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Managed services: Exploring new and fundamental concepts.

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Introduction

In today's rapidly evolving digital landscape, the term "managed services" has become a ubiquitous buzzword, frequently used to describe a myriad of services and solutions.

However, amid the financial industry's rapid growth and proliferation, a fundamental misalignment has emerged.

This white paper is dedicated to exploring the core essence of managed services, clarifying misconceptions and dispelling common myths that have clouded the understanding of this transformative concept.

As technology continues to advance, it's not uncommon for companies to find themselves at a crossroads, grappling with an alphabet soup of acronyms such as SaaS (Software as a Service), PaaS (Platform as a Service) and IaaS (Infrastructure as a Service). Furthermore, the widespread assumption that managed services solely equate to the cloud has led to a critical misunderstanding. Managed services encompass a broader spectrum of offerings, extending beyond the realm of cloud computing, and have the potential to revolutionize the way organizations operate, innovate and stay competitive in an increasingly digital world.

What is the classic meaning of "managed services"?

In this white paper, we will embark on a journey to demystify managed services, providing clarity on what this concept truly means and how it can be harnessed to drive operational efficiency, optimize resources and empower businesses to thrive in a dynamic marketplace.

By addressing these misconceptions and offering a comprehensive perspective, we aim to guide organizations towards a more informed and strategic approach to adopting managed services, unleashing the full potential of this transformative technology landscape.

Managed services is exactly what the words indicate – someone else to manage your services. Wikipedia offers a broader and more formal definition: "It is the practice of outsourcing the responsibility for maintaining, and anticipating the need for, a range of processes and functions, ostensibly for the purpose of improving operations and reducing budgetary expenditures through the reduction of directly employed staff. It is an alternative to the break/fix or on-demand outsourcing model where the service provider performs on-demand services and bills the customer only for the work done." This could be simplified to read – "Outsourcing your services". The classification of these services is where the challenge lies.

Managed services are not just a path to the cloud

Obstacles and misconceptions around managed services

The lack of knowledge and expertise in cloud computing, rather than offerors' reluctance, appears to be one the main obstacles to the transition to managed services. Overcoming this hurdle can open a wide range of benefits and growth.

Managed services can be as little as adding resources for implementation processes but can easily grow to making organizations more resilient and agile, guiding your journey to digital transformation. Managed services can handle entire software upgrades with non-standard, third-party services, will add knowledge, skill and resources to your planned target operating model and, more than anything, give you access to experts with the experience to advise on new technology that you would not find in-house, for example cloud, AI or moving to a platform architecture.

A good managed services provider would take time to understand where your technology is today and how fast you want to move to a new business model, and outline your options, bearing in mind to de-risk the project and adding value at every step. They would take charge of any acceptance testing, making sure your future solution is fit for purpose, freeing valuable time for business employees to focus on their more strategic tasks.

Managed services promote optimal development and operations. Respondents to the Ponemon survey believe that DevOps can improve their ability to complete projects on time (61%) and within budget (60%) and to maintain service quality (69%). The CA Technologies study found that companies with mature DevOps processes are seeing revenues and profits grow 60% faster than organizations with traditional development practices.

S&P's latest Cloud, Hosting & Managed Services Market Monitor estimates that over 50% of the organizations use managed services today. Faced with the growing complexity of IT environments, as organizations undergo modernization and transformation, they are increasingly engaging with managed services providers to help design and manage a mix of applications and procedures within on-premises and cloud environments.

According to Forbes Tech Council, "this is the golden age for managed services". Everyone is talking about managed services and if your institution is lacking understanding, the gold rush of opportunity can be missed.

Managed services can lead your digital transformation in these three distinct areas:

- Using data to derive insights, make predictions and automate processes
- Enhancing digital interactions with both internal and external stakeholders
- Improving responsiveness and cost-efficiency by rethinking the operating model

Critical components

Managed services can apply to the application or infrastructure level. Here we define "application" as the software application or computer program designed for a specific task. It performs various functions and is user-facing. 'Infrastructure' typically refers to the underlying physical components and technologies that form the foundation for IT systems, including servers, data centers and other hardware elements that support the operation of software applications.

Financial Institutions can outsource the management of their application and outsource their infrastructure, where the management of hardware here usually refers to managed services on the cloud.

Managed services can be broken down into a matrix with infrastructure and application on the y-axis and time on the x-axis. The x-axis also indicates the evolution over time from onboarding to maintenance and evergreening.

We define evergreening in the context of system upgrades as a strategy where software and hardware systems are continually updated or refreshed to ensure they remain current and relevant.

This approach involves a cycle of regular updates and improvements to avoid obsolescence and maintain compatibility with new technologies and requirements. It is like keeping a system perpetually "green" or up to date.

Each of these managed services blocks need to be seen as a micro-service offering. Different permutations of the six blocks will result in a different type of managed service. Some financial institutions can require all six and others only one.

Some examples include:

Selecting only the top row in the matrix might result in a managed services offering that could be classified on-premises.. The managed services provider will implement the application and do the day-to-day support of the application post go-live. The top right block indicates that the managed services provider will keep the application evergreened. Not selecting the bottom row means that the financial institution will keep the management of its infrastructure in-house (blocks 1,2,3).

Selecting only the bottom row of the matrix implies that the financial institution wants to outsource the management and hosting of its hardware only.

Usually, this results in a move to the cloud where the infrastructure is managed by a managed services partner on behalf of the financial institution. Terminology applicable to this scenario could be classified as IaaS (blocks 4,5,6).

In another example, where the financial institution requires onboarding assistance and hosting but prefers to do their application operations in-house, the permutation would cross over between the top and bottom rows (blocks 1,3,4,5,6).

More scenarios might include the outsourcing of testing and change management (blocks 1,3).

In addition to understanding what managed services are, financial institutions also need to understand their managed services journey to value and how managed services can ease their business's pressure.

The market demands rapid change with ever-increasing regulatory updates and pressures are rising to innovate new features while the financial institution's capacity is locked in to adhere to compliance standards. There is additional pressure to implement these compliance changes or products at speed while companies are forced to reduce costs and optimize operations. This is a massive ask and few companies succeed in satisfying all these demands.

	Onboard	Operate	Maintain
Application	1. Implementation	2. Application operations	3. Evergreening
Infrastructure	4. Infrastructure deployment	5. Infrastructure hosting	6. Infrastructure maintenance
	Pre go-live	Post go-live	

Journey to value

Pressures in the market cause specific technical and business complications, and these complications can be overcome with the right solutions and focused services to realize business value.
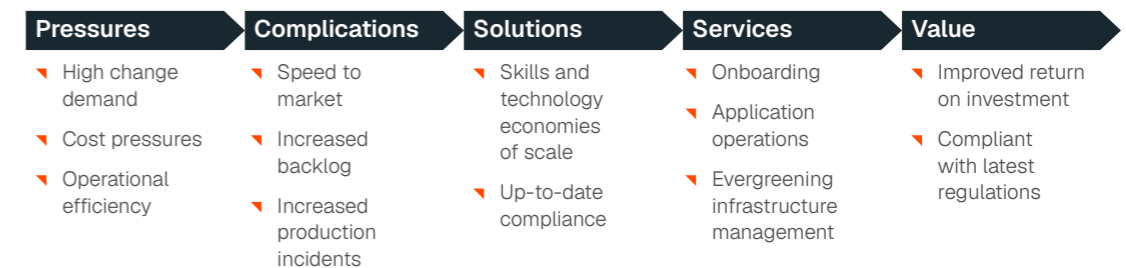
Market pressures such as increased regulatory changes cause an important complication which is the extended backlog. This is because compliance items need to be prioritized against new product features. Regulatory items take precedence, impeding innovation and slowing speed to market.

Having dedicated and specialized teams who only focus on these types of services will promote compliance and advancement through economies of scale.

These managed services teams are experts in implementing applications, being able to perform the necessary day-to-day production support and keeping the system on its latest version, where an improved return on investment can be realized.

In conclusion, it is vital to understand that managed services deserve more credit than they are often given, and can be your secret weapon to staying compliant and being more cost efficient while helping to realize business value and improve automation, thus working more effectively within your organization. That way, you can offer better services to your customers and be ready to embrace any future challenges.

The journey to value can be dissected as follows:

Pressures	Complications	Solutions	Services	Value
◤ High change demand	◤ Speed to market	◤ Skills and technology economies of scale	◤ Onboarding	◤ Improved return on investment
◤ Cost pressures	◤ Increased backlog	◤ Up-to-date compliance	◤ Application operations	◤ Compliant with latest regulations
◤ Operational efficiency	◤ Increased production incidents		◤ Evergreening infrastructure management	

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About Teciem

Teciem is a global provider of front-to-back treasury and capital markets software solutions, serving banks and financial institutions of all sizes. We deliver award-winning solutions for trading lifecycle and risk management, helping clients to operate seamlessly across asset classes and global markets. Built on decades of domain expertise, our solutions – Kondor, Summit, Opics, Sophis, Fusion Invest and Fusion Risk – are trusted by more than 340 financial institutions (and many of their subsidiaries) worldwide, including a majority of the top 100 global banks.

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