

Managed Services Opportunity

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Overview – Opportunity and Challenges

- **3x increase in multiples** have been achieved in IT based companies that transition to an annuity based business from a transaction based business
- In addition, **increased value** can be achieved through heavier use of automated delivery systems – lowering costs and delivering a higher exit value premium
- Market acceptance of Cloud and Managed Services has reached a **tipping point** and is becoming the preferred way of doing business
- **Acquisitions can leverage** a newly enhanced managed services business. The skills and processes developed bring in new customers of the acquired company at the higher multiple values
- Transition to Managed Services is a **complex change management** strategy which presents a challenge for existing management teams without leadership experienced in this discipline

Transitioning to Managed Services

- Moving from a transaction based business model to an annuity based business model is an achievable challenge using proven processes and demonstrated successful experience
- There are three phases in such a transition:
 - Investment phase
 - Customer acquisition phase
 - Revenue acceleration phase
- Expect and commit to two to three years to achieve the revenue acceleration phase even if the “right” model is implemented
- Ensure the existing business remains relevant during the transition period as it is the funding mechanism for the milestone keyed investments in the transition

Transitioning to Managed Services

- The extent to which existing personnel, infrastructure, and processes and procedures can be leveraged to sell and deliver Managed Services is minimal
- Investment in organizational and process change and commitment to new success measures will be required in:
 - Sales
 - Operations
 - Support services
 - Infrastructure
 - Documentation/Collateral
- The business model is reimaged to identify services offered and how they will be sold, delivered, and supported

Transitioning to Managed Services

- A new sales model will be required:
 - Different sales skills
 - New relationships within existing customers (higher level sell)
 - Cross selling in existing accounts not guaranteed
 - New logos will be required
- Market presence and credibility need to be created before the new Managed Services can be actively marketed
- If existing management has not been through such a transition, it is highly probable they will fail or the transition will take longer and be more costly
- Discipline and commitment and recruiting to those characteristics

Delivering a Successful Transition

- The number one requirement for a successful transition is to have leadership that has past experience and success in this space
- There is a proven model, that when deployed will effect the transition in the quickest and most effective manner
- This model and its deployment has been proven through past transitions
- Geoff Sinn and Graham Crispin are senior executive leaders who have the required experience

Geoff's background includes:

- 25 years experience in building and running six MS businesses
- Done as both as stand-alone entities and LOBs within larger enterprises
- P&L responsibility business for the businesses he created

Graham's background includes:

- M&A Generally & Technology Strategy
- Program Office implementations and Ops.
- Operational Excellence
- Business Transformation
- P&L responsibility business wide