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## Managed services for OSS/BSS

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# MANAGED SERVICES FOR OSS/BSS

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## Executive summary

Driven by the demands of rising markets, rapid introduction of new technology, increased competition and the relentless drive to improve bottom line results, communications service providers are increasingly looking to managed services to improve their performance and keep them competitive.

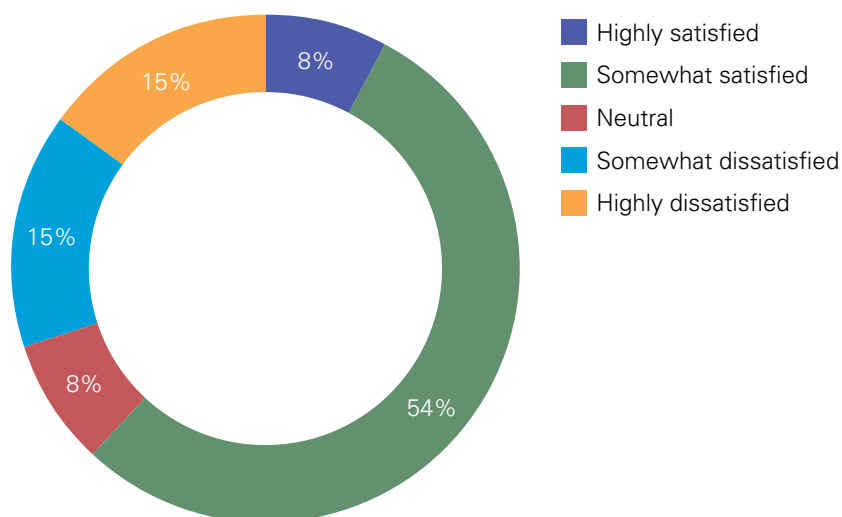
Managed services providers are increasing the attractiveness of their offers by introducing new solutions and technology, and offering more flexible business models. Examples of this include business process outsourcing (BPO) offers, cloud-based Software-as-a-Service (SaaS) solutions, and contracts with increased sharing of risks and rewards.

Even so, the picture is not all rosy in managed services land. A full 30 percent of the communications service providers we interviewed expressed dissatisfaction in at least one of their managed services engagements, citing reasons including insufficient planning, poorly set expectations, incomplete and/or naive selection criteria, incongruent goals, lack of standards and inadequate reporting and transparency.

There was plenty of blame presented on both sides of the contract. The figure above shows the state of communications service providers' satisfaction with current contracts. The good news is that along with the challenges of managing legacy engagements have come new learnings that will help communications service providers improve their experience and returns from managed service engagements and help suppliers offer improved solutions and develop better relationships.

One of the issues that came out of the research in this report is that there doesn't seem to be much sharing of those learnings across the industry to avoid mistakes being

Communications service provider satisfaction levels with current managed services engagements



Source: TM Forum 2012

Learnings need to be shared across the industry to prevent mistakes being repeated

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repeated and each of the parties having to learn lessons the hard way from each engagement. We hope this report goes at least some way to improving that situation.

### **Section 1 – Market evolution: Changing drivers, expanded service offerings, joint learnings**

This section starts with a brief discussion of the beginnings of the managed services movement, and quickly moves to the issues and market structure that communications service providers are experiencing today. It also touches upon the learnings drawn from the good and not-so-good experiences of the past, and provides opinion on trends that will help define the future of managed services market.

Managed services are quickly broadening from their humble beginnings of cost cutting to encompass almost all aspects of business, including the introduction of new service and technology, market adaptation strategies, workforce management and skilling strategies and many other areas.

In addition, new areas like BPO offers, cloud-based SaaS solutions and contracts with increased sharing of risks and rewards by both parties are rapidly emerging.

Finally, it looks at how communications service providers are leveraging their learnings in planning and strategizing, vendor selection and management approaches.

### **Section 2 – Communications service provider interviews: the customers speak**

We interviewed service providers in 13 countries about their use of managed services, critical success factors, the main criteria for selecting the right partners, and their outlook for the future. This section provides the results of this analysis, further summarizes lessons learned, and comments on a number of key attitudinal areas.

### **Section 3 – Conclusions and recommendations**

Here, we offer a series of recommendations to communications service providers on approaching outsourcing; in fact this is the largest collection of recommendations we have ever offered in a TM Forum *Insights Research* report, so we segment it by a suggested high-level outsourcing 'lifecycle' and focus on the planning and strategy, supplier sourcing, and management and governance aspects of managed services.

As previously stated, many lessons have been learned over the last decade or so, and we look at how to apply these holistically with a bias toward business outcome-based planning and strategizing, and assessing/developing a sense of strategic fit with suppliers.

We hope you enjoy the report and find it useful in assessing the managed services market.

*“Managed services are quickly broadening from their humble beginnings of cost cutting to encompass almost all aspects of business.”*



## Section 1

# Changing drivers, evolving services

Driven by the demands of rising markets, rapid changes in new technology, greater competition and the relentless drive to improve bottom line results, communications service providers are increasingly looking to managed services to improve their performance and keep them competitive.

Managed service providers are also making their offers more attractive by introducing new solutions and technology, and offering more flexible business models. Examples of this include business process outsourcing (BPO) offers, cloud-based Software-as-a-Service (SaaS solutions), and contracts with more risk/reward sharing.

The way service providers are choosing to approach the use of managed services for the outsourcing of Operations Support System (OSS)/Business Support Systems (BSS) functions gives insight into these big questions, although our *prima facie* research (see Section 2) shows much uncertainty remains after more than 15 years of managed services offerings.

Initially, managed services were mainly about the outsourcing of low-level, back-end processes such as monitoring IT systems or the network, with the sole primary goal of lowering costs. A handful of newer market entrants later broke the mold – for example, Bharti Airtel when it announced its revenue-sharing model with IBM in 2003. This arrangement was initially met with skepticism, but the company is now heralded by many as an exceptional case study.

Over time, more companies have begun to embrace these kinds of business models in the fight to get ahead, but how far has the industry really come? Is the pace of change what everyone expected? Which core competencies do operators need to keep in-house and what can be done better by a managed service provider?

The spectrum of all managed services is broad, but in this report, the terms ‘outsourcing’ and ‘managed services’ are being used interchangeably, though in general, managed services are often considered to have a broader scope. For the purposes of this report we are not distinguishing between these terms but looking across the spectrum of how service providers are partnering with companies offering outsourcing services in functional areas or stacks of the BSS/OSS area. Some other terms, such as out-tasking are used too, which is similar in execution to outsourcing but denotes a relatively narrow function or task being outsourced.

### A brief history

Outsourcing in the communications sectors began with organizations like IBM, CSC and some independent software vendors, primarily dealing with managed data center and billing applications or operations (such as bill rendering and mailing). These might be delivered in full outsourcing or facilities management engagements.

Later, some network equipment manufacturers saw the opportunity to turn their network equipment and, in some cases, OSS or third party OSS offerings into a managed services offering. Operators outsourcing their network operations to these network equipment makers was logical at first pass – who better to run the equipment associated with the network than those who built it? Naturally, the situation is not this straightforward; many issues arose and are still apparent, not least because too often operators saw outsourcing as a way of getting rid of their problems without first fixing them.

These communications service providers typically assumed that their inefficient

## The quick-fix approach almost always failed and still does

operations were either the result of poorly defined processes or perhaps human resources issues and could somehow magically be fixed by simply handing them over to someone else.

This quick-fix approach almost always failed and still does. The managed service provider was typically ill-prepared to overcome the problems because they didn't have their own standardized offering into which they could quickly and easily integrate the customer's network operations. As most configurations were heavily customized, they couldn't leverage economies of scale and other benefits.

Moreover, unrealistic expectations and/or resistance to change in the communications service provider organization often hampered progress. This painful learning process is ongoing. In particular, operating 'locally' with customized implementations rather than on a standardized, global basis is still practiced in some camps. In the longer term we expect that communications service providers who use standards-based, centralized (or at least regional) managed services (delivered through standardized tools and established processes) will be tomorrow's leaders.

Naturally, local conditions and their specific requirements must be accommodated, but key to success will be ensuring the majority of the solution provided is standardized and uniform, keeping customization costs to a minimum and leveraging scale.

Another factor that hampered many relationships was the nature and contents of the contracts and management styles, exacerbating issues between supplier and client, rather than having nurturing partnerships. Sometimes service level agreements (SLAs) were built around the wrong performance indicators (often ones that had been used in-house but didn't necessarily

## Help with drawing up service level agreements

The *TM Forum Service Level Agreement Handbook* (3.0) is available for members to download free of charge from our website [www.tmforum.org/GB917SLAMangement](http://www.tmforum.org/GB917SLAMangement).

You will find best practice and guidance to help you draw up your contracts successfully. There is also an SLA Management Group within the Forum's online Collaboration Community working on new developments. If you would like more information about our activities or would like to join the Group, please contact Tina O'Sullivan, Senior Program Manager, TM Forum Collaboration Program via [tosullivan@tmforum.org](mailto:tosullivan@tmforum.org)

As part of Framework 12, announced in May 2012, TM Forum will be publishing the *Cloud Service Level Agreement Handbook*, which will be free for Forum members to download from our website. Please see page 31 for more information.

apply to the way the function was being performed by the third party) and so were destined to fail. Also, if the SLAs aren't aligned and overlap, it can create confusion for the managed service provider and communications service provider alike.

Properly planning measurement metrics can reduce the number of SLAs, prevent the managed service provider from inflating their prices to protect themselves against incurring myriad penalties and prevent misleading performance reports. It can also help to focus the managed service provider on the truly important things.

Speaking of important things, SLAs need to link to key business measurements, so that the provider can be properly focused, but again these SLAs should be kept a minimum, focusing the managed service provider.

Historical contracts also tended to be penalty-oriented, punishing the managed service provider to the point of potential failure.

<sup>1</sup>[www.cioupdate.com/trends/article.php/3935331/Debunking-the-Top-5-SLA-Myths.htm](http://www.cioupdate.com/trends/article.php/3935331/Debunking-the-Top-5-SLA-Myths.htm)

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Communications service providers increasingly recognize that if the managed service provider can't make money out of a contract and it fails, so do they. No amount of apportioning blame repairs the damage to either business.

Also, constantly penalizing the managed service provider simply encourages them to exploit loopholes in the contract to their advantage to claw revenue back. Again this erodes trust and contributes to the demise of the relationship. As one respondent observed: "If you are penalizing your contract frequently, it's probably already too late to save the relationship."

Nor was the concept of partnership typically at the heart of the trend of offshore IT operations, which were often more about exploiting cheaper labor than doing things better. Many companies learned the hard way that if the managed service providers adopt this cheaper approach, with no incremental added skill or value, it often results in increased costs and lower satisfaction levels.

Of course every time a managed service engagement fails, for whatever reason, there is significant cost, operational and human resource issues involved for the communications service provider, too.

## Moving on

Service providers are increasingly looking to outsource the more complex functions and processes involved in OSS and BSS functions to achieve better business outcomes. Managed service providers are responding to this with

expanded services portfolios and capabilities, but need to be clear about how they can provide the right level of value.

In addition, suppliers must offer a standardized approach that will meet or exceed their customer's expectations while allowing them to scale economically, and provide a foundation for the future. They also must offer a business-outcome oriented approach, and seek to establish and nurture partnerships from the top down, with technical aspects supporting the business outcomes but not necessarily taking center stage in the solution.

This has huge implications: achieving a strategic fit where both parties share objectives and have similar strategies for how to achieve them is an important overarching goal. Both partners must remain mindful of these overarching aspects and balance them with short-term pressure to cut costs and increase speed, considering stakeholders from customers to the investment community.

The real questions the communications service provider needs to answer are:

1. What is the strategic position I would like to achieve?
2. Which areas are core to my business, and which are mission critical?
3. Which of the non-core processes can I outsource and what will be the incremental benefit?
4. How can I structure my strategy and scope to achieve optimum benefit (and buy-in) among my stakeholders?

*"Communications service providers increasingly recognize that if the managed service provider can't make money out of a contract and it fails, so do they. No amount of apportioning blame repairs the damage to either business."*



## Managed services need to be part of a strategy, not tactical

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Historically, communications service providers have largely taken an opportunistic approach to managed services, outsourcing ‘pain points’ or expensive, legacy-laden areas with high cost bases. Given their mixed results and recognizing the challenges ahead of them, many are now considering a more strategic approach.

Communications service providers’ approaches to managed services vary greatly according to their strategy, their region, market position and penetration rates. Companies in high-growth, fragmented markets have been more aggressive in their use of partners to capitalize on speed to market and skill shortages, whereas incumbents in mature markets have generally been more conservative in their approach.

Interestingly, while the market for managed services continues to grow, we didn’t find evidence of as many innovative approaches or drastic changes to facilitate new business models as one might have expected in our research for this report. We anticipate this will change as more success stories emerge, suppliers become more aggressive in pushing these models, and more service providers recognize what’s really core to their businesses.

In fact, our research found that strategic discussions about which functions and systems to keep and which to outsource are an on-going internal debate, along with the debate about what truly are core competencies. The view on what is core versus context has changed radically in the last decade: for example, a decade ago, base stations and towers were considered by many to be core assets. Regulation, economics and public complaints about unsightly towers and masts have made physical asset sharing in the radio access network a common practice in many

parts of the world, especially for maintenance.

The viewpoints on the scope of core competencies vary significantly depending on the market, the company (incumbent versus competitors) and the strategic vision. Service providers who have a strategic vision as to why and how they are using managed services will be in a much better position over time than those who continue with a patchwork, opportunistic approach because they will be better able to align them with their business direction.

### A variety of drivers

There are a variety of important drivers for considering managed services. Gaining efficiencies from outsourcing functions that are not considered core competencies and from freeing up internal resources to focus on more strategic activities are both significant considerations. In fact, extending the capabilities already offered by the service provider is another widely noted area – complementing what already exists and/or allowing others to do what they do best – complementary outsourcing in this sense. This is sometimes seen in out-tasking scenarios, where development is done on a selective basis with the partner to push the boundaries of the existing platforms.

Many service providers are attracted by the reduced Total Cost of Ownership (TCO), shortened time to market and sustainable solutions that can be delivered more efficiently through a partner arrangement, especially if they don’t have the internal capabilities to do so. In fact, one operator commented that if a company is not looking at TCO (versus operational cost), they are missing the bigger picture – as our research revealed. To them, simply cutting operational costs is old news,

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and they push their suppliers for more.

A similar view was spelt out by a senior billing executive in a Tier 1 U.S. operator who commented in a *Quick Insights* report\*, published last year by TM Forum: “First, I don’t ever want anyone to come to me with a deal that only saves me money because if I don’t add value to the business, and you don’t bring me something I can’t do myself, I’m not interested. I can only manage a certain number of things and as our business is moving so fast, I need to add value, not simply stand still.”

Moving to managed services can also be considered a sustainability ploy. For many operators, it is the only way to gain the agility to keep pace with market changes. In fact, ‘future-proofing’ is often a major consideration in choosing an outsourcing partner, both from a technological as well as from a business perspective. When out-tasking to an SaaS provider (like salesforce.com), for instance, it is important to understand their future direction. What’s the roadmap? Will the company be acquired? Will it change its strategy?

Understanding the managed service provider’s direction is as almost as important as understanding your own. For partners in the network operations area, it is important to understand how they are set up to evolve, to investigate future technology innovations and how these innovations can be incorporated into the business strategy for both parties.

Companies are also looking to managed service providers to reduce complexity in OSS and IT, either by helping underwrite

the transformation from legacy systems, introducing modernized system architecture while the operator maintains the old, or supporting the legacy while the operator deploys the portfolio.

Accelerating scalability is a popular driver for outsourcing, particularly in high growth and/or highly competitive markets; and for those moving into new sectors in markets where they already have a presence, as well as for moving into new geographic markets. Managed services can be especially effective at minimizing capital expenditure while providing the means to quickly expand, paying only for what is used when it is used.

All this of course depends on the resources and responsiveness of the managed service provider. In our interviews we received a number of complaints regarding the speed and depth of response to the customer’s needs from their managed service provider. This taps into a wider issue, namely operators sometimes feel that their managed service provider does not have the same sense of attachment to their brand since the managed service provider is not really part of the company culture and its employees do not have the same sense of loyalty or appreciation of the brand as internal employees. This again highlights the acute importance of having a true partnership, rather than a supplier/client relationship and a lack of strategic planning when the contract is drawn up.

Many providers do only what they are contractually obligated to do and do not take

*“Moving to managed services can also be considered a sustainability ploy. For many operators, it is the only way to gain the agility to keep pace with market changes.”*

\* *Managed services: Approaches to a changing landscape*, is free to members to download from our website and for non-members to purchase from [www.tmforum.org/ManagedServices2011](http://www.tmforum.org/ManagedServices2011)

There is a blurring of the lines and roles in this market as it progresses

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a proactive approach to improving processes. Finding a managed service provider who is willing to exceed the boundaries of their contract in order to establish a more strategic relationship with their customer significantly enhances the benefits of traditional outsourcing engagements. Of course, in a true partnership the managed service provider needs to make money too, so communications service providers should be prepared to negotiate 'fair' approaches.

Another area of concern for communications services providers is that staff who are expert in legacy systems are often reaching retirement age. There are justified worries about where that expertise will come from as legacy systems' functions are eventually rendered obsolete or transferred to the IP world. While most managed service providers are not enthusiastic about taking these on, some are doing it as 'part of the deal'.

In summary, the current landscape remains one of mixed approaches and opinions. Everything from markets to skill bases, regulatory constraints, varying views on core competencies and tactical cost savings drive many of the current approaches.

### **An evolving market**

A majority of incumbent operators are still taking conservative approaches to managed services. We found considerable evidence of outsourcing activities in IT areas like application development, billing, data centers, or low-level backend tasks, but in general most incumbents in developed markets are content to maintain control of a large portion of the business, both producing and managing the services.

Interestingly, many of those incumbents are simultaneously looking at innovative ways to turn themselves into managed services

providers for their customers – there is a blurring of the lines and roles in this market as it progresses, and some are concerned that they may have already outsourced too many skills.

Some operators are outsourcing parts of their operations while offering managed services to other industries like utilities, airlines and others, though these are generally supplied by a different group than the IT organization.

Finally, some of those who are offering managed services are leveraging the back office services provided to them by a managed service provider in their offerings to those buying outsourced services from them.

A clearly defined plan is required in this case to link all these strands together in a seamless, efficient process and business proposition. In fact, some of the lessons learned from being a managed service provider themselves can help operators in terms of understanding how they can best outsource their own OSS/BSS functions in the future, provided they can facilitate the cross-organizational learning.

### **Leveraging managed services across geographies**

Several multi-national communications service providers in the market, like Vodafone Group, TeliaSonera, Telenor and Deutsche Telekom have operating companies in many countries. Typically, the relationship between group headquarters and those operating companies includes adopting recommendations from the headquarters, with a degree of autonomy at the country decision-making level. This has usually led to country-specific strategies and business models across the array of companies.

Managed services has allowed these operating companies, which are often Tier 2 or Tier 3 players in the local market, to be more

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creative in their approach. One incumbent we spoke with was very conservative in its home market and had outsourced only small portions of IT, although it was much more adventurous with its use of managed services in other markets. This appears to provide an interesting test bed for the operating companies in other countries, although there was no indication that they would take this approach within headquarters any time soon.

Some communications service providers are trying to leverage vendor relationships through global licensing agreements, which allow all of their operating companies to use the same software and systems more cost effectively. However, many companies still operate autonomously and, as they are responsible for their own profit and loss, are not as likely to want to follow the directives of headquarters, especially if it won't help the bottom line in the short term. Even in cases where companies are putting more stringent enforcement policies in place, the operating companies in other countries tend to install their own versions of the systems to suit their own environment with their own processes for doing business.

The potential efficiency gained by streamlining and sharing those systems across companies in a more standard way is one area where managed services could provide a great deal of value. We spoke with at least one incumbent who is taking this approach, not only to outsource its own OSS/BSS environment to a managed service provider, but to use the same OSS/BSS infrastructure

as a hosted service for its other operating companies, profiting from using the same platform across the board. Another incumbent we spoke with has turned its billing platform into a managed service for its operating companies across eight different countries. In effect, it has turned its corporate solution into a shared platform, avoiding the issues of fragmented approaches.

With SaaS offerings expanding, communications service providers can more easily take advantage of this scenario, as we explore below.

## Moving up the BSS/OSS stack

All of the service providers we interviewed (see Section 2) felt that managed services are moving up the stack towards business process outsourcing (BPO). The question is really how much to give up and the answer, for now at least, is dependent on many things: cable operators have been outsourcing their BSSs for years in North America (although there is less outsourcing among them on the network side than we see on the traditional communications operator side).

Many communications service providers in North America and Europe appear to be slower in adopting BPO than the Middle East and Asia, but there is more movement in this direction now. There were fewer companies in our study that had outsourced contact centers but we see this as a more prominent trend in emerging markets.

The behavior of Tier 2 and 3 operators in established markets tends to have more in

*“The potential efficiency gained by streamlining and sharing systems across companies in a more standard way is one area where managed services could provide a great deal of value.”*

## Cloud is set to become a key enabler for managed services and will have a profound effect on the sector

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common with operators in emerging markets concerning BPO. More emphasis is placed on time to market, rapid scaling, and managing the customer interface and brand than on ownership of the backend. Tier 2 and 3 mobile operators are making in-roads into outsourcing and have taken a wide array of approaches from outsourcing different functional areas like billing or order management all the way to establishing a white label-type of operation.

In Asia and among Tier 3 mobile operators, this seems to be particularly prominent and partnering is a more popular arrangement. Also, companies in emerging markets often had the opportunity to consider these kinds of brand management/retailer models earlier in their existence, but some of them tried the do-it-yourself approach first or used integrators to set up their portfolio and managed it themselves. In these cases, many who had problems managing scale and modernization moved to managed services.

It is more difficult to completely characterize what communications service providers believe must stay in-house, due to the varied approaches. Certainly, companies have asked themselves what skills to keep in-house to prepare themselves for future service offerings in areas such as cloud, which will have a profound effect on all markets and players, as we explore below.

Product portfolio management and network planning and design are still often seen as core competencies, but this depends on the communications service provider's and the market's evolution. In fact, the innovation in new digital services and business models has not come from the established service providers so much as from start-ups and small companies. One model that looks likely to prevail is that innovation will continue to arise

from third parties who need to scale their offer rapidly and will approach a communications service provider to help them do that, for example, by providing white label services.

### Cloud is set to change the landscape

Cloud is becoming a key enabler for managed services and over time will have a profound effect on this sector. SaaS solutions are becoming more prevalent and covering some BSS and more OSS functions. Some companies who have been using SaaS-based Customer Relationship Management solutions might not even consider themselves as having outsourced or at least not as a conscious decision. However, as more SaaS-based solutions come onto the market in order management, fulfillment and other areas, it will lower the barriers to some aspects of outsourcing.

Ultimately, cloud can offer seamless integration where companies deal only with the applications they need to drive their business, leaving the platforms the applications run on and even the applications themselves to someone else to provide and maintain. It also changes the business model to a pay as you go concept in certain situations and usually provides a lower total cost of ownership than investing in a total solution in-house. But do not be fooled; it does not remove the governance aspect.

Already many managed service providers are offering attractive financial arrangements for companies, including pay as you go for cloud services as well as in broader partnership arrangements outside cloud-based solutions. This allows smaller competitors to take on initiatives they might otherwise not have been able to afford, for example rolling out LTE technology. Maintenance costs should also decrease in this scenario since the operator is no longer required to take care of



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the hardware, operating system, database or underlying connectivity.

SaaS is challenging traditional independent software vendors (ISVs) as well; in the past, their business model was to develop, sell and implement systems to individual organizations. Now by doing the same for managed service providers, an ISV's solutions are available to multiple customers via the cloud and have new economies of scale and more diverse business options.

In some cases the ISV is the SaaS supplier. Some service providers are considering how they can utilize the same BSS or OSS supplier with an SaaS-based solution as the business partner for system planning and strategy. This essentially is combining the roles of system integrator and outsourcer.

Finally, as elsewhere in the managed services market, regulation and security legislation is providing both restrictions and opportunities in the cloud services market. In many countries, there are laws about where and how data must be held, for example, in many instances, individuals' data must be held within a country. Also the security measures mandated by legislation are typically very stringent. From the communications service providers' point of view, this plays to their strengths because typically they will be used to meeting these criteria within their own territories for a long time.

Clearly, cloud is enabling many players to move into different roles in the service provision ecosystem, with different business models and the nature of long-established relationships changing too, such as between supplier and customer moving to partnership or becoming competitors in certain circumstances. The challenges here are finding a differentiated profitable place among the myriad cloud

providers that is sustainably profitable, along with managing those changing relationships, as we see in the next two sections.

## Doing more with less – supplier consolidation

It's no secret that communications service providers, like companies in many other industries, have been trying to consolidate their supplier base in recent years. This makes sense, as it lowers complexity and gives the buyer the benefit of larger scale when negotiating pricing.

Communications service providers are now beginning to consolidate their managed service providers as well. This should not be surprising given the importance of strategic fit, and the variable experiences they have had with managed services, and overseeing a managed service provider is often more resource intensive than a simple vendor of products.

Consolidating can be difficult though, especially if many legacy contracts are still in force. Some communications service providers we have spoken with are approaching this by designating one or more suppliers as 'prime contractors' in one or more domains. These primes have the day-to-day responsibility of coordinating other suppliers, but these other suppliers will still ultimately have to answer to the communications service provider if they drop the ball.

Perhaps the greatest extreme of consolidation is the designation of a single supplier as both the managed service provider for the network and the IT systems. A number of smaller service providers have chosen this path, but others have split the IT support from the network, feeling that they are giving too much responsibility to a single vendor if they combine the two.

More than half of service providers are satisfied with their managed services

## Section 2

# Interviews and analysis

By now, it should be clear that the majority of communications service providers have engaged in at least one managed services contract. In fact, 87 percent of the service providers we spoke with had at least one significant current engagement, and many of them were managing several. A few of the contracts were relatively early stage, but many were mid-late life, and a handful of the service providers had the experience of insourcing areas they had previously outsourced.

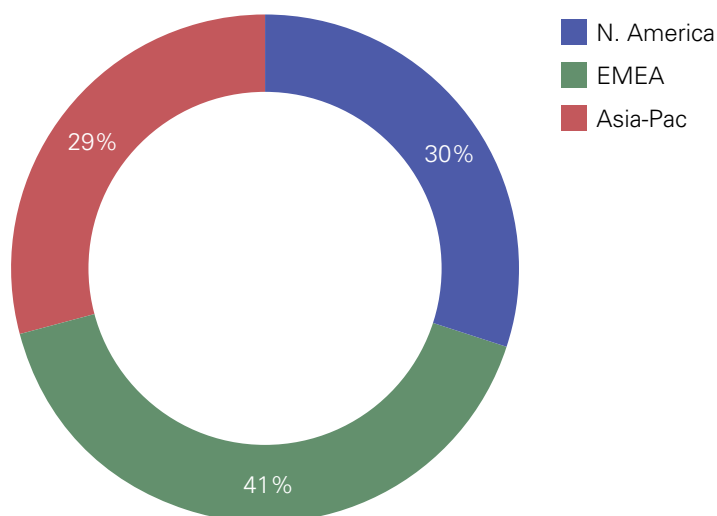
Our respondents covered 16 companies in 13 countries, though many had more than one engagement, so we tried to look at them individually where possible. Figure 2-1 shows the geographic spread of our respondents.

As can be seen, the Europe, Middle East-Africa region represented the largest component of our respondent base, with the Asia-Pacific and North American regions virtually tied for second place. The mix included converged (50 percent), wireless (31 percent) and cable (19 percent), though it should be noted that the cable operators offered triple play services, and at least one of the wireless operators had a broadband business as well.

The base was evenly split between incumbents and 'competitors', though many of the competitors had been in business for more than a decade and had gained substantial market share.

We sought several perspectives in our research, including understanding:

Figure 2-1 Geographic mix of respondents



Source: TM Forum 2012

- satisfaction levels with service providers' outsourcing engagements;
- selection criteria for supplier partners;
- critical success factors;
- standards and standardization;
- the importance of business versus technical outcomes;
- their view of business process outsourcing (BPO);
- their view of themselves as leaders (or laggards) in the adoption of managed services.

*"The majority of communications service providers have engaged in at least one managed services contract. In fact, 87 percent of the service providers we spoke with had at least one significant current engagement."*

## MANAGED SERVICES FOR OSS/BSS

Those views and others are expressed in this section.

### Satisfaction levels with managed services

As can be seen from Figure 2-2, the most popular response, 54 percent, was in the 'somewhat satisfied' range. In fact, 62 percent of service providers overall were either highly or somewhat satisfied, and that number grows to 70 percent if we add the neutral respondents. There were also a number of dissatisfied service providers, with 15 percent moderately dissatisfied and another 15 percent very dissatisfied.

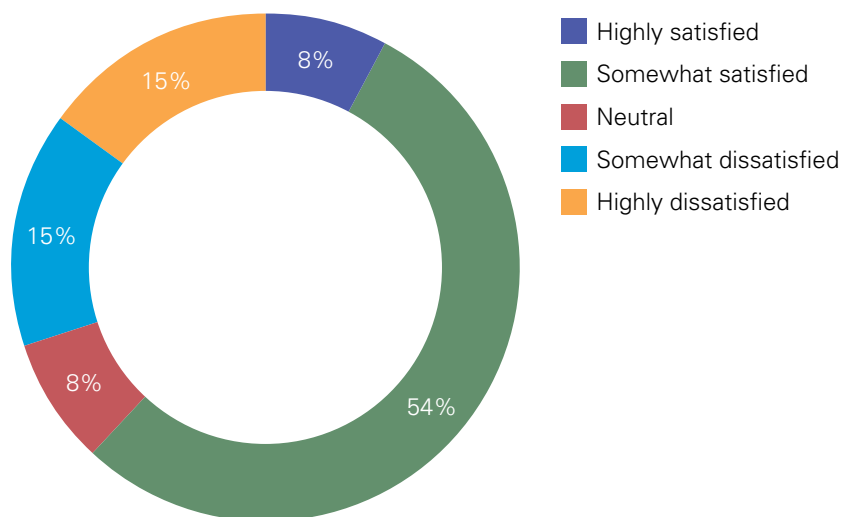
When we analyzed responses by incumbent versus non-incumbent, we found that the newer players were generally more satisfied, averaging out in the 'somewhat satisfied' range, while incumbents overall averaged out to a 'neutral' score. When we segmented respondents geographically, we found that North American service providers were the most satisfied and Asia-Pacific service providers were a bit behind them (though both were in the 'mostly satisfied' range), while European service providers had the lowest scores, just on the line between neutral and 'somewhat dissatisfied'.

Interestingly, North American and European service providers were relatively consistent in their responses, while their Asia-Pacific counterparts tended to give their supplier partners either relatively high or relatively low scores.

When we asked the service providers what they would do differently if they were to repeat the process, we got a variety of answers, the most popular being:

1. Spend more effort on planning and preparation – some of the things handed

Figure 2-2: Communications service provider satisfaction levels with current managed services engagements



Source: TM Forum 2012

over were either insufficiently analyzed or in some cases were 'broken' systems and processes. One of the biggest hurdles was determining the true cost. Some carriers underestimated the cost and then were disappointed when they discovered the real cost after outsourcing.

2. Set proper expectations – in at least one case, the service provider greatly underestimated the effort and staffing needed to manage the vendor, while senior management expected the effort would be minimal. Another commented on the need to push back on internal customers who have unreasonable expectations, or want to maintain historical 'entitlements' that add cost and time while delivering little added value.
3. Balance the vendor selection criteria – one respondent remarked that "you get what you pay for" and selecting the supplier

## Choosing the right managed service provider is crucial

on cost alone was a recipe for disaster. Moreover, low cost suppliers often have little flexibility for improvements, as their margins are often very thin to begin with.

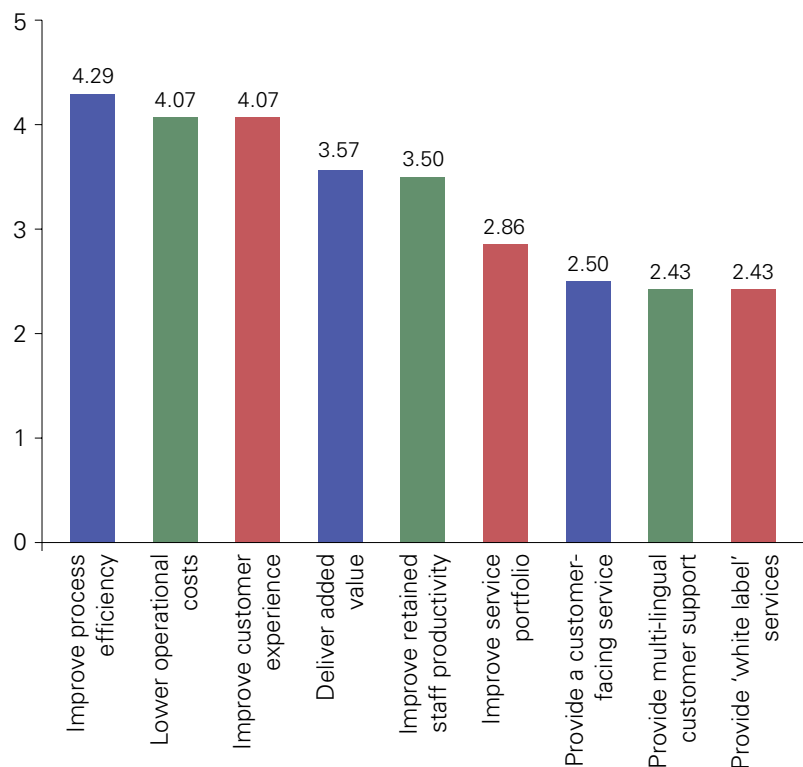
4. Make sure your goals are congruent and you manage toward them. Some companies were surprised to learn that their suppliers did not share their definition of what is 'good service' until after they were operational.
5. Make sure your suppliers are standards-based and multi-vendor. A common complaint, because suppliers did not adhere to standard practices and toolsets, was that it is harder to change, to adopt best practices and gain economies of scale. Also, some suppliers were criticized for refusing to replace their own proprietary products, toolkits and processes with more efficient or effective ones.
6. Look for greater transparency and better reporting tools – dissatisfied service providers cited lack of transparency by suppliers, which creates real problems in evaluation, and one said it caused them to violate a law, resulting in fines and ultimately taking the process back in house.

### Selecting managed service providers

Choosing the right managed service provider is crucial. We asked communications service providers what they consider to be the main criteria in choosing their managed service provider and to rank a list of choices from one to five, with five being the most important.

Before reviewing the results, the reader should note that for the most part, we tended to ask about criteria more in terms of business process outcomes than technical outcomes, and we received little resistance from respondents on this approach. The graph in Figure 2-3 shows the results of this discussion.

Figure 2-3: Communications service providers' selection criteria ranking



Source: TM Forum 2012

Improved process efficiency was the most important criteria, though it won by a very small margin; less than one quarter of a point, and it came out ahead partly because some of our respondents do not associate the work they outsource with customer experience directly. It won also because communications service providers are increasingly recognizing the opportunity associated with BPO in addition to systems and infrastructure.

Finally, it was helped by a number of communications service providers whose thinking is that if someone can do a non-core, non-mission-critical process better than they

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can in-house, then the process is a good candidate to outsource.

Reducing operational cost and improving customer experience tied for the second most important criterion. This is a relatively new phenomenon for us, as historical outsourcing motivation has been based largely on cost reduction. Cost reduction will always be a factor, but it has fallen down the agenda a little for a number of reasons.

First of all, some of the incumbents feel that they are reaching a point of diminishing return concerning cost reduction. Secondly, some felt that by improving efficiency, cost would also be reduced, and other benefits may accrue, like faster time to market. Thirdly, communications service providers are increasingly focused on other areas like customer experience and business agility.

One of our more thoughtful respondents felt the industry should turn away from simpler measurements like operational cost, and focus on more holistic measurements like Total Cost of Ownership (TCO). Their experience was that while managed service providers are good at providing business cases with lower operational costs, it's more challenging (and beneficial) to consistently lower TCO.

Improving customer experience tied for second place with lowering operational costs. This is a big change from historical prioritization, and reflective of the increased importance of customer experience programs in communications service providers, as we have written on in many of our reports.

Although most of our respondents said that their current managed service contracts were primarily for services that indirectly touched the customer (that is systems management, application management or data warehouse management), the domains they managed

were still critical to the company being able to serve its customers.

Moreover, some said that if the managed service providers better understood their communications service providers' customers and their strategies, they would likely be in a better position to manage the systems and processes as a true partner. Some communications service providers are actively encouraging their managed service providers to learn more.

The next category, delivering added value, really reflected a broad attitudinal change among communications service providers in terms of their expectations of their suppliers. Rather than just looking for the ability to do something cheaper than they could in-house, communications service providers are increasingly looking for partners who have skills they don't have.

One example given was expertise in data management – being able to establish and run data warehouses. Others might be in systems or application integration, risk management/ business continuity, change management, information security, or many other disciplines. Some communications service providers liked the idea of having access to the expertise when they needed it without having to 'own' it. This way they expected only to pay for what they used.

Close behind added value came the managed service provider improving the productivity of retained staff. There were a variety of ways given for them to do this, and in many respects this intersected with the previous broad

*“Improving customer experience tied for second place with lowering operational costs. This is a big change from historical prioritization.”*



## Clear goal setting, service definitions and performance measurements are key to preventing mismatches

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category of adding value.

One popular example of this might be in the application of new 'kludge' (a 'quick and dirty' solution) that allows current employees to continue to do what they do best. An example of this might be the introduction of new technology and /or implementation of best practices in a system supporting a business process, allowing the business users to be more productive.

Other examples include delivering training or managing projects. The managed service providers could also take over some of the legacy support tasks, allowing retained staff to work on new projects, and lower risks where an aging workforce made in-house expertise in the legacy systems a scarce resource. This last example works best, of course, when the legacy assets involve widely used, older commercial off-the-shelf (COTS) software, as it would be far less likely that the managed service provider would have skills in custom-developed applications (unless it had specifically taken on some of the communications service provider's staff from this area).

The remaining criteria received considerably lower scores. Improving the service portfolio was an interesting idea to many, as their companies are looking for new ways to expand their portfolios or at least begin the rollout of new services such as LTE, or perhaps provide new service enablement capabilities for over the top (OTT) services, since many communications service providers are interested in this. However, there were relatively few examples of real managed services initiatives underway in these areas among our respondents.

While the ability of managed service providers to offer customer-facing services and multi-lingual staff ranked near the bottom

of the criteria we asked our respondents about, it generated a lot of feedback from the group and some difficult memories for some respondents.

One company commented that their consumer customers are not tolerant of call center agents whose native language is not the same as their own. This means they would never consider offshoring a customer-facing function. In fact, at least one communications service provider had outsourced direct customer-facing processes and pulled it back in-house after an unsatisfactory experience.

Clearly others do not see this as an issue and one interviewee said their company had outsourced their contact center and provisioning. It turned out that careful monitoring was the key to success here: the operator had a tool to track every touch point of the customer lifecycle to ensure that all outbound calls, retail outlets, and all other points were visible. They retained management control of them, while their managed service provider was responsible for execution.

### Ensuring cultural fit

This also has clear implications for the wider cultural fit between the communications service providers and the managed service providers. Not surprisingly, cultural fit across global regions may result in mismatches, and these situations can be exacerbated by fuzzy goal setting, unclear service definitions or performance measurements, or a host of other issues.

For example, what does 7x24 coverage mean? The average communications service provider in a mature, competitive market might envision a well-staffed center that provides round the clock support with the required skillset. One operator learned its managed service provider's idea of 7x24 coverage

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was a single individual staffing the help desk during off-peak hours with no coverage during holidays. Certainly this is an extreme example, but clearly this would be unacceptable in all but the most lax circumstances.

Of course, much of this can be overcome with proper goal setting, clear definitions and metrics, effective training, tight controls during testing and transition periods, and proper ongoing management/reporting. However, proper cultural fit can go a long way to setting the stage for success and quickly working through solutions when things go wrong.

All of our respondents felt that more companies are likely to move towards 'white labeling' services, although this ranked last in the criteria we presented to our respondents.

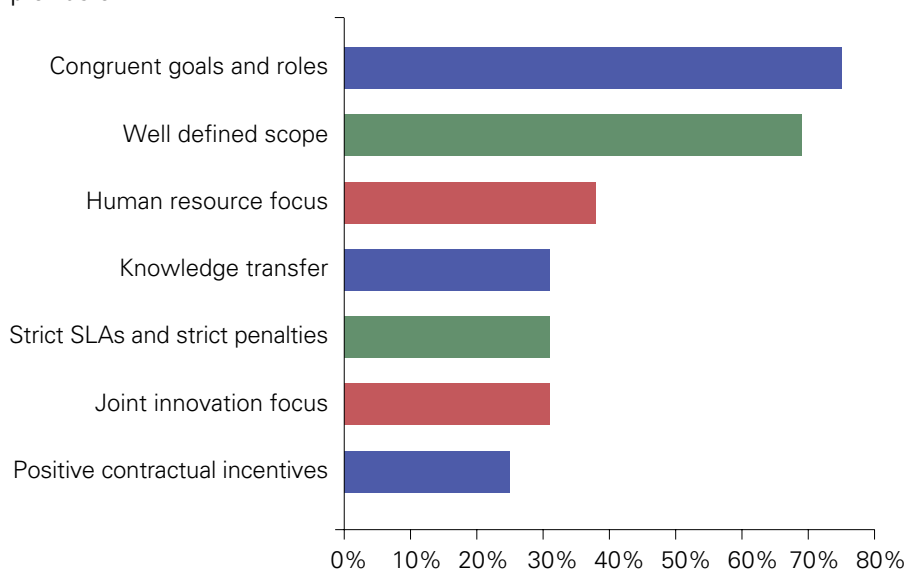
This business model is already gaining traction in many markets as communications service providers focus more on the retail side, and more companies realize that effective use of partners can increase speed and agility, and broaden their service portfolio faster than a purely internal approach.

In fact for smaller companies and newer entrants with small staffs, developing large portfolios is often prohibitively difficult in terms of cost and time. Managed service providers who can contribute quickly and reliably and allow communications service providers to leverage their assets and resources are seen as important to their future. This is particularly true in their back office, which communications service providers see as being important, but not core.

### Critical success factors

We asked our respondents to name their top critical success factors for managed services contracts going forward, allowing each communications service provider up to three.

Figure 2-4: Top three critical success factors for communications service providers



Source: TM Forum 2012

Figure 2-4 shows their answers to this question.

Our top critical success factor emerged from conversations with our respondents, sometimes in forward-looking conversations, and sometimes in discussing approaches to or challenges with current engagements. The notion of congruent roles and goals sometimes emerged in 'relationship' discussions, other times in an interchange about 'cultural fit', or sometimes in conversations about governance, but it was almost always mentioned.

Each of our respondents used different language to describe it, but their intent was clear to us. In our recommendations, in Section 3, we use the term 'strategic fit' – a widely used description that generally refers to the uniqueness of the alignment of a firm's resources and strategies to a specific market or situation.

## Moving to managed services has big implications for the workforce

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We recommend that communications service providers evaluate how well their managed service provider's strategy aligns with their own vision and vice versa. This should help resolve issues down the road. Needless to say, this is a big lesson learned for communications service providers, especially those who not so long ago awarded contracts primarily on the basis of cost.

Well-defined scope was the second most popular critical success factor, not surprisingly since 'better planning' was the most popular answer to the question, "If you could do it all again, what would you do differently?" Respondents cited all sorts of problems in this area, from misunderstanding the work itself, to confusion on goals, roles, process, measurements and many other factors. In fact, proper scoping and goal setting was seen as a vehicle to strengthen the relationship, since it clearly established the players and the playing field.

The third most popular critical success factor and a strong theme running through almost all of the interviews were human factors. Moving to managed services has big implications for the workforce, whose welfare and attitude must be considered throughout the planning and transition phase of the lifecycle, especially those who will be most affected, including:

- Being retained in the communications service provider's organization to work with the managed services partner;
- being transferred into the employ of the managed service provider;
- learning new skills to work in other areas of the communications service provider's business; and
- losing their job altogether.

One communications service provider said it best perhaps, in discussing the degree of difficulty of different factors: "The technical side is clearer – solution or not, features yes or no, scale yes or no. Operators deal with those every day. Much harder is the process and cultural change."

Clearly one of the key goals of the planning and management processes is to devise a clear strategy that will be embraced by the communications service provider's retained staff at both a process and an enterprise level. Communication of the plan and the reasons for the choices are equally important steps to enable buy-in. If securing employees' support is not dealt with early in the process, it will likely be much more expensive and painful to achieve after the move to managed services.

Knowledge transfer came next on our list. It really came in two different flavors; one could consider them as topical and strategic. The most popular topic was the transfer of knowledge from the communications service provider to the managed service provider at a process level, which was an important factor, regardless of the arrangements for transfer of personnel.

Strategic knowledge transfer was brought up by those respondents who focused on relationships and culture, and involved the education of the managed services provider about their customer's goals, strategy and culture. One could also argue that the reverse of this – learning this information about suppliers, and which 'buttons to push' to get things done, is equally critical, although this did not come up in our discussions.

Joint innovation tied for the next place in the critical success factors' ranking. Here communications service providers spoke of the importance of working with the managed

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## What can Business Benchmarking do for you?

More than 170 service providers from over 65 countries use performance data from TM Forum's Business Benchmarking Program to improve efficiency and effectiveness. Participation is open to TM Forum members who are service providers.

Service providers pool critical industry data through a secure, independently audited web-portal.

TM Forum's Business Benchmarking Program is based on the comprehensive set of business metrics defined in our Frameworx suite of standards (see page 30). It allows you to compare your business and operational performance against the rest of the industry.

Participants receive secure, individualized reports showing their performance against each metric and have access to broader results and statistics in the benchmarking database.

Aggregated results are available for a fee to non-participating service providers.

The Program was developed, and is constantly refined, by service providers, for service providers. It uses quantitative metrics ranging from tactical to business performance data.

In addition, TM Forum benchmarking studies, proposed by service providers, help you measure the impact of changes in your business, providing a balanced scorecard across finance, customer service and operations. Benchmarking before and after projects allows you to assess how much you have improved, and where you stand against your targets. These regular studies provide updates on industry shifts and trends.

For details of upcoming studies or to participate, please contact Chyrssa Dislis, Senior Manager, Business Benchmarking, [cdislis@tmforum.org](mailto:cdislis@tmforum.org)

services partner over the life of the contract to drive continuous improvement.

As might be expected, many who spoke of this were the same ones who talked about suppliers adding value as an important success criterion.

However, joint innovation is as much about how a supplier brings that added value to bear to solve specific customer problems, and this requires an understanding that can only be developed through a joint effort by the two parties.

The final two categories listed in the critical success factors' list related to how communications service providers manage their suppliers during the delivery phase of the engagement. The two approaches espoused

here are analogous (with apologies) to those motivators of donkeys – carrots and sticks.

Some communications service providers believe that performance incentives are important to realizing maximum performance and true innovation from a supplier – of course, those incentives need to be aligned to real top or bottom line improvements for the communications service provider if they are to be sustainable. Others believe that managed service providers should be penalized for failing to live up to their promises in terms of performance. Still others believe the right approach is to balance the two approaches, delivering a carefully planned combination of 'pain and pleasure' based on performance.

In our survey, penalties – the conventional

## Standardization makes integration with any managed service provider faster and easier

approach – came in just ahead of incentives for managed service providers. In fact, penalties tied jointly with innovation in popularity among our respondents, and positive contractual incentives came in just behind.

### Standardization, technology and contracts

Standardization was a key area for our interviewees. One communications service provider commented specifically on the importance of using a standardized approach, and in particular the TM Forum Business Process Framework (eTOM – see page 30), and the need for their managed service providers to use them too. This company had invested considerable effort in the Business Process Framework's Level 4 processes as a means to ensure processes were properly decomposed and well defined to make integration with any managed service provider faster and easier.

Others cited standards such as the Information Technology Infrastructure Library (ITIL), a set of practices for IT service management (it is overseen by ITSMF – see panel) which focuses on aligning IT services with the needs of business.

Some brought up COBIT, a framework created by ISACA (previously known as the Information Systems Audit and Control Association) for information technology (IT) management and IT governance. Others cited ISO/IEC 20000, the first international standard for IT service management. It was developed in 2005, by ISO/IEC JTC1 SC7 and revised in 2011.

All of these standards are important; assuring more common, complete and tested process, linkages to best practices, and support for process evolution for the foreseeable future. Moreover, these standards contribute to transparency and clearer understanding for both sides of the relationship.

## ITIL and the Business Process Framework

The Business Process Framework simplifies and assures consistent, enterprise-wide implementation of ITIL by providing an out-of-the-box set of business processes and flows.

ITIL is defined in terms of a set of suggested generic process steps (without detailed definitions of the processes themselves), plus a means to provide evidence that an organization is following them. These steps are general-purpose and could potentially impact a number of other activities, particularly as different departments within the same organization are likely to interpret and define the processes differently, creating problems at the boundaries, where the differently defined processes don't match.

In contrast, the Business Process Framework defines specific processes within the steps that must be followed for an organization to be considered Framework-conformant. This greater specificity is to reduce the so-called 'integration tax' and procurement costs. Without this level of detail, integration becomes prohibitively time-consuming and expensive.

So an IT organization implementing the Business Process Framework inserts process steps and flows into ITIL steps and evidence points. To facilitate this process, the Forum has used ITIL terminology where appropriate in new process definitions, mostly at Level 4 of the Business Process Framework. In addition, it is adding ITIL notes to processes to indicate how they map to ITIL.

TM Forum's members can tune into one of our most popular ever webinars, *ITIL and the Business Process Framework Working Together*, from January 2012, by going to: [www.tmforum.org/ITILandBPF](http://www.tmforum.org/ITILandBPF)



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## The importance of business outcomes

We asked respondents to comment on how closely they felt their measurement of managed services engagements was related to business outcomes. This, of course, depended on the nature of the engagements they had contracted, but the viewpoints were interesting.

When asked whether managed services are an important part of meeting their financial goals, most respondents replied that managed services were important or at least would be in the future. However, very few were willing to make any direct links, other than the obvious cost savings metrics. Some 64 percent of respondents identified at least an indirect link to financial performance but only about half of that group saw the result as a very significant contributor. A few of the operators did say they could directly link performance to financial results.

A smaller number, as might be expected, were able to directly or indirectly map improvements in customer experience to their managed service provider's performance, though most could only comment on the IT-related metrics of the systems supported by their managed service providers.

The problem does not appear to be the lack of recognition of the relationship between business and technical indicators, but rather the lack of depth of knowledge required in understanding and structuring metrics to provide better relationships. While there were some forward-thinking ideas among our respondents on this issue, overall we found a reluctance to truly make this move.

There appear to be more traditional views (and comfort) related to the measurement of managed services partner's performance with lots of comments about key performance

indicators (KPIs) and SLAs (see panel on page 7) in many of the classic areas like availability, response times, completion dates and so on.

The good news here is that the more forward-thinking users of managed services we spoke with understand this situation needs to change, even if the path to that change seems unclear to them right now.

## The rising importance of BPO

Most respondents feel that in the coming years communications service providers will engage in more BPO, though there were some significant caveats. Several communications service providers we spoke with view this as more of a supplier push at this point, and said that they are seeing more proposals from suppliers, sometimes presented as alternative solutions.

Cable operators were split on BPO; one felt that BPO was not relevant to their industry, yet another had already outsourced Human Resources and some other smaller business processes (such as credit and collections). The multi-service operators doing the outsourcing commented that it was important to stay close to home with some BPO engagements, as laws and regulations around business processes sometimes varied by country, and penalties for violation can be severe.

Operators in markets experiencing rapid growth were more likely to embrace BPO on a wider scale. One of the operators from a developing country observed that "the most agile players with fast growing markets that are resource-starved will take this route."

In general, the business processes that viewed themselves as 'most innovative' (see below) were willing to consider BPO, but at least one business processes remarked that better benchmarking (see page 22 on TM

Better benchmarking is needed to understand how companies are approaching business process outsourcing

Forum's Business Benchmarking program) is needed to understand how others are approaching BPO, and the results they are achieving.

#### Self-assessment: leader or laggard?

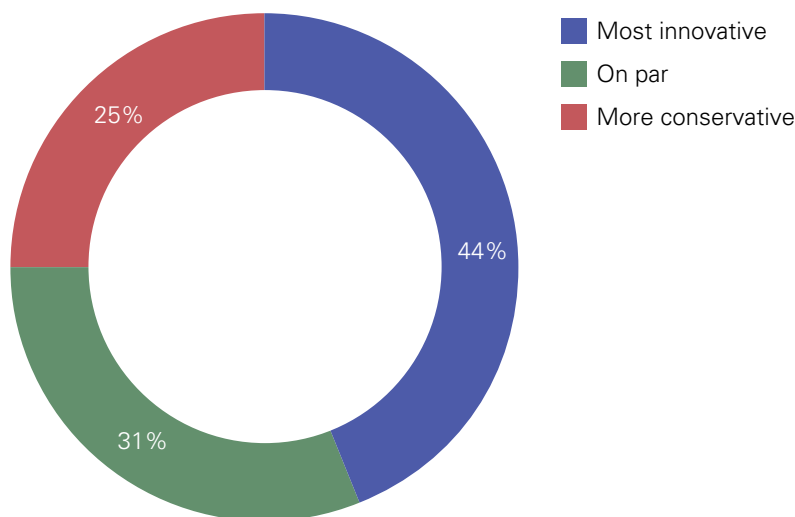
It was also interesting to see how business processes view their status relative to others in the adoption of managed services around the globe. As shown in Figure 2-5, 44 percent of respondents felt that they were among the most innovative in terms of embracing managed services in comparison to other communications service providers. Some 31 percent of companies said that they were on par with their counterparts.

All the interviewees from North American-based companies fell into this bracket, citing their long experience, while 50 percent of the European operators we interviewed stated that they were most innovative and the other 50 percent said they were more conservative. All the European respondents who said their companies were more conservative are considered the incumbent operators in their home market.

All the respondents from communications service providers in the Asia/Pacific region, excluding restrictions to outsourcing imposed by regulation, felt they were either on par or more innovative. This fits with the trend we found towards more aggressive outsourcing strategies in emerging markets. Companies in more competitive markets tended to see themselves as being on a par with their local markets, but more innovative on a global level when compared to providers in established markets (note that Figure 2-5 reflects the global comparison).

There is also at least a loose correlation between satisfaction and innovation.

Figure 2-5: Self-assessment on managed services adoption versus other communications service providers



Source: TM Forum 2012

Remember that the North American firms, who scored the highest on satisfaction, and the Asia Pacific respondents, who were second, were more likely to identify themselves as innovative or at least on par.

In the end, while it is useful to understand how operators perceive themselves, there is little other than satisfaction and (sometimes) greater needs to base this on, since there is little to no benchmarking taking place. Moreover, when we asked many of the communications service providers to name the companies they thought were among the most innovative, many struggled to name any.

## Section 3

# Conclusions and recommendations

Market dynamics play a large part in communications service providers' approach to managed services for BSS/OSS and their aggressiveness in adoption. The trends are positive and the approaches are maturing, but while the market looks to be growing incrementally, it is hardly exploding.

As more traditional communications service providers move into offering managed services themselves, it is unclear whether they will accelerate their outsourcing momentum or whether they will decide to plan, build and run it all themselves. Keeping and refocusing skilled IT staff may become more of a priority, so if anything, offloading processes and resources related to legacy applications may be the fastest growing area for incumbents.

The view among the newer operators is significantly different. Pushing the envelope, Yoigo, a mobile operator in Spain, gave a presentation at TM Forum Management World 2010 about its innovative approach, essentially outsourcing everything, including some sales channels, keeping only brand management in-house. This allowed it to adapt quickly to market fluctuations and scale fast enough to meet demand.

Even so, as an article in the *Financial Times*\* on January 10, 2012 noted, "Fourth entrants to European mobile markets have often struggled to make headway, with TeliaSonera's Yoigo taking five years to win 5 percent of Spain's market."

To many this may represent an extreme case, but this kind of model is being adopted in other markets and it is only a matter of time before this becomes more commonplace. Of course, Yoigo had the benefit of setting this up from day one versus the transformation required of established communications service providers.

When asked about leading adopters in the industry, very few of the companies we spoke to had opinions and there seems to be little consensus among operators on this topic.

There is no prescribed benchmarking or sharing of best practices that facilitates comparison of what others are doing, or how they are doing it that we are aware of. TM Forum's Business Benchmarking program can put specific studies in place (see panel on page 22) if a sufficient number of members request it or can carry out studies for a group of companies who want to benchmark internally on a fee basis (again, see panel).

This is all in sharp contrast to some other service sectors that are also heavily reliant on IT; where companies across diverse industries like banking and insurance come together to openly compare the cost structures and benchmark among themselves to ensure they are all on a relatively level playing field. What better way to improve the structure and governance of these relationships than to establish standards and best practices for the optimum way to work together?

It is important for communications service providers to ensure a proper strategic fit among their partners, fostering a common view of the business and complementary levels of commitment at the top of the house. Historically, it was the CIO or the CTO involved in these decisions, but ownership is sometimes rising to the board level.

As we have seen, communications service providers' approach to managed services is dependent on many factors: the country, the maturity of the market, and the strength of the competition, the skill base and so on. Markets that are more competitive and have more room for growth, such as the Middle East, Africa and India, are likely to have more innovative

\*[www.ft.com/cms/s/0/7cc58228-3b72-11e1-bb39-00144feabdc0.html#axzz1toSNOTZ1](http://www.ft.com/cms/s/0/7cc58228-3b72-11e1-bb39-00144feabdc0.html#axzz1toSNOTZ1)

With the ever increasing pressures on communications service providers, managed services have nowhere to go but up

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and aggressive use of managed services, choosing to focus more on brand management and marketing, allowing the 'best of breed' managed service providers to penetrate everything from network rollout, network operations, and management of most of the functions up to, and sometimes including, the retail stores.

Markets where market penetration is much higher lean towards a more conservative strategy and want to control more of the end-to-end chain. In mature markets like Western Europe, incumbents tend to be more risk averse. They protect total value and efficiency and focus more on cutting costs and adding more services for high-end customers. There are still communications service providers that want full control of the retail chain because it leverages a single point of contact which they want to protect, but others increasingly disagree with this. One communications service provider noted that its indirect channels sell three-quarters of its services.

Many companies are still stuck in the debate about what is core and non-core, and are struggling in some cases with a never-ending battle of internal protectionism. Some we spoke with have addressed this by simply focusing on who can deliver what most quickly and who is best positioned to do it. This changed the discussion and allowed them to build partnerships with managed service providers that are best positioned to deliver. These companies also set up the contractual relationship to support this kind of innovative and strategic approach.

Managed service providers need to balance standardization and customization within their offerings to capitalize on market continuity and scalability. Treating each customer as a local set-up is likely to be inefficient in the long run

and limits the application of best practices – they have to be strategically placed in their approach to be able to come up to the business process outsourcing (BPO) level and be part of the customer's business goals, ultimately reaping the business rewards.

Finally, we expect to see an incremental growth in managed services over the next few years. With the ever increasing pressures on communications service providers, the proliferation of new offers and business models from vendors and the benefit of almost two decades of learnings, managed services have nowhere to go but up. The questions really are:

- Will the market as a whole truly move to more strategic relationships?
- Will communications service providers commit to the best practices necessary to optimize their managed services strategy?
- Will managed service providers across the board step up to the partnership challenge?

### Recommendations

As we evaluated the responses from our interviews, it became clear that there was not a single aspect of outsourcing that challenged our respondents, but a number of aspects that contributed to the problems they experienced. Accordingly, we felt it important to not only describe the steps that communications service providers might take to improve their experience and gain more benefit, but to put those steps into a broader context, a managed services lifecycle, if you will.

We have not attempted to describe every aspect of the lifecycle, but rather focus on three key areas directly related to most of the issues our respondents are wrestling with regarding the managed service providers'

# MANAGED SERVICES FOR OSS/BSS

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performance. Those areas are planning and strategy development, sourcing evaluation criteria, and various governance issues.

Our thoughts and recommendations are detailed within the context of each of the three areas, as listed below.

## Developing your outsourcing strategy

In approaching outsourcing opportunities, communications service providers should move beyond the historical opportunistic, 'where can I save some money' approach, and develop an outsourcing plan and strategy. The goal is to build a sourcing strategy that will fit with their market, business strategy, aspirations and skills. Only then can they understand where the best opportunities lie, the benefits they should enjoy, and the inherent risks of their approach.

There are many proprietary approaches offered through various sources, but in the end the strategy and planning phase boils down to half a dozen steps. Although the approach is 'straightforwardly complex', proper execution requires the identification of outsourcing opportunities and a high degree of collaboration among the various stakeholders in the corporation, up to and including the board of directors in some cases. This is important if the corporate needs are to be met and retained staff are to understand, support and execute their part of the implementation and management of it.

Finally, it requires a reasonably clear view of the future, as most contracts are five to seven years in length.

The steps boil down to:

1. Work definition
2. Cost estimation
3. Skill/resource analysis

4. Core versus non-core determination
5. Risk assessment
6. Analysis and strategy formulation

### 1: Work definition

The work of the company should be defined in terms of business process. This will help the organization understand both the business value of the process and uncover the stakeholders for each of the processes. It also allows the communications service provider to assess whether this need is best fulfilled by traditional outsourcing. Technology is also important here, but it is clearly secondary to business process at this point. Importantly, processes should be defined not only by their strategic and operational characteristics, but also by the desired outcomes related to the processes.

### 2: Work cost estimation

Following this definition of business processes, communications service providers need to create rough cost estimates for each process. Stakeholders need to be careful to understand the true and complete cost of the processes, if possible, down to individual components. This, along with other criteria, creates the basis for selection and prioritization of potential outsourcing target areas, as cost is of course a significant driver.

### 3: Skills and resource analysis (relative to the work)

Here, communications service providers should attempt to understand their capabilities with respect to particular processes, the resources required to attain/maintain acceptable performance and whether they can sustain acceptable performance levels for the foreseeable future, from both a skill and resource perspective.



#### 4: Determine core versus context work processes

The communications service provider determines whether processes provide or contribute to sustained competitive advantage relative to the current and target customer base. Those that do are considered core processes, the rest are non-core. Core processes might include things like product strategy and design, customer experience strategy, branding and so on. Some communications service providers might include the 'core' network, though many have concluded this can now be outsourced.

There is also a notion of what is mission critical; determining if interruption or discontinuation of the process would severely affect the business. Generally, this is not a make-or-break factor for outsourcing, but companies may want to exercise tighter controls over these processes.

The idea of sustained competitive advantage is particularly important in fast-changing industries such as those that comprise the digital value chain. To facilitate this, the organization must have a clear view of the future and where it wants to be next.

#### 5: Risk estimation

Communications service providers need to assess and estimate the risks associated with outsourcing the work processes. There are a variety of risks, including issues with process integrity/efficiency, legal and regulatory risks, the affordability and availability of skill sets, the alignment between communications service providers and their suppliers, philosophical alignment, ability to manage the outsourcing vendor, rate of industry change and so on.

Understanding risks can help service providers see better which processes can be

outsourced and under what circumstances, as well as the steps they must take prior to and during the sourcing phase.

It is important that the level of tolerable risk is aligned with the risk appetite of organization. Different communications service providers have different views on this, and risk levels must be aligned with management thinking to be sustainable.

#### 6: Analysis and strategy formulation

In the final step, communications service providers' management and stakeholders must weigh the factors described above, both from a business process and a technical perspective. Then they need to determine what action, if any, should be taken. This could range from business as usual to full or partial outsourcing of a process, or even to transformation or elimination of a particular process.

It is important to understand the strategic business goals of the organization and the intended outcomes of the defined processes and how treatment of each of the processes aligns. What is the organization trying to accomplish? Simple cost reduction? Freedom to focus on strategic issues and future needs? Greater business and organizational flexibility? The organizational goals ultimately must be a strong driver of action.

In the final analysis, it is very important that this step result in a realistic assessment of the state of the communications service providers' processes and a clear strategy that will be embraced by the staff they retain at both a process and an enterprise level. Communication of the plan and the reasons for the choices are also very important steps to facilitate buy-in.

#### Navigating the sourcing phase

The sourcing phase is a very important part

# MANAGED SERVICES FOR OSS/BSS

## What is TM Forum Framework and how can it help you?

TM Forum's Framework suite of standards provides the blueprint for effective business operations, enabling you to assess and improve performance by using a proven, service-oriented approach (SOA) to operations and integration. It has been adopted by 90 percent of the world's largest service providers – and its take-up is accelerating as service providers recognize it is core to their business. Framework helps you:

- Understand your customer through a common customer management information model
- Innovate and reduce time-to-market with streamlined, end-to-end service management
- Cut operating costs by enabling highly efficient, automated, industry standard operations
- Reduce integration costs and risk through standardized interfaces and a common information model
- Lower the risks of transformation by delivering a proven blueprint for your business
- Gain independence and confidence in procurement through conformance certification and procurement guides
- Gain clarity by providing a common, standard language
- Build essential partnerships quickly and easily through common processes, information and terminology.

The suite was developed in the Forum's unique Collaboration Community and continues to evolve through the efforts of the Community to meet changing market needs. It is driven by service providers and available exclusively to members, who represent more than 90 percent of the world's communications subscribers.

### Framework is made up of five components:

#### Business Process Framework (eTOM)

The Business Process Framework provides efficient, clear and effective business processes that are critical to delivering innovative services quickly, at the least possible cost. It offers a comprehensive, multi-layered view of these processes and is aligned with ITIL (see panel on page 23). It is supported by off-the-shelf tools to provide a multi-dimensional catalog of the business processes and includes guidelines and process flows ensuring your processes are streamlined and effective across the enterprise and across partners in a value-chain.

#### Information Framework (SID)

The end-to-end management of service demands the

consistent use of data across an enterprise. The Information Framework provides a comprehensive, industry-agreed definition of the information that flows through an enterprise and between service providers and their business partners. It is supported by off-the-shelf tools and provides a common information model, enabling the definition of standardized integration points.

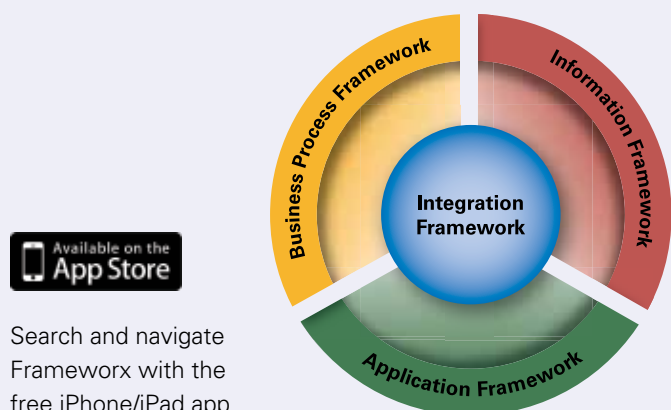
#### The Application Framework (TAM)

Understanding how your business processes are implemented in your software architecture is essential. This Framework provides a model for grouping processes and their associated information into recognizable applications. It provides a common language and identification between buyer and supplier for all application areas.

It helps in the design of enterprise architecture through a better understanding of your systems architecture plotted against a standardized map.

#### The Integration Framework

Automation of business processes enables you to significantly reduce costs and rapidly deploy new services. But automation requires interoperability between systems across the entire enterprise and an extended value-chain of partners. The Integration Framework defines how the processes and information behind these systems can be automated by defining standardized Service Oriented Architecture (SOA)-based interfaces. The Integration Framework includes:



Framework 12 includes the largest number of updates to the Business Process Framework

- A taxonomy for services and guidelines for the development of Business Services.
- Model driven tooling for the machine assisted production of standard interfaces.
- A repository of Business Services.

### Business Metrics

Understanding the performance of your business is a critical aspect of managing transformation. Knowing how you compare to the industry in key operational areas will guide your transformation investment. TM Forum's Business Metrics, mapped to the Business Process Framework, provide a way for you to measure success based on a balanced scorecard that covers:

- Revenue and margin: a view of fiscal performance.
- Customer experience: measures that impact the end-customer's reaction to the service offering.
- Operational efficiency: a view of cost and expense drivers. (Also see the panel on TM Forum's Business Benchmarking program on page 22)

### Latest release – Framework 12

Framework 12 has seen the largest number of updates to the Business Process Framework, with over 800 new processes added, especially for billing, charging, policy management, fraud management and value chain management. Other new additions include:

### New security capabilities to provide defense-grade security to commercial networks

Framework 12 includes three new security user stories that address denial of service attacks, penetration attacks and application misuse. These user stories were mapped in to the Business Process Framework to create new security processes in five areas that serve as a blueprint for organizations to use in establishing their security practices for network defense.

### Software Enabled Services

The Software Enabled Services features in Framework provide a set of building blocks to enable standards-driven, model-based software solutions. This facilitates development of Framework-compliant IT solutions focused on agile service delivery. Benefits will include a rapid time to market for new services and the ability to manage the complete lifecycle in an SOA.

### Cloud Service Level Agreement Handbook

Based on requirements from the Enterprise Cloud Leadership Council, this guides service providers on the expectations from their enterprise customers on service level agreements (SLAs). It provides guidelines to ensure your SLA is commercially viable for cloud and may be used by the enterprise to measure the worth of an SLA offered by a vendor of enterprise cloud services, or by the service provider to ensure that the SLA the service provider they are offering is enterprise-grade. It will be free for TM Forum members to download from our website.

### New Quick Start Pack for Fulfillment

This accelerates the ability to streamline fulfillment processes for product and service delivery. It provides a common language for working with partners for delivering services, saving time in defining business interfaces, as well as enabling rapid deployment of new services through well-documented processes and a common language.

### Customer Experience Handbook

An overview of Customer Experience Management (CEM) in the industry and a summary of TM Forum work to date that is applicable to CEM. It provides recommendations for service providers on how to develop a roadmap for CEM, how to measure and manage customer experience, and provides recommendations to TM Forum and the industry for future direction in development of standards and best practices.

### Model Federation Enablers

Designed to allow the Information Framework (SID) to model any kind of resource, including those where the detail of the resource is defined by someone else. In addition, the interface development tooling in Framework generates basic interface capability utilizing the Information Framework. As a result the federation capability of the Information Framework will also by implication allow Framework interfaces to provide high level management functionality for any kind of resource.

# MANAGED SERVICES FOR OSS/BSS

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of the managed services lifecycle, especially given the average length of five to seven years for many of the contracts. It becomes even more important as the domain to be managed increases in size, complexity and/or mission criticality. Accordingly, many advisors compare sourcing activities to those of choosing a mate.

Below we list some of the critical criteria for evaluating suppliers, gleaned from our conversations with advisors, suppliers and communications service providers.

## Key criteria

1. Strategic fit
  - a. Linkage to business outcomes and process/ technical operations
  - b. shared vision and goals
2. Supplier's track record
3. Commitment of key personnel
4. Supplier resources
  - a. skills
  - b. infrastructure
  - c. funding
5. Industry knowledge, best practices, continuous improvement, risk management
6. Commitment to standards (ITIL, COBIT, Frameworks – please see pages 23 and 30)
7. Visibility and transparency of performance
8. Transition plan

## Strategic fit

Strategic fit is a widely used term among business consultants, and generally describes the uniqueness of the alignment of a firm's resources and strategies to a specific market or situation. Here we are suggesting that communications service providers evaluate the vision of the managed service providers for alignment to their own vision, as this will

indicate where the supplier is likely to place its strategic emphasis going forward.

Another aspect of this is how well the supplier can demonstrate the linkage between the business outcomes that communications service providers have defined in their planning phase and the performance of the business process and technical operations.

## Supplier's track record

A supplier's track record is an extremely important indicator for communications service providers. Their outsourcing suppliers should willingly provide reference accounts within the communications industry that have contracted similar services and performance levels. This will give the communications service provider an opportunity not only to observe operations in a business-as-usual mode, but also the reference accounts should be able to comment on how suppliers have performed in times of stress or significant change.

## Key personnel

Communications service providers should carefully address the issue of personnel. One cannot assume that just because a particular individual or group is available during the planning and negotiation phases that they will also be part of the ongoing supplier delivery team. When in doubt, key personnel should be specified.

It's also a good idea to access and interview personnel responsible for the day-to-day management and operation of the communications service provider's activities, judging their skills, commitment and understanding of key objectives and measurement.

Suppliers should be focused on continuous improvement, evolving the practices, processes and infrastructure

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Communications service providers should ask themselves whether they would hire these individuals if they were insourcing. This is particularly important when they are sourcing BPO services, as the skill set may be more diverse and difficult to find, and expertise may vary significantly between the supplier's locations.

### **Supplier resources**

Evaluation of the supplier's resources is another important activity. With growing demand for managed services and margins for service businesses often slim, some suppliers are constrained by the resources they can call on. Communications service providers should be sure suppliers have the technical infrastructure capable of supporting their requirements, as well as the demonstrated ability to scale as necessary, support compliance and security requirements and mitigate operational risks. They should also ensure that the skills and human resources are available to properly manage the infrastructure. Finally, communications service providers should evaluate the supplier's financial status. Suppliers who have easy access to capital and are well-capitalized will generally have better facilities and are more capable of scaling quickly to address evolving business requirements. They will also likely be more attractive to skilled personnel.

### **Industry knowledge and best practices**

Communications service providers should evaluate their suppliers based upon their understanding of the industry and the key issues facing the industry and its customers. This will help the supplier to maintain an edge

in strategic fit, as discussed above. In addition, industry and best practices knowledge can be applied to each account to improve performance.

Moreover, suppliers should be focused on continuous improvement, evolving the practices, processes and infrastructure to improve performance and address evolving business requirements. Of course, these practices should not only improve base business performance, but also be deployed to improve risk mitigation.

### **Commitment to standards**

Communications service providers should look to suppliers who are successfully adopting and deploying standards-based process and practices. Not only does this support the introduction of best practices, it allows customers and suppliers to take advantage of economies of scale and joint learnings. It also supports communications service providers' compliance strategies and positions them to change in a more nimble fashion when these practices and processes change, as they inevitably will.

### **Performance visibility and transparency**

Communications service providers should look for suppliers with well-structured processes and tools for monitoring ongoing service delivery, specifically focused on monitoring operation of process and reporting results in the context related to business outcomes. Where possible, management processes based on industry standards, such as ITIL (see page 23) or COBIT should be deployed. Real-time reporting, exception reporting and predictive analytics can be useful in providing appropriate

# MANAGED SERVICES FOR OSS/BSS

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visibility. Performance transparency is critical to effective governance and can help to support a stronger partnership.

## Transition plan

One of the first tangible things communications service providers will experience after the contract period begins is the transition plan. They should evaluate the approach and track record of the supplier in this regard, not only considering transition of business processes and technology infrastructure, but also considering the treatment of transferred employees. This is critical if the supplier is to retain key support skills, not to mention complying with legal and regulatory requirements.

In the past, communications service providers have been relatively good at evaluating resources, personnel, track records, and in some cases transition plans, at least for targeted current operations. They have been more challenged or chosen not to closely evaluate broader issues like strategic fit. In many cases, we saw the results of this in the concerns of our interviewees. If communications service providers are to improve their chances of having an effective outsourcing experience, they must take a more holistic view of planning and sourcing.

## Governance issues

Once the planning and sourcing phases are completed, communications service providers embark on various outsourcing engagements. To gain the value they identified and sought in the planning and sourcing phases, they need to become adept at managing these engagements. Historically, some firms have apparently believed that once the contract is signed, much of the operational detail

will take care of itself, as they have either underestimated or ignored the effort to manage the outsourced operations on a day-to-day basis. In fact, several of our interviewees indicated they had underestimated or perhaps misunderstood aspects of this phase.

This is the longest phase by far of the lifecycle, and the most important, as this is where all the planning and evaluating is to pay off. It too must be approached as methodically and holistically as the planning and sourcing efforts if it is to be successful. Some of the key factors for success in this phase include:

- Managing relationships
- Agreeing on business outcomes
- Building a monitoring plan and budget
- Incentives and penalties structures
- Maintaining the knowledge base
- Clarifying accountability
- Day to day monitoring and reporting
- Managing expectations/ balancing stakeholder needs
- Managing change
- End game planning

## Managing relationships

The need for managing relationships is often seen as one of the key learnings from first generation outsourcing experiences. In the beginning, many believed that the key to success was to develop an 'air tight' set of metrics and simply manage the numbers. Unfortunately, in the real world, getting that level of performance requires the dedication of people and expertise.

This means business priorities, customers' needs, laws, regulations, technological trends and business processes change more frequently than every five to seven years. Moreover, alignments and definitions that



initially seemed clear in principle and on paper often diverge in interpretation and practice, especially when contracts cross cultures.

In these circumstances, effective problem resolution demands close communication and collaboration between communications service providers and their suppliers, which is best executed in an environment of mutual respect and trust. As one interviewee remarked, “If you’re just buying a box, a set of metrics is fine, but if you want to contract services then those are ultimately delivered by people, and good performance requires strong relationships.”

### **Agreeing on business outcomes**

Business outcomes are a thread that passes through all phases, but the real test and interpretation of them come during deployment, and definitions and agreements are often fine-tuned as both the customer and the supplier learn. Outcomes may change somewhat as new environmental or strategic changes occur. Communications service providers and their suppliers must recognize this and address it. This is yet another instance of where relationship management is fundamental.

### **Building a monitoring plan, clarifying accountability**

Obviously a monitoring and reporting plan is important, yet this is one of the areas where

communications service providers have often underestimated both effort and budget. They need to learn from prior (and others’) experience, create a clear plan and allocate an appropriate budget to operationalize and maintain it.

Ideally, this should be anticipated as part of the cost estimation during the planning phase, and be included in the sourcing and contracting activities, but fine-tuned at this phase.

Importantly, not only the goals and process must be defined here, but roles of both the supplier and the communications service provider must be detailed and clarified. The plan needs to take into account day-to-day operation, but also should include processes like lower-level conflict resolution and escalation procedures when problems occur, as they will.

### **Incentives and penalties: carrots and sticks**

Part of an effective planning exercise is the concept of building in motivation for those implementing the plan. Historically this largely took the form of penalties for missing performance parameters. Increasingly now, communications service providers are considering offering financial incentives for performance exceeding expectations. This can be a very effective strategy, as long as the result of the performance provides an offsetting financial benefit to the communications service provider. Generally

*“Part of an effective planning exercise is the concept of building in motivation for those implementing the plan. Historically this largely took the form of penalties for missing performance parameters.”*

# MANAGED SERVICES FOR OSS/BSS

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these incentives are negotiated during the contracting phase, but often the processes for measuring them must be fine-tuned or re-interpreted during operational planning

## **Day-to-day monitoring and reporting**

This of course involves execution of the plan as well as acquisition and deployment of the resources necessary to effectively monitor and report. As detailed in the sourcing phase, one of the more important first steps here is the establishment of well-structured processes and tools for monitoring ongoing service delivery. It should be specifically focused on monitoring operation of process and reporting results in the context related to business outcomes. Just as the operational plan is subject to change, so are the monitoring plan and specification of toolsets.

## **Managing expectations/balancing stakeholder needs**

An important thread running through sourcing and planning is the identification and balancing of stakeholder needs. This is particularly important in legacy environments where historical entitlements have prevented companies from achieving potential efficiencies, but it applies even to greenfield operations where differing views and power struggles manifest themselves.

Managing expectations is important not only between the supplier and buyer, but also within

the buyer's organization, in particular between operational staff and business management. Operational staff must seek to do what's best for the company and not necessarily for one specific interest group. While most of this should be addressed in the planning phase and enforced in the operations processes, there will undoubtedly be some fine tuning required on an ongoing basis, and conflict resolution procedures should be defined.

## **Managing change**

The topic of change management in managed services is a large and complex one with many domains, but these should be addressed as part of governance. Some of these can be addressed through adoption disciplines detailed in standards specifications like ITIL and ISO 20000, but these may need to be extended to cover aspects of business processes. Larger strategic changes, such as the accommodation of new business initiatives or significant implementation of new technologies, should be addressed at least in principle in the planning phase and in a more detailed fashion here.

## **End game planning**

While the overwhelming majority of effort in planning and execution is invested in the target domain of the managed services contract, savvy companies recognize that even longer contracts are finite in their length, and should

*"Managing expectations is important not only between the supplier and buyer, but also within the buyer's organization, in particular between operational staff and business management."*

## Adopting a managed services strategy is an important step for virtually all communications service providers

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make plans to determine what to do as the end of the contract approaches. In fact, many vendors begin preparing for this a year or more before the end of the contract, often with the goal of signing a new/follow-on contract well before it ends.

Communications service providers should develop a strategy for assessment, decision making and change management in a similar timeframe. In some instances this will be to allow sufficient time to end the relationship in an orderly, efficient fashion, but mostly it will be about revisiting the disciplines discussed in the planning and sourcing phases above. If the processes used in those phases are well defined, they can be used here.

Reviewing the various aspects detailed here of the planning, sourcing and governance activities should give the reader a healthy respect for the broad scope and complexity involved in developing and engagement with a managed services' strategy. Readers should also recognize that our discussion has been limited to the areas where we believe there are

the greatest opportunities for improvement, and do not include areas like contract development or negotiation.

Needless to say this is a highly complex topic that requires a great deal of attention, but it is also a direction that can result in significant business benefits, and we should point out that the majority of the communications service providers interviewed were either highly or somewhat satisfied with their engagements.

We believe that adopting a managed services strategy is an important step for virtually all communications service providers, and proper management of the lifecycle can lead to significant benefits for them and a win-win partnership with their suppliers. As always, the devil is in the detail.

We hope you have enjoyed the report, and been able to glean value from it. You might also like to read the TM Forum *Quick Insights* report, *Managed services: Approaches to a changing landscape*, which is free for members to download and for non-members to purchase from [www.tmforum.org/ManagedServices2011](http://www.tmforum.org/ManagedServices2011)

*"This is a highly complex topic that requires a great deal of attention, but it is also a direction that can result in significant business benefits."*

# Become a competitive industry leader through OSS Managed Services

Services providers understand the crucial importance of their Operations Support Systems (OSS) which are responsible for strategic mission critical functions. But service providers are reluctant to outsource their OSS, the “heart” of their operations, viewing it as being too risky to hand over to a third party vendor to manage.

However, the market is changing at a fast pace and there is more pressure than ever on service providers with intense competition, the huge demand for efficient network capacity, and shorter time-to-market for new products and services, all against a backdrop of ever decreasing revenues. These challenges can no longer be met by old, poorly integrated and highly customized legacy systems, which lack modernization and automated business processes. New tools, software systems and better techniques are desperately needed to enable new business models for increasing operations efficiency and reducing operating costs.

## The challenges and opportunities

The dilemma for many service providers is what to do with their existing IT infrastructure. Their current IT landscape is likely to include obsolete OSS systems that need to be consolidated, optimized and transformed into a modern, highly efficient operations environment. The decisions that must be made include which systems should be kept or retired, how to minimize manual intervention, and process decisions such as how to decrease the number of order fallouts, restructure teams and take operations efficiency to the next level.

Service providers are looking for cost savings and time to market solutions that their current OSS systems are incapable of delivering. The time has come to recognize outsourcing as an optimal way to achieve aggressive business targets of operational excellence, accelerated growth and cost reduction.

Many service providers are becoming aware that by outsourcing their OSS they can gain a lot in terms of systems efficiency, innovation and support, overcoming barriers to change while significantly improving the customer experience. Using managed services frees up their time to focus on their core business of marketing, sales and product innovation.

OSS managed services enables service providers to leverage existing business processes and systems, as well as modernize and transform them to enable better business efficiency and competitiveness. Outsourcing OSS plays a specific role in reducing the cost and complexity of OSS transformation projects which historically tend to have a large scope involving complex systems and a high investment. The outsourcing approach encompasses transformation as part of a broader optimization and modernization plan while reducing and even removing the need for up-front capital expenditure.

When Business Support Systems (BSS) and network management functions started to be outsourced, the same questions were asked. Service providers were apprehensive about handing over their system and network management to a third party managed services provider. At the end of the day, however, they

realized that through managed services they achieved their business objectives and the experience was very positive. What is evident is that the process and governance of OSS outsourcing is not unlike that of BSS outsourcing, so similar best practices and techniques can be applied.

## OSS managed services approaches

There are three different OSS outsourcing approaches:

1. OSS managed services as part of broader network outsourcing activity
2. OSS managed services as a standalone solution
3. A combination of integrated BSS and OSS managed services

The first approach is very common in the communication industry and is usually carried out by Network Equipment Providers (NEPs). It includes outsourcing the network itself, maintenance of the network in the field, network operation center (NOC) and the associated BSS and OSS systems and processes. It has the benefit of tying up all the services under one contract so the service provider has only one vendor to manage and with whom to resolve any arising issues. On the other hand it can be a very expensive approach as a five-year managed services contract can typically cost a Tier 1 operator more than \$1B. There is also the challenge of management focus and expertise when it comes to OSS and BSS systems and processes. It is important to note that network, IT, operations and business systems each require specific management skills and specialist



knowledge. It can be risky to outsource all of these domains to a single vendor or managed services provider unless they have the core expertise in all areas of network, OSS and BSS.

The second approach, for service providers looking to outsource only their OSS and associated business processes, is to select a vendor who is expert in this field. This option leverages the vendor's OSS skills and expertise to optimize the systems and operations processes, thereby reducing the risk. The downside is that for some processes such as order-to-activation, it is not possible to completely separate the OSS from the BSS since these two domains need to be closely coupled and work seamlessly end to end. There is also the lack of scalability and operational efficiencies when combining OSS with BSS managed

services and business processes.

The third approach is a combination of OSS and BSS under one managed services umbrella. The managed services provider for this type of outsourcing has combined expertise in both disciplines, and can bring this expertise to software systems and processes across the entire business. This approach has the benefit of the complete end-to-end management of business processes and operations systems. It also allows better control of operations and oversees the whole value chain including customers, services and networks. An experienced vendor in both domains can reduce risks and maximize overall business efficiency. BSS and OSS are both high volume, mission critical and IT-centric domains which can benefit from sharing similar vendor systems knowledge and expertise which makes it

*"Choose a provider that can outsource as well as transform the operational capability. The ability to improve processes and systems through transformational outsourcing can result in even lower operational costs, improved operations, and higher services levels."*

TM Forum Inside Leadership  
*"With expanding data consumption, outsourcing's a smart choice"*  
Jan. 2011

# Become a competitive industry leader through OSS Managed Services

possible for the right vendor to leverage common skills and experience.

Grouping all the BSS and OSS management functions under one single vendor umbrella reduces organizational barriers to change, minimizes integration risks and enables the transformation process to be more efficient and agile, delivering business benefits early in the change process. This approach requires the managed service provider to also possess strong governance and partner management capabilities across multiple BSS/OSS vendors, systems and services to ensure success.

The BSS and OSS common functions enable a consistent and coordinated managed services approach. The table below outlines some of these common functions:

## Choosing the right partner

Besides choosing the right approach, the service provider must consider some important points when selecting a successful partner for a managed services solution. Service providers must ensure that the chosen managed services provider has enough expertise and the right skills required for the desired managed services solution and can take on the roles of prime system integrator and partner management.

Key factors service providers need to identify with regard to the selected vendor include:

- Managed services solution should adopt industry standard best practices and processes such as TM Forum Business Process Framework (eTOM)

and ITIL (Information Technology Infrastructure Library) Vendor should provide an efficient end-to-end BSS/OSS management solution that enables cost reduction

- Vendor should have strong governance and partner/vendor management capabilities across multiple BSS/OSS vendors, systems and services
- Vendor should have the ability to reduce transformation risk and ensure a predictable and successful business outcome
- Vendor should possess a proven track record with a customer experience focus and have experience in systems consolidation and integration
- Managed services solution should be capable of showing a good return on investment (ROI) and added value

Function	OSS	BSS
Real-time and batch processes	Service provisioning, network build	Prepaid, postpaid billing
Modeling and managing complex data	Network resource modeling	Customer information hub
Supporting huge transaction volumes	M2M service fulfillment, fault management	CDR collection, rating
Handling of mission critical tasks	Service fulfillment	Customer care
Fallout management	Service fulfillment, trouble ticketing	Ordering, billing
Business Process Outsourcing (Operations)	Inventory management, network asset lifecycle management, data integrity management, service fulfillment	All systems and services
Database management	All systems and services	All systems and services
Hosting	All systems and services	All systems and services
Testing	Inventory, fulfillment, activation	All systems and services
Infrastructure, systems and operations	All systems and services	All systems and services
Transforming methodologies	All systems	All systems and services

Common OSS and BSS functions





Choosing the vendor is a very important part of the process and must be done in conjunction with in-depth analysis. By selecting the right partner, the service provider can take advantage of cost savings, revenue and subscriber growth, systems modernization and shorter time to market, all of this while focusing on their core business.

Another important point to be analyzed is the governance process. The managed services provider must have the right capabilities and experience to monitor and control the activities and processes of an outsourced OSS service as well as manage the various partners/vendors and sub-contractors involved in a complex outsourcing agreement.

It is vital for the process to base the service delivery on performance targets and define Service Level Agreements (SLAs). The SLA is a formal part of the contract and must be agreed by both parties. It contains the key performance indicators (KPIs) which define the business targets and objectives of the outsourcing agreement.

The governance procedures need to include escalation policies so the managed services provider can ensure compliance with its partners and sub-contractors and can apply the necessary correction factors to resolve arising issues in a timely fashion within the terms of the SLA.

Service providers today understand the need for outsourcing their OSS with an experienced vendor and, moreover, they believe it is the only alternative to meet all their business requirements. The BSS/OSS managed services approach is capable of delivering the following benefits:

- Accelerated business growth
- Improved systems performance, responsiveness and availability
- Increased revenue
- Improved customer experience through a better quality of service
- Modernized, optimized and transformed systems
- Lowered total cost of ownership
- Reduced total costs
- Delivery of a superior operational environment
- Reduced lead time and shortened time to market for new and innovative offers

#### **Amdocs OSS Managed Services**

Amdocs OSS Managed Services portfolio brings together IT-centric capabilities and communication-specific experience and skills. Leading service providers across 60 countries have selected Amdocs to manage their BSS and OSS processes and systems so they can focus and invest on their core business. These customers leverage Amdocs's global expertise, tools, systems software, best practices and innovative methodology.

Amdocs provides detailed insight into the advantages of BSS and OSS managed services as well as delivery excellence, governance and partner/vendor management. Amdocs also executes transformation projects with minimal risk and maximum ability to predict results based on solid experience on operation efficiencies and business processes.

#### **About Amdocs**

For 30 years, Amdocs has ensured service providers' success and embraced their biggest challenges. To win in the connected world, service providers rely on Amdocs to simplify the customer experience, harness the data explosion, stay ahead with new services and improve operational efficiency. The global company uniquely combines a market-leading BSS, OSS and network control product portfolio with value-driven professional services and managed services operations. With revenue of \$3.2 billion in fiscal 2011, Amdocs and its over 19,000 employees serve customers in more than 60 countries.

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# Managed BSS/OSS Services – Business Opportunity Mining

## The Huawei Advantage

*BSS/OSS Professional Services Department  
Carrier Software & Core Network BU, Huawei*

### Industry challenges

As forward-thinking telecom operators begin to engage thoughts of business improvement activities, they will seize now, more than ever, the true chance of becoming **'Telecom 2.0'** ready – an era where true Communications Service Providers (CSPs) emerge as true service players in the communications space.

CSPs willing to embrace new IT-based opportunities will be faced with the challenge of fully optimizing and transforming IT into a continuous transformation cycle. This phenomenon will lead to the expansion and extension of product services interworking with over the top (OTT) players to achieve new incremental top line revenues.

Reference to industry trends (Gartner, IDC et al), telecom operators who transform into CSPs, will by 2015 attain an additional **15%** of their revenues from OTT players. This opportunity will be founded on the ability to adapt and adopt new business and operating models. Managing the risk of adopting new business models requires having the right partnerships – partnerships that must possess the tenacity, technology prowess, scalability and relationships to deliver true value.

### Business transformation

We are now in the last lap of the race to 2015, and there will be winners and losers. With business models and transformation strategies spanning up to 24 months, telecom operators must seize the opportunity now to gain the momentum of convergence through smart transformation services (STS). Huawei's Software managed services sets the stage

to bring the benefits of 2015 and beyond to telecom operators now. Our flexible and adaptable BSS & OSS managed services offering brings opportunities to risk-share with trusted partnerships to deliver services and innovation.

At Huawei, we understand the implications and era of the 'true' CSP require an end-to-end integrated and real time environment pivoted on customer intimacy and experience paradigms. Data management will become more federated and integrated away from stovepipes. Data volumes will explode and require more aggressive analysis and proactive management (subscriber data, content, mail and contacts etc) to be adaptive. Real-time context and content enabling services are surfacing, emerging a new order of value growth services (VGS).

CSPs will now more than ever rely on proven partnerships and relationships with agile and responsive vendors, such as Huawei, to innovate new ways of achieving flexibility, dynamism and profitability.

### The journey ahead

The growing importance of IT as an essential part of the new revenue opportunity confirms the evolution of IT as a value growth enabler (VGE) given the right partnerships and business models. More business executives now see IT as the next area for full transformation towards delivering that expected delta growth.

### Mining Huawei's BSS/OSS managed services to be ready for the journey beyond 2015

Through our aggressive growth (CAGR

of 22%+ YoY) and intimacy with the telecom sector, Huawei has developed a strong foundation of service-oriented delivery methodology that is evolving to meet new market growth opportunities. In our evolutionary approach to managed services, being flexible, innovative and bold in sharing initiatives, concepts and harnessing recognized sound business frameworks (e.g. the Business Process Framework – eTOM) are essential to deliver compelling value to our customers.

With our intention to empower and lead the transformation of telecom operators (mobile or fixed) towards true CSP status, we remain open to explore various dimensions of IT managed services, and to re-affirm our commitment stance to existing and prospective customers.

Emerging from a pure network equipment supplier and support services organization, our rich experience in telecom operator operations have influenced, and continue to shape, our managed services delivery and operations methodology. We are continuously evaluating, innovating and enriching our managed services offering and delivery framework around sound standards and process (e.g. the Business Process Framework, ITIL, ISO) and platforms (SOA, Open Architecture) in a move to sustain intimacy and deliver the promising results our customers expect.

### Key imperatives

Key imperatives of Huawei's managed services to telecom operators towards the quest for growth and new value are founded on positioning, opportunity enablement and value transformation



## 1. Positioning

Riding above rhetoric and pushing service boundaries, our managed services are positioned based on opportunities to harness 'potentials' and manage business strategic outcomes through internal positioning from a pure communications technology provider, to become a fully fledged provider and enabler for Information Communication Technology services and products.

Our internal positioning is aimed at enabling and facilitating the positioning of operators by affirming or aiding growth in their markets.

## 2. Opportunity enablement – our business alliance (BA) program

Through concerted efforts and initiatives, we are committing ourselves to engagements on behalf of operators to facilitate flexibility in the interaction with IT service providers, such as OTT players. Our flexibility mandate intends:

- Safe and assured service innovation interworking with operators powers telecom operators towards becoming Telecom 2.0 players.
- Risk management programs using new business models, aiding transformation drives with risk managed proactively to deliver shared gains.
- Value growth services focusing on realizable business values. We leverage our multifaceted business dimensions to deliver compelling outcomes depicted on our TVO framework. (Figure 2).

## 3. Value transformation

Transformation as a service – experience managed services in 'overdrive' mode by enhancing business agility through service fluidity around (a) time-to-market of new products and services; (b) fast delivery of business requirements through our service oriented architecture facilitated through design, transition and operations management process; (c) service performance based on a ubiquitous service capability framework on convergence that truly delivers the multi-capability factor (service, network, operations) through a unified service and product management foundation.

## 4. Increasing cost efficiency

With spending projections to dip towards 2015, telecom operators will need to drive and attain leadership

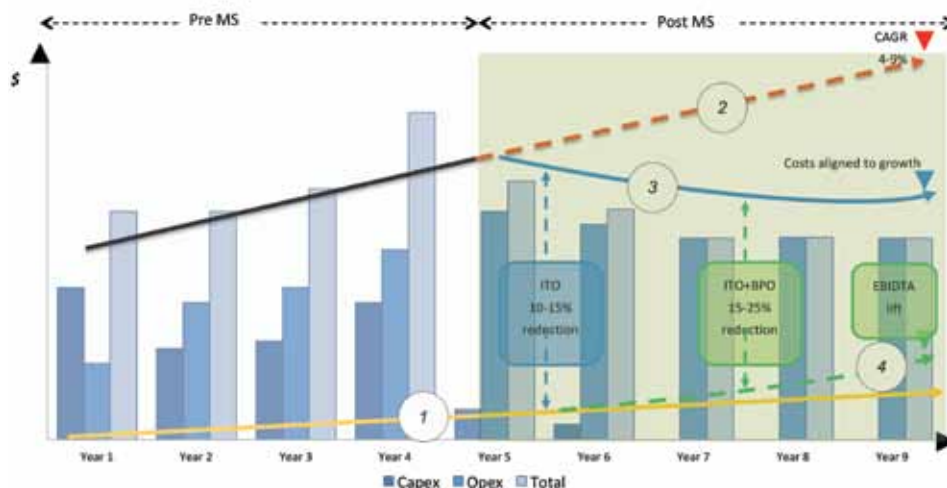
in communications services delivery.

Huawei's unique 3P approach to cost efficiency aims at delivering compelling value through all arms of managed services focus – people, process, platform.

Reference Figure 1, a view of a telecom operator's costs over nine years with an overlay of potential top line benefits, unpredictable and rising costs [2] increasingly driven by legacy infrastructure and ad-hoc resources drive telecom operators to adopt radical cost cutting schemes that don't yield the results intended.

Our experience in managed services delivers a new compelling value that ensures IT is better aligned [3] to business, with each spend on our managed services program translating to top line benefits [4].

Figure 1: Aligning IT cost with business performance indicators



# Managed BSS/OSS Services – Business Opportunity Mining

## The Huawei Advantage

In a view shared by business executives globally by Gartner, IT is now not only a service enabler but should institute confidence and growth [4] with imperatives such as innovation and customer collaboration as business value enablers.

### i. Platform

IT is plagued with various technology platforms that increase maintenance overheads and costs of making changes to facilitate business agility and response to market conditions.

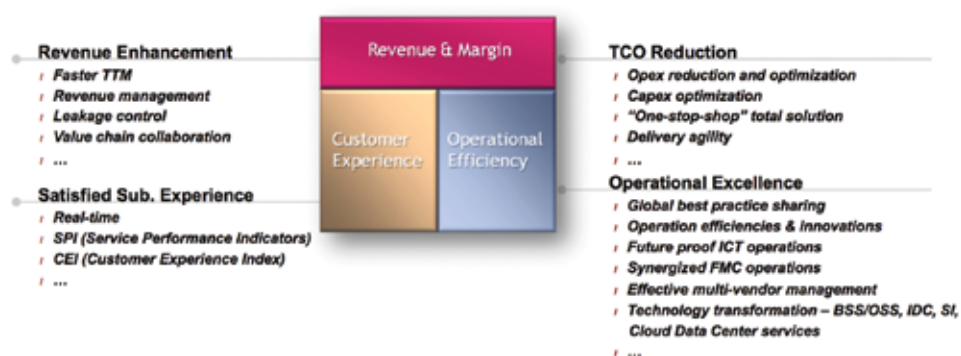
Through the adoption of Service Oriented Architecture and true Open frameworks (Business Process Framework, ITIL etc), our managed services ensure service interface teams are able to match thinking with practice. With over 40% IT costs around application development and maintenance, Huawei's BSS/OSS platform offers a unique positioning, unshackles the capability of 'platform' to attain business alignment, squeezing out each dollar spent, realizable service and innovation potentials.

With our award winning Next Generation 'NGBSS', SDP and foundations of business process enabling services, we transform service management to re-immersion into innovation into traditional telecom IT management and realize true benefits such as Telecom 2.0 business models.

Through the benefits of people, processes and platforms we deliver a compelling total value opportunity as depicted in Figure 2.

Based on the three dimensions to

Figure 2: Huawei BSS/OSS managed services TVO promise



service delivery – platform, people and processes, we understand the power and value of people. With 13 global customization, delivery and operations centers situated in strategic locations – Romania, India, Germany, Hong Kong etc, Huawei continues to position and align people resources to better attain the flexibility, agility and responsiveness of our customers.

### ii. People

We bring a unique people transfer methodology based on a continual service improvement program that uses global best practices to enrich our portfolio of skills and expertise.

Exposing employee competencies into our global skills management network, we are able to harness and leverage employees' technical skills to deliver more value from a global perspective and indeed create a career development path with heightened sense of achievement and contribution.

### iii. Processes

Service experience starts from the quality and integrity of the gridlock between business process and IT service management. Process harmonization, optimization and transformation enable reduced complexity and introduce business optimization by adding value to processes.

Through our recognized contribution to the Business Process Framework, our business process management services are built on stronger interrelation between the Business Process Framework and ITIL to solidify and harness the telecom operators' business environment. We are going further to ensure the application of such frameworks indeed delivers sound benefits and meets or exceeds industry standards and benchmarks by partnering with BSI to analyze, recommend and certify applications of our process frameworks around business operations.

Our process innovation prowess has, based on our results in real



circumstances, contributed to greater customer experience and satisfaction, improved time-to-market readiness and increased revenue assurance.

### 5. Improving monetization and business expansion

Growing disproportionate traffic vs revenue trends, new dimensions in churn to OTT players (service churn) and complex innovations stunt the monetization potential that telecom operators can realize. By becoming prime enablers of the journey to Telcom 2.0, such as through our award winning NGBSS and NGSDP, Huawei's BSS managed services leverages its global footprint and existing deepened relationship with third party innovation and service providers to expand IT services to improve monetization.

With rich and deepened understanding of OTT services, Huawei establishes a subscriber intimacy framework that delivers data mining services to gain and provide knowledge of the customer's usage, deliver control to the customer to manage their usage proactively, engaging the appropriate charging sequence. We have termed this service capability a 'Know – Control – Advice – Charge' campaign. A versatile service model facilitating a two-sided business campaign.

### 6. Delivering an integrated customer experience

The value of service experience from a customer's perspective requires end-to-end technology management. However, using proactive service management

methods driven by real-time network, service and customer behavior insights services, Huawei is able to deliver a unique service capability to support the telecom provider's marketing campaigns and programs.

This proactive service management approach can be delivered through personalized customer interaction in a convenient manner to offer a superior customer experience.

Turning business intelligence insight services into revenue opportunities is a growing trend in the era of convergence and high play of OTT services. Our BSS/OSS managed services provide strong business intelligence services for proactive customer behavior analysis and incident remedy.

The path to an integrated customer experience requires device and end-point management services that must aim to harness value from customer activities and deliver seamless customer experience

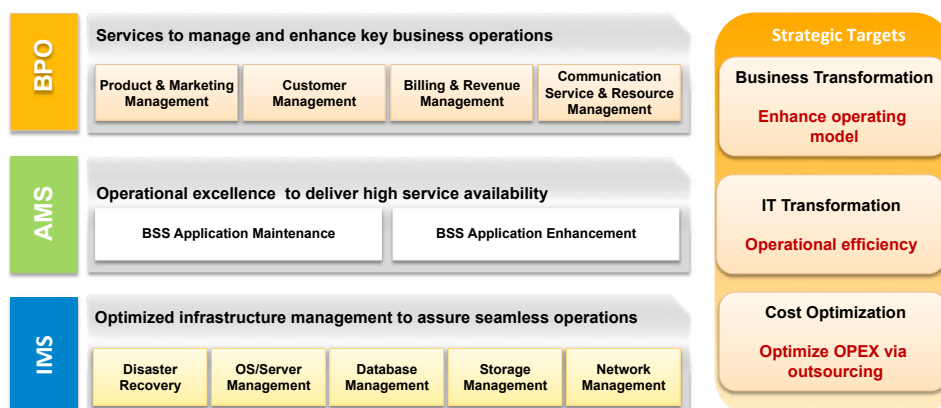
### Huawei BSS/OSS managed services – overdrive to 2015!

Our unique positioning is the foundation that aides the evolution from traditional telecom operator to 'Telecom 2.0' value operator. Our products and managed services are carefully interlocked into a next generation suite of opportunities, delivering frameworks of interoperability, flexibility and transformation services to realizing value beyond 2015.

Our managed services offering provides a complete business services management across product and market, customer management, billing and revenue management on a sound foundation of communication services and resources management to deliver our service imperatives.

A high level view of our BSS/OSS managed services offering below.

Figure 3: Huawei managed services offering, 2011



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Huawei is a leading global information and communications technology (ICT) solutions provider. Through our dedication to customer-centric innovation and strong partnerships, we have established end-to-end advantages in telecom networks, devices and cloud computing. We are committed to creating maximum value for telecom operators, enterprises and consumers by providing competitive solutions and services. Our products and solutions have been deployed in over 140 countries, serving more than one third of the world's population.

Huawei's vision is to enrich life through communication. By leveraging our experience and expertise in the ICT sector, we help bridge the digital divide by providing opportunities to enjoy broadband services, regardless of geographic location. Contributing to the sustainable development of the society, economy and the environment, Huawei creates green solutions that enable customers to reduce power consumption, carbon emissions and resource costs.

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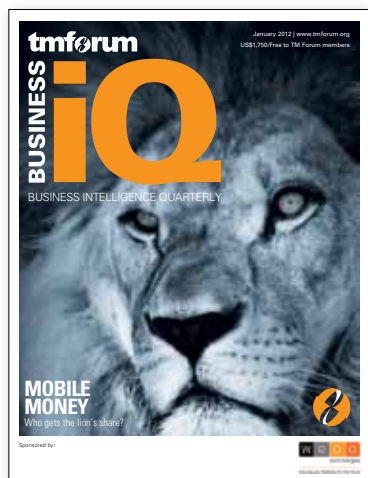


## **Perspectives 2012**

*Perspectives* is TM Forum's annual publication for senior professionals in the world of digital services.

The theme of this year's edition is our industry's progress to a fully connected digital world. The digital world will impact every business sector on the planet with new business models and markets, which will bring major threats to those who fail to seize the opportunities the digital economy brings. In order to make the most of these opportunities, companies need to be smart and move fast.

With access to some of the industry's leading lights and most sought after journalists and analysts, if you are part of the communications or related industries, whether you sit in the boardroom or stand by the water cooler, make sure that you read *Perspectives 2012*.

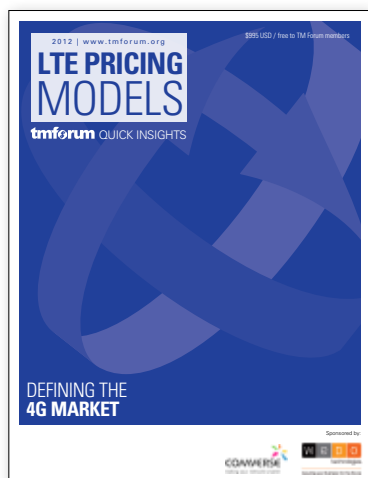


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