EasternManagementGroup

Best Practices to Grow Service Provider Cloud Sales

White Paper

Service Providers have it within Their Reach to Significantly Increase Cloud Sales

Process improvement and best practices can drive model operations

Service Providers now have vast amounts of cloud capability which may be sold as services to their customers. They've prepared themselves by investing considerable money in new infrastructure, platforms, applications and services. Additionally Tier 1, Tier 2 and Tier 3 carriers possess resources to support large cloud businesses, reflected in their infrastructure, systems, customers, products, personnel, practices, and financial assets.

Our research shows that the untapped Service Provider sales opportunity in cloud stands at tens of billions of dollars each year. That's without including pull-through sales from systems integration, services, and ecosystem partners. To unlock all the Service Provider cloud opportunity requires best practices and model operations. How to inject this into a Service Provider's cloud business is the subject of this white paper.

Service Providers are absolutely not out ahead of their customers in terms of cloud. Our research shows IT managers are heavily invested in private and public cloud. There is an abundance of cloud use in medium and large enterprises extending down to SMBs with fewer than 25 employees. Planned expenditures for the rest of the decade show that cloud is immersed in the largest IT buildup in years.

As we have seen in our consulting practice and interviews, Service Providers frequently say they should be generating more cloud sales and revenue. Why is that? There could be many explanations. One would be that the Service Provider has identified cloud opportunities at existing and new customers but has not being invited to bid, lost bids, or lacked portfolio products. Another explanation would be that the Service Provider's resources are recognized to be underperforming or there is unleashed potential resulting from inefficient processes, underdeveloped resources, and mismatched resources. Yet a third explanation would be that the Service Provider is aware that changes to operations are required to achieve cloud potential with the evidence to support this conclusion coming from direct observation, peer review, customer studies, or vendor assessment. In every one of these cases installing best practices and process improvements are the means by which the Service Provider can move on to better cloud sales performance.

There is a roadmap to process improvements and best practices for the Service Provider's operations that can lead to increases in cloud sales and revenue and we will explore that now. From our experience advising Service Providers, the roadmap to operations improvement and best practices shows the way to appropriate changes in the business to improve efficiency and sales results. Model Operations is a term we apply to the process and outcome.

How to Proceed

Making serious changes to the business entails rigorous work. These assignments rely on an analytical framework. Service Provider operations are plotted against potential alternatives and probable outcomes. In our own consulting practice, our staff's experience is important to the process improvements and best practices. Other inputs may come from Service Provider employees, customers, vendors, and peers which in this case are other Service Providers of comparable size and geographical location.

The analytical business review examines the Service Provider's structure, business operations, and measures performance effectiveness. Based on the findings new plans are drawn up and followed regarding operations changes, best practices implementation, and expected outcomes that will be measured.

Operations reviews are evaluations of targeted areas of the business with the intention of rolling out process improvements and best practices.

Whatever the goals of the operations review, perhaps it is to create a model branch, model operations, or say a model channel; an examination of the business is performed. The direction and scope is tailored to the objective. The following areas are often relevant to increasing cloud sales and may be included in the study.

Effectiveness – Once the cloud business case is done and funded it's important for the Service Provider to make their numbers. Effectiveness issues might include: Is the business achieving its cloud business case results? Is it finding and bidding on all the addressable cloud opportunities? How effectively are the Service Provider operations performing? Are best practices being followed? Are there process improvements to be made and what results would be generated?

Preparedness – The process entails getting an effective team in the right place. It can address management, team members, locations of the teams, as well as the job responsibilities for employees and partners.

Some of the considerations may be How effectively is the staff deployed? How should jobs and responsibilities be organized and to what advantage? What is the proper mix of centralized and decentralized resources? Are people able to do their jobs and what are the impediments? What preparedness changes should be made and with what expected outcome.

As sales moves from selling applications and products, to solutions, preparedness grows in importance and complexity. Vertical specialization may become a major consideration. Health care as one example, and hospitality as another, have distinctive business models for which there are industry cloud applications. The applications may afford competitive differentiation both to the Service Provider and the enterprise, but may entail the Service Provider having specialized sales expertise.

Processes – This is a Service Provider's workflow and it is vastly encompassing. An examination of processes would begin with the objective of the function; an example might be order processing; another example might be joint vendor selling. Some considerations for the processes review could include: What is the flow of work within and across job elements? Why does it function in a particular way? How efficiently and effectively do the procedures and people execute tasks? What improvements can be made to processes and with what expected results? How should process changes be timed and implemented?

Systems – Systems drive processes, margins and sales. A Tier 1 Service Provider we advised invests considerably more money than its competitors so that it can drive efficiencies with its systems (e.g., reduced manpower) that increase operating margins and accelerate service delivery. Systems evaluations may address: Does the company have the right systems strategy? What are systems strategic objectives? How well do the systems fulfill their roles? How efficient is the investment? Who must own and operate the Service Provider systems? How are the systems contributing to or impairing the company's objectives? What competitive advantage do the systems provide?

Portfolio – There is a limitless menu of products, applications, and services available to Service Providers. Right sizing the platforms, applications, ecosystem partners, professional services and vendors is an important task. Prices have to reflect customers' willingness to pay. Whatever portfolio is put in place requires competent sales and support channel. A portfolio review may include: What customer needs does the portfolio fill? What competitive advantage does the portfolio provide? Have the right products and services been incorporated in the portfolio? How are customers responding to the portfolio? How adaptable is the portfolio? Should the portfolio be changed; why; and what effect would changes have on the business?

Go-to-market – There are many alternative ways for a Service Provider to sell cloud solutions. Examples are selling direct, let their vendors do the selling, conduct joint vendor sales, use a combination of direct selling and channel partners, and use outbound and inbound marketing. Each of these approaches will generate different results in terms of costs and revenue. Here are examples of go-to-market issues: Who should be involved in the go-to-market strategy and execution? Does the current go-to-market approach drive the best possible outcome in terms of meeting the Service Provider's business case and business plan? What is the right model for today and the next 3-years? What go-to-market changes would drive the desired results?

Organization design – If a Service Provider is implementing Model Operations, Model Branch, or simply managing the cloud business the organization design impacts processes, practices and outcomes. Examining the organization design might incorporate the following: How does the organization design contribute to best practices? Is it the best model to meet all the Service Provider's objectives? What impediments does the design give rise to or contribute to? What is the best organization model to follow? What different results may come from changes to the organization?

Vendors – Cloud increases both the number of vendors used by Service Providers and the number that are directly or indirectly involved in customer sales. Choosing and managing vendors is an important Service Provider responsibility. Vendor sales support, marketing support, pricing and all vendor programs (e.g., training, lead generation, fulfillment, discounts, rebates) require close management. Some areas typical of what may be addressed for process improvement are: What vendor products and services are needed and why? What is the proper mix of vendors? What are all the roles the vendors must play and how are they meeting the Service Provider's requirements in these roles? How are the vendors influencing the Service Provider to operate with best practices? What is the prescribed vendor management model to follow?

Training and certification – The business must decide who requires specific sales and technical training and what training and certification is appropriate. Vendors offer training and certification for their products and pass it on to Service Providers. Since a Service Provider cloud portfolio is frequently wide ranging the Service Provider will require a training model of their own, which will likely exceed the framework suggested by vendors.

The overall process evaluation undertaken by the Service Provider can address whether the team is delivering expected results. It may also cover: How prepared are individuals to meet the job requirements? What training and certification model should be followed for best

practices? What performance outcome will result from training and certification changes? As we've addressed, operations reviews are evaluations of targeted elements of the business with the goal of driving process improvements and implementing best practices. When embarking on a review, focus on the one or more issues to be solved and develop a solution for that area.

About The Eastern Management Group

For more than a quarter century The Eastern Management Group has served as a management consultant to more than 400 communications industry clients worldwide including all classes of service providers (ILECS, IXCs, and CLECs), telecom equipment manufacturers, and Operations Support Systems (OSS) vendors. John Malone is the Company President and a former AT&T executive. He also leads the Service Provider consulting practice. The Eastern Management Group provides advisory services to more than 100 Service Providers and 400 clients worldwide. We would be pleased to discuss your requirements and our capabilities. Reach us by contacting jmalone@easternmanagement.com or visit us at www.easternmanagement.com

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