Enterprises are using managed cloud services and managed service providers to help evolve their IT to the cloud while delivering on business outcomes and value that can help ensure competitive advantage.

Delivering Business Outcomes and Business Value with Managed Cloud Services

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Questions posed by: Avanade
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Q. What is the business value that enterprises seek when using managed cloud services?

A. IDC research consistently shows that the paramount goals for enterprises utilizing managed cloud services are to help continuously evolve their technology while delivering impactful business outcomes and value. Meeting these client needs requires managed service providers (SPs) to have an extensive portfolio of capabilities. These capabilities must include streamlining delivery by incorporating modernization with management of IT, reskilling talent, restructuring operations using composable models, implementing advanced automation, shifting to a fail-fast culture, and utilizing sophisticated analytics to measure the business value and outcomes generated from these services.

But is just consuming managed cloud services sufficient in helping enterprises evolve IT to the cloud? The answer is no. Today’s enterprises expect managed SPs to deliver on the following defined business outcomes and business value:

» **Business outcomes.** Factors that clients designate as their top business outcomes do vary. However, IDC has identified leading factors that include launching new products/services, accelerating time to market, improving customer relations, driving product innovation and market thought leadership, adhering to regulations, optimizing supply chains, shortening product development life cycles, and meeting industry-specific outcomes and requirements.

» **Business value.** Ensuring business value requires using key performance indicators (KPIs) as well as implementing sophisticated management and analytics tools that quantify the value generated by managed cloud services. The most critical KPIs include improved employee productivity; achieving cost reduction goals; increased revenues, ROI/ROA, and market share; and improved profitability.

Managed SPs must also ensure that they optimize the business value of managed cloud services based on the specific needs of each type of stakeholder. These needs range from aligning revenue generation and profits for CEOs and optimizing financials for CFOs (including moving from capex to opex) to supporting lines of business (e.g., sales, marketing, logistics) based on business KPIs and persona-based requirements for IT and end users.
Q. How should enterprises transform their operating model to ensure value?

A. To fully harness the value of managed cloud services, organizations must evolve multiple facets of their organizational structure, core processes, and strategic approach to operational management. The components of evolution that are necessary to ensure value from managed cloud services include the following:

- **Creating a new operating model.** Enterprises are leaning on managed cloud services to move to a new operating model. This includes creating an organizational structure where managed cloud services utilize people, processes, and technology focused on delivering business value and not simply IT outcomes. Boosting revenue and expanding market share, as well as helping enterprises derive higher levels of resource productivity, are key business outcomes generated from operating models using managed cloud services.

- **Moving to modularity utilizing new processes.** As part of establishing a new operating model powered by business value and outcomes, organizations must also approach continuous migration and modernization based on modularity and standardization. Creating modularity through containers and microservices as well as reference architectures and blueprints can better help enterprises employ more agile and iterative application life-cycle models, boosting DevOps, scrum, CI/CD, and SRE capabilities.

- **Integrating the life cycle of services.** IDC studies have found that nearly 75% of enterprises worldwide want to bundle migration and modernization with management of applications on cloud environments. Ongoing harmonization of migration and modernization processes embedded within application management on the cloud helps enterprises achieve and optimize business value from managed cloud services.

- **Linking continuous improvements to business value and outcomes.** A modern operating model that's iterative, standards based, and composable helps organizations establish a core foundation for flexibility and generating incremental business value. An evolved operating model can also help the IT organization create stronger linkages to business processes via use of multicloud management platforms and technologies and provide a singular and simplified dashboard for performance, thereby illuminating where related business outcomes and attention require greater focus and attention.

Q. What talent is critical in helping enterprises utilize the value of managed cloud services?

A. The talent mix required to capture value from managed cloud services has grown more sophisticated. Traditional, project-centric approaches to managed cloud services tend to come up short when it comes to maximizing value. Reasons why are lack of clear ownership and responsibility, convoluted process methodology, insufficient team constitution, and ill-defined success criteria. As a result, enterprises must consider:

- **Moving to a talent structure that's product centric and business centric.** A core facet of capturing value from managed cloud services is using talent that transcends business and IT expertise. Use of business technologists helps organizations understand not only the business value of technology but also how technology can and should be applied toward achieving business outcomes and customer experiences.
» **Incorporating strategic consultative capabilities.** The value of managed cloud services isn't limited simply to technology and ongoing management. Rather, managed services value can be increased through leveraging consultative and advisory talent within managed SPs for areas such as technology selection, capabilities gaps assessments, cloud services training, and organizational change management.

» **Focusing on new talent areas.** Pushing innovation further is a way to drive more value via managed cloud services. Organizations must regularly seek out new competencies by using managed cloud services to continually improve their business outcomes. Developing and honing capabilities in DevOps, agile, SRE, and CI/CD can help enterprises squeeze more business value from managed services, as can new technologies such as IoT, blockchain, and cloud platforms (IaaS, PaaS, SaaS).

» **Evolving competencies and skills.** Ongoing training and professional development are essential to advancing capabilities and performance. IDC research has found that managed service provider centers of excellence (COEs) are critical tools that enterprises utilize to help mine more value from their cloud investments. Enterprises indicate that managed service provider COEs equipped with public cloud expertise (i.e., Azure), ISV expertise (i.e., Microsoft Dynamics), and security expertise are most useful in innovating and testing modern IT solutions.

**Q.** What roles should automation, analytics, and artificial intelligence (AI) play in a managed cloud service to enable value?

**A.** Businesses are facing issues of velocity and variability. They need to be able to respond quickly to market needs, changing regulations, and impacts triggered by "black swan" events such as pandemics, global warming, and social disruptions and deal with the variability in the types of enterprise needs down to the user level. It is at this intersection of velocity and variability where managed cloud services utilize advanced automation and analytics that can deliver continuous change, ensure operational excellence, and optimize financial management.

Cloud has fundamentally placed automation at the center of every stage in the life cycle of managed cloud services from development to deployment and ongoing management. Managed cloud services must incorporate the following:

» **Stringent service levels.** Enterprises require stringent service levels. A sampling of industry service-level benchmarks based on IDC research includes 5% of firms wanting to deploy an application within one week and more than 60% looking for 99.9% of availability of their cloud services.

» **Automation capabilities.** Automation must combine standardized technologies such as infrastructure as code (IaC) and no-code/low-code capabilities with proprietary IP such as accelerators, blueprints, and application libraries. Proprietary IP should address unique business and industry requirements to enhance time to value and differentiate a client’s business.

» **Value of cognitive/AI.** Advanced automation in the form of cognitive/AI can help continuously evolve client IT while driving efficiencies in IT operations, linking business process to IT, and aligning consumption of IT with individual needs.
Analytics also play a crucial role in enabling value. By leveraging an automated multicloud management platform that utilizes advanced analytics, data scientists and IT professionals can use insights, including predictive insights, to optimize business and IT performance to help standardize tools; assess quality of services; evaluate, track, and forecast demand for products and services; determine business value (e.g., ROI, cost savings), and measure spend management efficiencies bolstered with the use of FinOps.

**Q. What critical capabilities should organizations seek from managed SPs to maximize the business impact and value?**

**A.** Managed SPs must be not just a strategic partner to the client but also a business partner that takes a long-term approach to critical investments that can yield more effective alignment of IT with business processes and user requirements while evolving and modernizing IT to the cloud, tailoring solutions to specific enterprise needs, and meeting business outcomes and driving business value. Critical success factors in being a strategic partner involve providing comprehensive capabilities spanning service offerings and resources, creating seamless operations through integration, and implementing robust governance.

The foundational level for managed SPs is offering an end-to-end portfolio of capabilities from edge to cloud and from infrastructure to applications that utilizes a combination of talent, processes, innovative technology, IP, and platforms, COEs, and partnerships. By utilizing this "Lego block"-like set of services and resources, managed SPs can assist enterprises in differentiating themselves based on their specific industry and end-user requirements.

Managed SPs must also bring efficiencies to what are becoming complex managed cloud services solutions by integrating a vast set of environments. These environments span use of the life cycle of services, cloud operating models (private, public, hybrid), cloud platforms (IaaS, PaaS, SaaS), hyperscalers (Azure, AWS, Google), technologies, and an ever-expanding universe of data and information. By offering a portfolio of APIs, managed SPs can orchestrate all these resources with the seamlessness needed to optimize performance of a business' operations.

Further, a major challenge for clients is managing the increasing sprawl resulting from using an array of IT and cloud services and cloud service providers. Essentially, enterprises need to control all these resources. This is where managed SPs can help by incorporating robust governance that utilizes multicloud management capabilities. Through robust governance, managed SPs can help firms meet compliance and security requirements, optimize spend management and asset utilization, and ensure the health of all services. Multicloud management platforms provide a single pane of glass to manage and measure the business value of these managed cloud services and deliver on expected business outcomes.
About the Analysts

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David Tapper serves as Program Vice President for IDC’s Outsourcing and Managed Cloud Services research team, which develops research for technology outsourcing and managed services, business process outsourcing (BPO), and global sourcing, also referred to as offshore/nearshore. As part of this research, the group covers emerging services areas including mobility, social media, analytics, automation, IoT, and cloud services.

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