3. Cheaper Additional Services costs.
4. Improved Service Desk.
5. Improved service delivery and project performance.
6. Both parties have a detailed knowledge of the contract schedules and obligations.
7. Customer can maintain constant vigilance over service delivery, contract obligations and financials.
8. The managed service providers performance improves.
9. Should the providers performance fail to meet contractual obligations, the customer has a recorded history of events that can be used for legal action or for the withholding of payments.
10. Contract management practices such as a weekly review meeting and a contract diary keeps the customer in the driver's seat.
11. The provider's contract manager can be evaluated and held accountable for contract performance.

Outsourcing models

- **Software as a Service (SaaS)** is access to applications, hosted by an outsourcer that are accessible via the internet.
- **Platform as a Service (PaaS)** is an outsourced platform hosted by an outsourcer that facilitates the development, test, and management of web applications.
- **Infrastructure as a Service (IaaS)** is the provision of outsourced resources (servers, storage, networking) via the internet on a user pays basis.
- **Desktop as a Service (DaaS)** is the provision of virtual desktops, accessed over the internet and hosted by an outsourcer.

Cloud platforms

Managed cloud hosting is a process in which organizations share and access resources, including databases, hardware, and software tools, across a remote network via multiple servers in another location. However, before considering costs, the critical focus of managed cloud hosting is on security and consistent availability. Cloud computing is a user pays service that facilitates network access to shared resources (networks, applications, servers, storage) accessed via the internet.

- **Private cloud.** The private cloud infrastructure provides a dedicated network and equipment that are operated solely for the customer's business.
- **Public cloud.** The public cloud is made available to the public by a supplier who owns, operates, and hosts the cloud infrastructure and offers access to users over the Internet.

- **Community cloud.** The community cloud infrastructure is a multi-tenant cloud service model that is shared among several organizations and is governed, managed, and secured commonly by all the participating organizations or a third-party managed service supplier.
- **Hybrid cloud.** The hybrid cloud is composed of two or more clouds (private, public, and/or community clouds) that remain separate but are bound together, offering the advantages of multiple deployment models.