

Modern AMS Delivery – Adopting a Future-Proof Approach



APPLICATION
TRANSFORMATION
MANAGEMENT

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1 Executive Summary

In today's competitive and demanding world, keeping up with the availability and time-to-market requirements of an always-on business is critical for every enterprise, and for its IT service providers too. It is essential that IT service providers work as partners with their customers for better overall business performance. Most of the enterprises today have complex IT landscapes which inevitably means that they are spending majority of their IT budget in managing and maintaining these landscapes (~65% as per our internal survey). Thus, optimizing these spends and channeling them towards innovation and/or transformation programs needs to be the goal of any next generation IT service provider.

For the customers who have been working with IT service providers for some time now, it is becoming increasingly apparent that the traditional levers for cost optimization, like aggressive offshoring and leveraging low-skilled resources, have now become defunct. In such a scenario, adopting an effective Application Managed Services (AMS) approach has become inevitable for CIOs to achieve their goals.



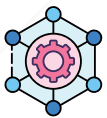
Application managed services programs are no longer about the regular support and maintenance of an IT landscape. They are now about helping to achieve business growth and improved customer experience along with guaranteeing constant availability and complete transparency. To address these needs, managed services is constantly coming up with advanced and customized models which can better leverage the power of cloud and automation with enhanced monitoring and metrics.

This white paper discusses how a next generation IT-managed service provider needs to refine its application managed services portfolio to meet client's needs strategically and make them future-ready.

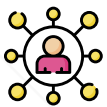
2 The Changing Scope of Application Managed Services

In the recent years, there has been a significant increase in the complexity of IT landscapes which has also led to application services becoming more complex. This increase is being fueled by an overwhelming need for migrating to/adapting modern technologies (like cloud services, APIs, DevOps, etc.) while maintaining business-as-usual in their 'legacy' core. The result is a significant change of requirements. Most organizations that IT services providers work with are not born digital. Therefore, along with constantly updating modern technology portfolios, they have significant investments (as well as significant core functionality) running in their legacy platforms. So, for any IT service provider managing such a diverse landscape, having a different paradigm of services is essential to help enterprises in adapting changes without disturbing the basic framework. This further requires not just skills and capabilities to deliver, but also the flexibility to fulfill customer needs faster and with innovation.

To make this a reality, the next generation managed application service providers have evolved and adapted their service propositions with a combination of one or more of the following:



Readily available frameworks/assets: From reusable and highly adaptable transition practices to a library of reusable assets (checklists/templates) and assessment methodologies, to specialized approach for APR and migration. Is your managed application service provider leveraging all the expertise available in their organization to benefit your service delivery or were they just the proposal promises?



Investments in capabilities and partnerships: Most providers have partnerships with your different enterprise service providers, your tools vendors, or have highly advanced home-grown AI-capable (Artificial Intelligence) automation tools. They also talk about their domain-based or technology-based CoEs. What are the benefits that you are getting from these partnerships and expertise?



Innovative talent management practices and extensive trainings & cross-skilling initiatives: Every provider is talking about full stack delivery, techno-functional architects, or delivering modern technologies such as AI/ML or blockchain. Traditional providers are often highlighting their organizational capabilities of several tens of thousands of engineers who are 'certified' on a multitude of technologies. Are you getting the quality of delivery or the level of expertise promised?

And of course, all of these service propositions need to be neatly packaged into a managed services paradigm where your provider's goals and your goals are aligned and focused only on customer satisfaction along with providing you the commercial flexibility and speed of change.

Take some time now to evaluate whether your current application managed services provider is offering you all these capabilities.



2.1 Current Need for AMS Programs

Even with all the current requirements, most AMS (Application Managed Services) programs (and contracts) are stuck in the traditional focus of cost optimization and SLA achievement. The way they are designed show that they are limited in their ability to focus on innovation, transformation, and transparency. The need is for full-service models that should not only be able to integrate services across the different technical capabilities (infrastructure, custom applications, enterprise applications, assurance services, cloud, user experience, etc.), but also across a portfolio of services (run, build, transform, innovate). All these need to be packaged in a single seamless program that functions to deliver best-in-class customer experience.

The overarching need is that your AMS partner should look towards wholistic solutions for its customers rather than just optimizing operations/support/maintenance for their legacy portfolios. Intelligent automation, digital & cloud-native, and modern delivery are the fundamental needs that should be addressed with innovative commercial models.

2.2 Questions you must ask yourself about your AMS Provider

While most managed application service providers are talking about addressing the needs of their client, what the clients need to carefully consider is:



- Are your transformation needs being addressed? Or your contract covers only the support and maintenance.
- Is your relationship with you service provider a partnership? Is there skin-in-the-game on both sides – more than just the typical contractually-defined penalties for not achieving the SLAs?
- Are your contracts and payment terms outcome-based? Or they are based on just achieving milestones or basic SLAs.
- Is your partner able to offer you innovative commercial models based on your specific needs?
- Is your contract flexible and accommodates future needs? Or everything is treated as a change request. Is it simple to onboard an external consultant for your changing needs rather than talking to your application managed services provider?

Carefully choosing a managed services provider is critical for any client as this is someone that you will be with for the next 3 to 5 years. If you do not want to be yet another unhappy consumer who is stuck in this cycle, carefully evaluate who you are willing to work with next.

3 Characteristics of an Efficient NextGen Managed Services Provider

Let us discuss about the characteristics of an experienced and capable next generation managed services provider.



3.1 Transformation Focus

Most of the AMS contracts are built for taking over the services as-is – a lot of thought is given to the scope of services to take over the most optimized commercials, SLAs, and the legal terms and conditions. There is often an appendix that talks about transformation and/or innovation, but in most contracts in the last several years, these appendix documents are just placeholders with no real commitments and/or milestones. Most of these often mention that a transformation plan will be “jointly” completed in the next 8-12 months. But due to delivery deadlines, this is something that never happens and is possibly only spoken about in the quarterly or half-yearly strategic management reviews.

In a lot of other cases, basic standardization/optimization measures are referred to as transformation – think of the terms like process transformation (ITIL standardization or agile introduction), tools transformation (standardization of commonly used ALM and ITSM tools and workflows within them), and governance transformation (introduction of tool-based reporting). Though achieving these steps are critical for any application managed services engagement, especially for first-generation outsourcers or in low service maturity IT landscapes, these are just the starting points and are either completed during the transition period or in the first 6 months of the program, along with other steps such as detailed landscape assessment & basic automation (of low-hanging fruits).

Making transformation a standard component of the contract (or even just adapting to ongoing transformation by another vendor) is something that needs specific long-term focus on how the transformation objectives will be defined and achieved, how the transformation will be funded, whether it will be in a joint/partnership model, will it be a gain-share model, and so on.

All these questions need to be firmly addressed in the contract along with milestones and associated incentives. For a NextGen AMS provider, having answers to these questions should be the starting point for any solution or contract discussion.





3.2 Partnership Models

“Skin-in-the-game” is the most common ask from clients looking to move into an application managed services model. The most common response is a penalty/reward model which is based on achieving the SLAs that are defined in the contract. While this is fine for the support and maintenance contracts where SLAs like resolution time are a reasonable indicator of service performance, is this truly “skin-in-the-game”?

What is your managed application service provider investing back into your program? How are they ensuring that you are successful? Are their goals tied explicitly to your business performance? Next generation providers are moving to truly putting skin-in-the-game, which would mean constantly aligning their services to the changing business objectives. Thus, transformation and constant optimization (and not just the IT SLAs) should be the key goals of their partnership contracts.



3.3 Customized Delivery Engagements Models

Most contracts are a variant of the SLA-based risk/reward engagement model. But is that good enough? It works as a great starting point for a new entrant into managed services outsourcing because the change management required to dive into more complex engagement models is not something that a first-generation outsourcer will likely get into.

There is no excuse to continue these models beyond 2 or 3 years into the application managed services journey. This does not mean that the SLAs are just re-baselined and targets are finetuned (that is a basic must for any engagement). What we are referring to is, fundamentally change the nature of the engagement models - like customized models for different customers based on their specific needs. Look at the models like “as-a-service” or “outcome-based” (business or IT outcomes). Each customer will have a different goal and customizing the delivery model as per their requirements should be the goal of a NextGen AMS provider.



3.4 Innovative Commercial Models

The nature of the commercial models is changing. Different T&M models evolved into fixed-price which have further evolved into fixed-price with risk/reward constructs. Different models serve different purposes. Some customers prefer an output-based model, like ticket-based model or an application-based model, and few others think only of input-based models like resource-based model (think core-flex pools).

An managed application service provider must be able to deal with all these commercial models (input-based, output-based, or outcome-based), and at times must be able to create customized models which could be a hybrid version of the above or something that is entirely different but completely meets the client requirements. It can be a complex Special Purpose Vehicle (SPV) model, a gain-share model, or even a pay-as-you-go model.

Additionally, dealing with different models for different services in the same contract is yet another level of flexibility/customization that needs to be on the table for every NextGen AMS contract.



3.5 Transparent Governance

How are you measuring the success of your application managed services engagement? Are the weekly/monthly SLA reports the only indicators of the health of your services, along with the regular governance meetings? Is your view of IT limited to what the service provider tells you and what you hear from your internal IT teams?

It is time to change the governance methods – firstly reporting, and then governance.

Reporting needs to be necessarily tool-based, with a real-time view of the program metrics. This should be accessible at any time by any stakeholder, whether from the client side or the service provider. Similarly, governance needs to be more strategic. It should be less of contract-based governance (like checking if the service provider has met the SLAs) and more of planning services relevant to the improvement and transformation initiatives for the program. Also, the focus at the strategic governance layer needs to be “strategic”, which looks into not just the escalation and performance management, but also the engagement direction and priorities.



3.6 Day 1 Capability

We have spoken a lot about the aspects of the contract which are important for the future health of your services. So, what is important on Day 1? It is the readiness and capability that your managed application service provider can deploy on the following fronts:

- Integrated delivery
- Domain expertise
- Modern delivery (product-based IT) expertise
- Cross-functional teams
- Full stack delivery
- Automation expertise

All these points are intricately interlinked. It is the willingness and capability to fulfill these points that showcases the ability of a NextGen AMS provider.



4 Transform Optimally with Hexaware's NextGen AMS

Hexaware's NextGen AMS is a balance between business expectations regarding seamless continuity versus the need to constantly innovate in order to stay relevant. In order to accomplish this, we have dramatically altered the key areas of People, Process and Technology by practicing a Modern Delivery approach.



People: Cross-skilled, full stack teams (platform, technology, and tools); Shared services for specialized skills (UX, BCP/DR, enterprise/solution/cloud architects)



Process: An integrated build-and-run model – agile models (Scrum, SAFe, Kanban); Integrated operating models and consolidated/optimized processes across an organization; SLAs/KPIs aligned to common goals (e.g. faster time to market, reliability, cost, CSI); Innovative financial models



Technology: Platform comprising of linked tool chains across the plan to support lifecycle – investments in AIOps, DevOps, automation, monitoring, and governance

Our NextGen AMS is built based on the needs to optimize maintenance, drive business growth, and innovate continuously. The key characteristics of our NextGen AMS are:

- We work with our customers as a partner, not just another vendor - we work to improve delivery & accelerate transformation & innovation
- Work towards a zero-maintenance strategy
- Improve and enhance user experience
- Reduce complexity

5 Choosing a Reliable Managed Application Service Provider

All in all, your application managed services provider is someone who you will be working with and who will define your services landscape for the next 3-5 years. Evaluate the capabilities, cost, and the contract T&Cs. Also, do not forget to evaluate how you will work with the managed application service provider beyond the immediate future of services transitions and initial ways-of-working setup. It is recommended to choose a vendor who is flexible and is ready to adapt to (and execute) your transformation goals.



6 About the Author



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Application Managed Services (AMS) & Hyper-automation

Vishal has over 20 years of experience in IT Application Delivery, having worked in multiple Managed Service engagements spanning over Application Development & Testing, Application Support & Operations, and Application Modernization. He has led multiple complex engagements and delivered on the goals of hyper optimization and automation.

Vishal is also an expert in Transition Management having executed several large & complex multi-country, multi-service transitions across the globe.

In his current role he is responsible for developing innovative Managed Services solution constructs. Additionally, he is also responsible for the roadmap for Automation and Governance platforms.





About Hexaware

Hexaware is the fastest growing next-generation provider of IT, BPO and Consulting services. Our focus lies on taking a leadership position in helping our clients attain customer intimacy as their competitive advantage. Our digital offerings have helped our clients achieve operational excellence and customer delight. We are now on a journey of metamorphosing the experiences of our customer's customers by leveraging our industry-leading delivery and execution model, built around the strategy— 'AUTOMATE EVERYTHING™, CLOUDIFY EVERYTHING™, TRANSFORM CUSTOMER EXPERIENCES™'. Hexaware services customers in over two dozen languages, from every major time zone and every major regulatory zone. Our goal is to be the first IT services company in the world to have a 50% digital workforce.

Learn more about Hexaware at <http://www.hexaware.com>

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