

Benefits and issues of managed services

Executive summary

Executive summary

Introduction

A managed service is any service that an establishment pays a third party to deliver on its behalf. This study examines the experiences of managed services as an approach to Information, Communications and Technology (ICT) provision across schools, further education colleges and adult learning providers (establishments). This study provides an evidence base for effective practice and gives examples of that practice in action. The research used survey techniques (see section 3) to identify and question a range of establishments making use of managed services, and then identify representative candidates for structured interviews in order to gather the details of their experiences.

Whilst being informed by a significant element of qualitative research, this report describes:

- the experiences of outsourcing ICT services
- the reasons for doing so
- how it was done, and
- issues that arose in the sites we researched.

Good practice and resultant benefits have been identified. However, this study does not aim to provide definitive evidence of cause and effect.

The case study component of this report offers a series of real-life exemplars of managed services in a broad range of establishments. They provide tangible guidance on both the benefits gained and the issues encountered when outsourcing ICT provision.

Summary of findings

1. The experience of managed services in the 29 establishments interviewed ranged from one to nine years. Five of the sites interviewed are in their second or third renewal of the contract.
2. All of the 29 managed service sites interviewed have a positive experience of their managed service and identify a range of benefits.
3. In all cases, the decision to adopt a managed service approach was triggered by some catalyst event (internal or external) which forced the establishment to objectively review its ICT services and seek solutions to resolve ICT and service delivery problems.

4. The procurement of a managed service is relatively demanding for establishments as it requires both procurement and service definition skills and is a learning curve for those who have not been through the process before. The most successful establishments using a full managed service have sought external support through either support agencies or independent consultants. One mitigation against this is reflected in current Becta advice that procurement should be undertaken by aggregating individual requirements into larger groups – local authority (LA), broadband consortia or purchasing organisations and consortiums.
5. For most establishments, the process of engaging with a managed service provider has led to a better understanding of the costs associated with ICT. With the exception of new building programmes, all sites recognised the contribution that underinvestment made to poor provision before the service was introduced.
6. The majority of new ICT spend arises from new hardware procurement and installation and is therefore not directly attributable to the managed service. However the managed service does deliver improved value for money from that investment.
7. Relatively few sites could demonstrate accurate expenditure changes as previous expenditure was not well understood. Most believed they had been under-investing in the past and so the new investment was only bringing them up to where they should have been. All establishments interviewed commented that the managed service was both affordable and sustainable.
8. Size proves to be a significant barrier to many primary schools accessing commercial providers, and the providers acknowledge that it can be challenging to provide responsive support to small schools. Therefore cluster and LA wide models were more successful for smaller schools. Two successful examples were found of secondary schools aggregating demand from primary schools so that their own managed service provider could support them. In both cases suppliers had been actively involved in helping to build the aggregation model.
9. More comprehensive managed services, where most or all ICT provision had been outsourced, had the greatest positive impact on staff and learners and had made a greater contribution to the development of the establishment's e-maturity.
10. Many establishments view management information and broadband provision as being 'mission critical' – more so than curricular ICT provision. The way in

which the provision and support for these services is embedded, and often uncommented on, is evidence of their success.

11. Schools in clusters or local authorities were most positive about their managed services when there was a greater level of involvement with the specification and procurement of the service.
12. Individual establishments tend not to use a framework (Becta or G-CAT) to support procurement but may rely on local advice and guidelines. Where the LAs had themselves outsourced part or all of their service to the private sector these had been through either Official Journal of European Union (OJEU) procurement or through an OJEU compliant framework agreement (i.e. Becta or G-CAT).
13. We found no examples of personnel being made redundant from individual establishments following Transfer of undertakings (TUPE) transfer.

Key benefits identified

14. Increased reliability leads to greater staff confidence in ICT which in turn gives an increased willingness to embed ICT in everyday practice. This has led to both efficiency gains for staff and a wider range of experiences for learners.
15. Management teams are more able to define ICT in terms of educational outcomes as opposed to managing the technical delivery of ICT services.
16. Many establishments identified a scalable and flexible solution as being important in managing both the transition to the managed service and institutional growth more generally. Requirements often became clearer after the service was introduced, some sites emphasised the role of the supplier in suggesting improvements and innovative solutions.
17. Managed service providers were able to bring further training and development opportunities for both support and teaching staff. This training was typically delivered on site and specific to the needs of the establishment.
18. Typical efficiency gains cited were reduced time spent dealing with technical problems, greater sharing of teaching resources, and better communication through emails and networked services.
19. Certainty or predictability of expenditure was identified by most sites as an important reason for outsourcing and most sites felt that this benefit had been realised.

20. Many establishments reported significant savings from aggregated purchases through the supplier. Other benefits noted were increased leverage over suppliers when purchasing through the managed service provider and the ability to trial technology before committing to a purchase.
21. Revenue savings arise from having access to the high levels of technical expertise that are needed infrequently without having to employ someone with those skills full-time or buy that expertise in through consultancy.
22. Many sites identified improved learner confidence in ICT as a key benefit. This often corresponded with the introduction of the managed service. Whilst the managed service is not totally responsible for the improved learner confidence, it is an important element in driving the confidence needed to make best use of this investment.
23. Most sites reported an increase in the adoption of e-learning as a result of more reliable and robust ICT. They also reported better facilities resulting from capital investment associated with the handover to managed service.
24. Longer term – two to three years after implementation – establishments provide clearer evidence of stronger growth towards the transformation into genuinely e-enabled organisations. It typically takes this amount of time for the confidence to result in real changes emerging. It should also be noted that the managed service will only be one component of a longer-term change management programme.
25. Some establishments noted the transfer of the risks associated with deploying and managing technical provision as being a key benefit.

Key lessons for establishments considering a managed service

26. Gaining a more accurate picture of expenditure on ICT, and associated services, and of the quality of that service before outsourcing will enable a more robust value for money proposition to be developed.
27. If the current ICT is underperforming, then ICT costs will increase as there will be a need for capital investment in equipment alongside the managed element of the service. However, it is the managed element that provides extra value through greater reliability, increased confidence, and less staff time lost to dealing with problems.
28. Establishments considering employing a managed service need to ensure that a senior member of staff is given sufficient time and resource to oversee and champion the process ideally from procurement through to the final implementation.

29. An output specification in which the benefits of the managed service are expressed in educational terms is very valuable. It is important to invest time in understanding and articulating these benefits.
30. Specialist advice should be sought from the local authority or an independent consultant to help define the specifications and procure the most appropriate managed service.
31. Establishments should have complete clarity of their business needs from a functional requirements and educational outcomes perspective before engagement with suppliers. Becta's procurement frameworks give guidance on this process.
32. Any affected staff, or unions, should be involved from the beginning. This will aid in personnel issues such as TUPE and the unease that this can create. It should be noted that respondents highlight tangible benefits for transferred personnel including training and career path benefits.
33. Establishing a sound and realistic service level agreement (SLA) that is aligned with the establishment's needs is an essential element to engaging any managed service.
34. Two schools with a managed service arranged through an early private finance initiative (PFI) programme took approximately five years to establish a mutually positive working relationship. In these cases, the original SLA had been drawn up by the local authority before any staff had been appointed to the schools. The quality of service and control over specification became an important issue during the first hardware refresh. Hence, the refresh process became a vehicle for revising the SLA.
35. Establishments agree it is advisable to have a dedicated service manager from the supplier as a single point of contact to review levels of service and work in partnership for future developments.

Observations and recommendations

36. This research demonstrates that a managed service approach to all or part of the ICT service can offer a range of benefits to establishments in all sectors.
37. It should be noted that whilst our interview framework for establishments probed some of the common benefits and issues which commercial outsourcers would address – risk sharing, change management, service evolution, and continual improvement – there was limited understanding or consideration of these by individual establishments.

38. The profile of managed services as an option needs to be raised across all sectors. The process of supporting establishments in coming to the right decision needs developing.
39. There is a need for better, independent support for the process of engaging with service providers. Expertise within local authorities appears to be variable. Local authorities offering their own managed services may have a conflict of interests.
40. There is clear evidence from the experience of all those interviewed that there is a need for better quality guidance and support in setting up a SLA when first embarking on a managed service route.
41. The length of time between the decision to outsource and the impact on learning is typically two to three years. More support is needed to help speed up this process.
42. Better advice could be given to help establishments identify the benefits of the managed service approach before a catalyst event occurs. Strategies for promoting the managed service option to establishments where ICT is not making a significant contribution to improved learner outcomes need to be explored.
43. It is extremely important that institutions embarking on a managed services path should set an "as is" baseline in terms of existing processes, costs, and service levels. Only by doing this will it be possible to measure the overall benefits and value of the managed service.

Acknowledgement

HHES and Becta would like to thank the establishments and staff who contributed to the survey and who were kind enough to take part in our interviews and to host our visits. This report would not have been possible without your support.