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PEOPLE AND BUSINESS MANAGEMENT

ALWAYS UP IT PTY LTD

BUSINESS MODEL TRANSITION FROM PROJECT BASED TO BASED ON MANAGED SERVICES

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ANNE VAN GEMERT

“The business model transition from “project based” to “managed services” within the organisation AUP IT”

Bachelor Thesis - People and Business Management
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“The business model transition from “project based” to “managed services” within the organisation AUP IT”



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Preface

Dear reader,

I hereby present the advisory report “The business model transition from ‘project based’ to ‘managed services’ for the organisation AUP IT.” In the past twenty weeks I have completed my final internship at AUP IT, Sydney Australia, in order to graduate from the study People and Business Management at Zuyd University of Applied Sciences. The university has given me the opportunity to both finish my internships abroad. In August 2015 I decided to move to Australia. This has been one of the most instructive and amazing time in my life. I am so grateful for the experiences I have had, being only twenty-one years of age.

Once arrived in Australia, AUP IT has made me feel at home. AUP IT has given me the opportunity to conduct the research project within their organisation in order to graduate. Since I worked in the organisation for almost a year, I was able to really understand the business. This has been a great advantage while conducting the research.

AUP IT introduced me to the IT industry, an industry I would never have thought of earlier. My vision of possible fields was limited to the banking, marketing and finance industry. I am really glad I have made this step and got introduced to this industry. Because AUP IT showed me a lot of different aspects/sides within the business, I was able to gain a lot of knowledge. Sales, marketing, finance, business development and even technical are areas where I have gained experience in during this internship. This internship made me realise that there is so much more to offer. I am hundred percent sure I will look into the IT industry more, in future.

I am very satisfied with the results of this advisory report. I completed a wonderful and educational period at AUP IT. I would like to use this opportunity to thank my supervisor Raja Pradeep from AUP IT, for the active and excellent guidance during the internship period. Raja Pradeep gave me not only excellent guidance, he also showed me what the business industry recently is about. He coached and advised me to think about my future career more, have a clear vision on where you want to be life. I also want to thank my supervisor Hans Creusen from Zuyd University. Hans Creusen has been very flexible which is very much appreciated because of the time difference and distance. With his knowledge, Hans Creusen was able to provide relevant and useful feedback which improved the quality of my advisory rapport. I also wish to thank all my colleagues and all the respondents, without their cooperation I would not have been able to conduct this research.

I hope you enjoy your reading.

Anne van Gemert

June 2016, Sydney



Management Summary

The Information Technology industry is changing incredibly fast, the last couple of years. Recently, businesses are increasingly turning to managed services providers. These managed services provider are responsible for the management of a customer's IT infrastructure and/or end user systems on a proactive basis. As a systems integration business with a project based business model, the IT industry forces AUP IT to change the business model and become more familiar with delivering managed services. The managed services business model will uncover more opportunities in the future and ensures the business to stay relevant in the market. Innovation and differentiation are the keys to success.

The inexperience is the main reason for executing this research. Because AUP IT never experienced such transition before, the management team decided to create a research project to find out how AUP IT will be able to transition their business model from project based to a business model based on managed services. The problem definition of the research project is as follows: "How can AUP IT change their business model, from "project based" to "based on managed services", to generate better results in the future?". This problem definition is divided in different sub questions. The sub questions have contributed to answering the main question/problem definition. The sub questions were answered based on desk- and field research. Desk research consisted of relevant literature collected from existing researches and resources, which has provided clear answers to the questions. Field research has been important. Through field research, the researcher found the strengths and weaknesses of the business. The field research consisted of qualitative data collection among permanent employees and quantitative data collection among AUP ITs target customers. This study presents the needs of customers as to managed services.

By mapping the current situation, the researcher noticed that the organisation faces some issues that need improvement/change. The researcher has concluded that AUP IT should first accomplish the short-term business objectives as listed below, in order to successful change the business model. The short term business objectives are:

- Core Capabilities: Improve the skill set/knowledge base of staff members and improve the support systems/software;
- Customer Relationship: Improve communication skill;
- Sales: Create a clear vision on business lines and create a new marketing strategy;
- Processes/Procedures: Improve planning/procedures and internal communication.

The researcher recommends to first improve/achieve these short-term business objectives. Once these objectives are improved, AUP IT will be able to successfully sell and deliver managed services. Once the sales team closes off more managed services engagements, the long term goal, having eighty percent revenue coming from managed services, will be achieved. Based on research results, the researcher was able to give AUP IT recommendations in order to successful finalize the transition process. Several recommendations are:

1. Use transparent communication in order to let the process run smoothly;
2. Use implementation stages as a guidance;
3. Implement performance management to watch the progress of business objectives;
4. Plan a storm session to get a clear view on the business lines and the services these lines include. Once this is clear AUP IT should align these business lines to a new marketing strategy;
5. Run a workforce planning and development process to find out what skills are required;
6. Create new processes to get the team familiarizes with the managed services model.
7. Perform researches frequently and analyse the market trends to improve the services AUP IT delivers.



Management Samenvatting

De IT-industrie is de laatste jaren enorm aan het veranderen. Steeds meer organisaties contracteren IT-providers die managed services aanbieden. In deze situatie is de IT-provider verantwoordelijk voor het proactief managen van IT-infrastructuur van de klant. Als een systeemintegrator wordt AUP IT door de markt geforceerd om het business model, gebaseerd op projecten, te veranderen en vertrouwd raken met het leveren van managed services. Het business model, gebaseerd op managed services, zal AUP IT in de toekomst veel kansen bieden. Daarnaast zorgt dit model er ook voor dat AUP IT interessant en relevant blijft in de markt. Innovatie en differentiatie zijn de meest belangrijke factoren die zorgen voor succes.

Onervarenheid is de belangrijkste reden geweest voor het uitvoeren van dit onderzoek. AUP IT heeft nooit eerder een verandering doorgemaakt. Dit is de reden dat het management heeft besloten een onderzoek te starten. Dit onderzoek zal duidelijk maken hoe AUP IT het business model kan veranderen van een model gebaseerd op projecten naar een model gebaseerd op managed services. De probleemstelling luidt als volgt: “Hoe kan AUP IT het business model veranderen, om zo betere resultaten te behalen in de toekomst?”. Deze probleemstelling is opgedeeld in verschillende deelvragen. Deze deelvragen hebben bijgedragen aan het beantwoorden van de centrale vraag/probleemstelling. De deelvragen zijn beantwoord op basis van desk- en field research. Deskresearch bestond uit relevante literatuur verzameld uit bestaande onderzoeken en bronnen. Field research is het meest belangrijke geweest tijdens dit onderzoek. Field research bestond uit kwalitatieve data verzameling uitgevoerd onder vaste werknemers en kwantitatieve data verzameling uitgevoerd onder de potentiële klanten van AUP IT. Het kwantitatieve onderzoek laat de wensen van de klant zien.

Bij het in kaart brengen van de huidige situatie is opgevallen dat AUP IT op het moment met een aantal problemen zit, die verbeterd moeten worden. De onderzoeker heeft geconcludeerd dat AUP IT eerst doelstellingen op kort termijn moet behalen voordat de organisatie begint aan het implementeren van het nieuwe business model. De kortetermijndoelstelling zijn hieronder weergegeven:

- Kern Capaciteiten: Het verbeteren van de vaardigheden/kennis van de medewerkers en het verbeteren van de supportsystemen/software;
- Klant Relatie: Verbeter van communicatievaardigheden;
- Verkoop: Een duidelijke visie creëren wat betreft AUP ITs business lijnen en het creëren van een nieuwe marketingstrategie;
- Processen/Procedures: Verbeteren van de interne planning/procedures en communicatie.

De onderzoeker adviseert AUP IT eerst te focussen op de kortetermijndoelstellingen. Vanaf het moment dat deze doelstelling zijn behaald, is AUP IT in staat excellente managed services te bieden. Wanneer het verkoopteam meerdere managed services deals sluit, zal AUP IT de doelstelling op lang termijn behalen. Deze doelstelling houdt in dat tachtig procent van het inkomen is gebaseerd op managed services. Aan de hand van de onderzoeksresultaten heeft de onderzoeker een aantal aanbevelingen opgesteld, om zo AUP IT te helpen in het bereiken van hun doelstelling. De aanbeveling zijn als volgt geformuleerd:

1. Gebruik transparante en open communicatie om zo het veranderproces gemakkelijk te verlopen;
2. Gebruik de implementatie fases als een leidraad;
3. Implementeer performance management om zo de voortgang van de business doelstellingen in de gaten te houden;
4. Organiseer een storm sessie om zo een duidelijk beeld te creëren wat betreft business lijnen en de services die daarbij horen. Op het moment dat dit duidelijk is, is het aanbevolen een nieuwe marketingstrategie te creëren zodat het sales team een goede basis heeft om AUP ITs business te verkopen. De marketingstrategie zal zich duidelijk moeten richten op nieuwe business model;



5. Maak gebruik van personeelsplanning en ontwikkeling om zo te achterhalen welke vaardigheden nodig zijn om excellente managed services te kunnen leveren.
6. Creëer nieuwe en duidelijke processen om zo vertrouwd te raken met het nieuwe business model
7. Voer geregeld onderzoek uit en analyseer markttrends om zo de diensten te optimaliseren.

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Definitions

AUP IT	Always Up IT Pty Ltd
SAM	Software Asset Management
IT	Information Technology
MSP	Managed Service Provider
CIO	Chief Information Officer, head of Information Technology/ Infrastructure
ITSM	Information Technology Service Management
VAR	Value Added Reseller
CEO	Chief Executive Officer
CFO	Chief Financial Officer
SLA	Service Level Agreements

1. Introduction

The market for IT service providers is changing very fast because IT infrastructure has become a vital and integral part of any business. Managed Service Providers (MSPs) have been around for a long time, but the adoption of managed services has been relatively low. These days organisations are increasingly turning to managed service providers (MSPs) to handle elements of their IT needs. (IT Strategy , sd)

AUP IT has been in the business for almost eight years. During these eight years of business, AUP IT used a project based business model to provide their IT services to their clients. After all the market developments and growth within AUP IT itself, the organisation is forced to renew/redesign their business model. With project based services organisations provide a pre-defined set of deliverables tailored to specific needs of the client.

AUP IT has worked with this business model for many years. However, this model is no longer efficient enough while AUP IT is experiencing major developments and growth. The project based model is an overall risk. When there are no projects running for a certain period of time, AUP IT will basically have no revenue. This will eventually affect the business negatively. After analysing the business and the market, AUP IT decided that changes have to be made in the future.

There are basically two reasons why AUP IT should change their business model. First of all, AUP IT needs to be able to meet the clients' requirements and absorb market developments. Small and medium sized organisations need a complementary service instead of replacing the internal IT. With a MSP as a partner, organisations are able to focus on the strategic projects to improve the business. Secondly it comes to AUP ITs own interest. When AUP IT changes their business/service model it will positively affect many business aspects. A major difference that will benefit the organisation in the future is the constant revenue instead of fluctuating revenue from unpredictable projects.

Because the transitioning to a new business model involves massive changes, the transitioning requires research on different aspects within the business. In the following months the researcher will analyse many aspects within the business to eventually advise AUP IT how to manage the transitioning from a project based business model to a business model based on managed services.

This advisory will answer the following question: "How can AUP IT change their internal business model, from project based to a business model based on managed services, to generate better results in the future?"

1.1 Guideline Advisory

The first section of this advisory report will focus on AUP IT as a business and the environment where it is located in. This chapter is followed by a description of the problem definition and its sub questions. Chapter four will highlight the theoretical framework. This information will give the researcher the ability to answer several sub questions. In chapter five, the research components like field and desk research are fully elaborated. After the research was done, the researcher was able to outline the current and desired situation. This information can be found in chapter six and seven. This is followed by the implementation stages of the transition process. The conclusion and recommendations can be found in chapter nine. Finally, chapter ten presents a review of the research.



2. Business Environment

This chapter presents a description of the business environment of AUP IT. Before getting deeper into the problem definition it is very important to have a clear view on the business environment where AUP IT is running their business in, at this moment. This chapter will focus on the organisation first. Secondly it focusses on the environment including IT industry in Australia.

2.1 AUP IT

Always UP IT Pty Ltd, introduced as AUP IT, is a professional services and consulting organisation with a track record of helping corporate businesses, education, local councils and government departments with their technology needs. The business is all about collaborating with the clients, getting to know their business inside and out so AUP IT can create solutions that will give the clients an advantage in today's tough economic environment. AUP IT is committed to retaining top talent to deliver successful outcomes to the partners and clients.

Eight years ago this organisation was founded by Raja Pradeep and Qui Truong and introduced to the market as a VAR (value-added reseller). The organisation resells software, hardware and networking products and provides value beyond fulfilment. As the years progressed the company experienced tremendous developments partly due to market developments. There was definitely more to offer so AUP IT started to focus on helping the customer by creating an IT solution that improves their business.

With their mission in mind AUP IT is fully dedicated to improve the customers' business by aligning their IT with the organisations business goals. The mission of AUP IT is described as follows: "AUP IT realises that reliable, cost-efficient and easy to maintain IT systems can make a significant difference to the bottom line. We want to help our clients to save money and make money by using appropriate, efficient, cost-effective IT solutions. We take pride in not only our work, but yours: we know who our customers are and who our customers' customers are, and we take ownership of this, to improve workflow and make your business not only grow, but become more efficient and streamlined in the process." (About us: AUP IT, sd)

2.1.1 AUP IT Team

AUP IT is a relatively small business and does not have different departments, as the number of employees is low. AUP IT employs 14 full time employees in total and works together with 14 contractors that enhance the "AUP IT team" project based. The business can be divided into two sections. One section will be the technical side of the business, this includes all the technicians and solution architects. The other section of the business is more business development related. This includes sales, marketing, finance and business development.

2.1.1.1 Organisation Chart and structure

The research on how to transitioning the business from "project based" to "managed services" is not carried out within a specific section of the business. This research will eventually affect the entire business. Because the research is focused on a technical process/business model change the researcher will delve more into the technical department. The organisation chart will give an insight how the company is organized.

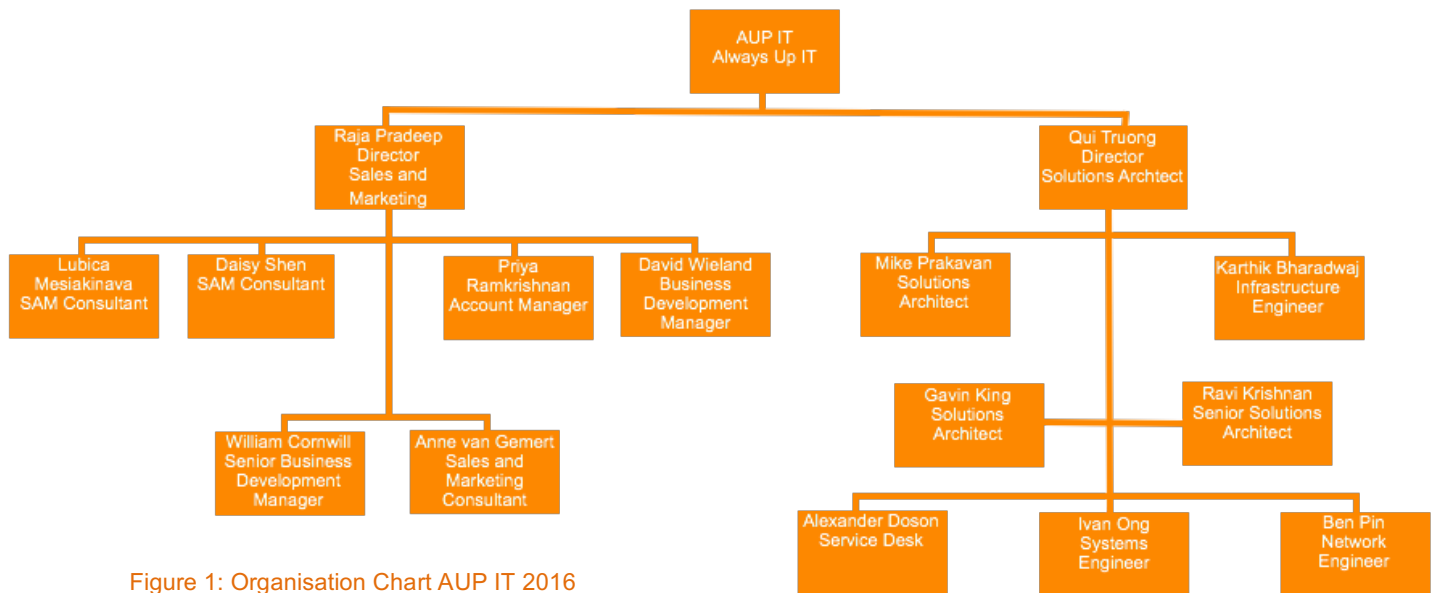


Figure 1: Organisation Chart AUP IT 2016

Because the business can be divided into two sections also the reporting works like that. The technical team will report to Qui Truong and the sales and financial team will report to Raja Pradeep.

The organisation's structure is based on the project. As AUP IT is a small business the structure and hierarchy is not that visible. Based on communication AUP IT is using a top-down communication. Communication plays a key role in the success of any workplace program or policy and serves as the foundation for all five types of psychologically healthy workplace practices. Top-down communication (from management to employees) can increase utilization of specific workplace programs by making employees aware of their availability, clearly explaining how to access and use the services, and demonstrating that management supports and values the programs. (The Role of Communication, sd)

Besides using a top-down communication there is room for employees to share their opinions, needs, values and perceptions. The management of AUP IT really appreciates employees who contribute to the improvement of the company.

2.1.1.2 Skills

In this paragraph, the skills of AUP IT will be highlighted. Skills are the abilities that firm's employees perform very well. They also include capabilities and competences. During organisational change, the question often arises of what skills the company will really need to reinforce the transition/new structure. (Strategic Management Insight, 2013)

AUP IT's capability Matrix is available in Annex I. AUP IT owns a strength of being skilled in many different areas. This is very positive how they positioned themselves in the IT services industry.

Looking ahead to the transition towards a business model based on managed services, it is important to look at the skills the organisation needs to reinforce the transition/new structure. Communication and consistency are skills AUP IT needs to work on. Communication internally and externally, towards customers, is a weakness. Processes and project will take longer. The most important thing is to keep the customers updated while working on a problem. Communication is something crucial regarding customer service.

Strengths

- Experts, skills in many different areas;
- Based in Sydney CBD, physical assistance within 5min for CBD based customers;
- MSP Alliance.

Weaknesses

- Communication, internally as well as external towards customers;
- Consistency.

These conclusions are based on the observations carried out by the researcher within the AUP IT environment. Participant observation is a qualitative method of research.

Participant observation is useful for gaining an understanding of the physical, social and cultural environment in which the employees work. (Participant Observation , 2015) Later in this report these findings are endorsed by the information gathered through the interviews among the employees of AUP IT.

2.1.2 Services

As a professional IT service provider, AUP IT takes a holistic approach to all the IT needs. AUP IT evaluates the business requirements from scratch and identifies the current and future business goals. AUP IT then integrates IT to help the customer better achieve these goals while saving money.

2.1.2.1 SharePoint Consultancy Services

Working with SharePoint ensures working in an environment where every single person in the business could keep up to date with everyday activities, make informed decisions and have access to every single document. SharePoint has a great deal of benefits that can benefit any organisation. It helps with the organisation-wide objective to share information, increase business performance in order to gain a competitive edge and improves efficiencies. AUP IT has extensive experience in installing, configuring and developing Microsoft SharePoint to their client's individual needs.

2.1.2.2 Storage and Virtualization Services

AUP IT is a Premier EMC partner with deep expertise in complex storage deployments including multi-tenanted datacentre installations and backup & recovery. Optimising storage whether it is online, virtualized or a consolidation of services at a physical data centre, can improve access to information, improves availability and ensures that vital security is kept secure. Datacentre virtualization can be an effective way to streamline operations and reduce costs, but only if the data centre design and data centre services are optimised to suit the goals of the business now and in the future.

AUP IT examines their customer's needs now and in the future by ensuring that their IT is working in complete harmony by implementing better business operations through virtualization and, later into cloud computing.

2.1.2.3 Software Asset Management Services

Software Asset Management is often underestimated. Managing a multi-vendor software environment can prove to be a complex and daunting exercise. If not done correctly, businesses could end up spending too much on software licenses that the business does not need or not spend enough on the licenses that the business does need. Unfortunately, this is an all too familiar issue facing most organisations that do not have a robust software asset management discipline. The team at AUP IT specialises in Software Asset Management and Licensing Advisory Services. AUP IT is a Microsoft Gold Partner in Software Asset Management and is able to provide SAM and Licensing Advisory services across most platforms.



2.1.2.4 CIOaaS

The “CIO (Chief Information Officer) as a Service” offering will take on the role of managing Information, Communication and Associated technology based services in the company to strategically, operationally and tactically manage and deliver successful outcomes. Usually small or medium-sized businesses are unable to afford a full-time CIO. For those organisations it is possible to use CIO as a service. AUP IT will assist in delivery of the company’s strategic vision to grow and sustain the organisation’s technological ambitions, whilst assisting the management team to make well-considered decisions and oversee implementation of approved initiatives in a cost efficient and professional manner. AUP IT will provide the services of qualified, experienced and highly skilled professionals in a flexible manner to suit the business requirements.

2.1.2.5 Digitisation Services

Nowadays all the information people need is provided through online databases. Hardcopy books, files, journals and reports can be unorganised within the organisation. The ability to have digital access to all the documentation within the business can be a great profit for your organisation and will ultimately ensure cost reduction. The transformation from physical documents to digital images is made possible because of AUP IT digitisation services.

AUP IT specializes in digitising hard and softcover books, journals, reports and other physical documents, including rare and fragile documents, into online content. Digitisation makes access possible and supports use, reuse, engagement, discoverability and the creation of knowledge. (Services: AUP IT, sd)

2.1.3 Systems

Systems are the processes and procedures of the company, which reveal business’ daily activities and how decisions are made. Systems are the area of the firm that determines how business is done and it should be the main focus for managers during organisational change. (Strategic Management Insight, 2013)

2.1.3.1 Project Procedure

All the projects start off with the sales team. The sales team discovers project opportunities with existing customers or new customers. The sales person responsible for this client will then try to convince them why to choose for AUP ITs services. In this stadium value proposition is really important.

The next stage is creating a scope. Once the client is convinced AUP IT discusses the clients’ requirements and runs an Information Technology audit that examines and evaluates the Information Technology infrastructure, policies and operations. It is on the basis of these meetings regarding the requirements and the audit that the scope can be created. The Scope of Work (SOW) is a formal agreement document that specifies all the criteria of a contract between AUP IT and the customer. It clearly documents the project requirements, milestones, deliverables, end products, documents and reports that are expected to be provided by AUP IT.

Once the scope of work has been created, the project team goes about executing the project to create the deliverables of the project. While executing the project the project manager will monitor and control the work for time, cost, scope, quality, risk, and other factors. Monitoring and controlling is an ongoing process to ensure that the project addresses its targets for each project objective.

As the project finishes, the project closure happens to ensure that all of the work has been completed. A detailed description of the project based model is given in chapter 4, the theoretical framework.

2.1.3.2 Help Desk Procedure

Help desk covers a massive part of the daily IT services AUP IT provides. Help desk is getting more important when AUP IT will be moving to a business model based on managed services. The following figure illustrates how the technical team is setup.

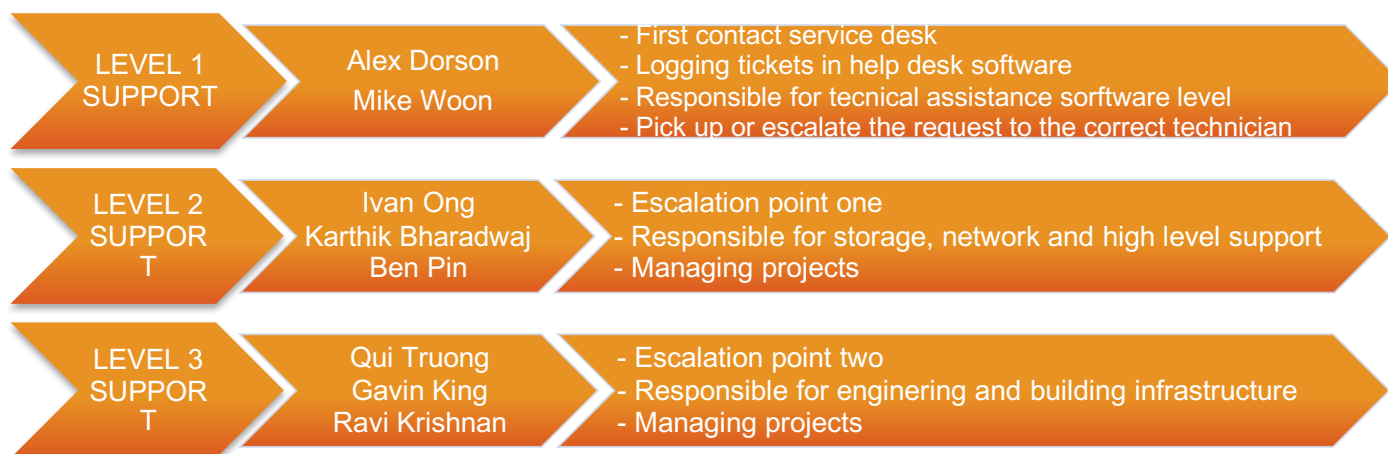


Figure 2: Help Desk flow, AUP IT 2016

Each client has a different contract with AUP IT but overall they do have helpdesk service in their contract. All the employees are able to call AUP IT or send an email to support@alwaysupit.com.au if they have any technical issues. The first contact our clients have is with level 1 team. Level 1 team will define and clarify the problem asking the users several questions regarding the problem. After having a clear view what the issue is, the level 1 team will then decide to which team this ticket (request) needs to be escalated to. The procedure for Service Desk Support can be found in Annex II.

Help desk software enables AUP IT to easily complete this escalation procedure. Using the correct service/help desk software is very important for an IT service provider like AUP IT. It enables AUP IT to provide the best-in-class ITSM service to the clients. Currently AUP IT is transitioning to a new service/help desk software. This transition is put in motion as the start of the new business model where AUP IT will focus on managed services instead of project based services. AUP IT has been using Microsoft Dynamics Software and is currently moving to another software called Manage Engine ServiceDesk Plus.

Service Desk Software

- CRM

Microsoft Dynamics CRM is our customer relationship management (CRM) solution that enables companies to market smarter, sell effectively and productively, and care everywhere. Microsoft Dynamics provides flexible, industry-leading support, services, and resources that enable you to quickly address technical issues, deepen your professional expertise, maximise return on investment (ROI), and get you back to work faster if issues arise. (Microsoft CRM, 2016)

- Manage Engine

Manage Engine Service Desk Plus is a comprehensive Help Desk and Asset Management software that provides help desk agents and IT managers an integrated console to monitor and maintain the assets and IT requests generated from the users of the IT resources in an organisation. (Manage Engine, ServiceDesk Plus, 2016)

2.2 Australian IT business environment

The following paragraphs are focusing on the Australian business environment. This will introduce AUP ITs business environment. Later in this advisory report this subject will be mentioned in more detail.

2.2.1 Professional services

The professional service sector is an important contributor to the Australian economy both in terms of employment and productivity improvement. Australia has a strong capability in business management services and the industry as a whole grown in recent years mainly due to many companies outsourcing business management services. Information technology is one of the key areas if expertise in management consulting. (Professional Services, sd)

2.2.2 Outsourcing in Australia

Businesses in Australia are joining the global rush to outsourcing. Business process outsourcing has become a more accessible tool for all businesses, small-medium sized and large businesses. Outsourcing IT functions is a compelling value proposition for companies. The following list will define the IT outsourcing trends of 2015-2016.

- Efficiency

Nowadays businesses are looking for automation of processes, simplification of the IT environment and development of the economical cost structure, meaning focussing on cost efficiency and reduction. The IT service provider is able to build reusable service delivery platforms and increase scalability and automation by leveraging new software that will help the business grow and align their IT processes with the business goals.

- Service Support and Helpdesk

Service/help desk has been a trend for a long time. According to a analyst firm this will not change in 2016. Expectations are that 17 percent of the companies that have not been using a third party to take care of their daily IT issues yet, will start using this over the next two years.

- Flexibility

Outsourcing contracts are getting much more flexible that suits the buyer's changing needs. This includes the ability to scale up and down throughout the life of the contract.

- Big Data Outsourcing

There has been plenty of hype about big data in years' past. Big data is a term for data sets (data collection) that are so large and complex that traditional data processing applications are inadequate. Challenges with big data include analysis, capture, data curation (management of data), search, sharing, storage, transfer, visualization, querying and information privacy. (Big Data, sd) Small-medium sized businesses will use IT providers to power their big data push because they do not have the budget for their own big compute capacity.

- Cloud providers

IT providers that specialise in cloud computing have an edge in the outsourcing market. Cloud computing is now mainstream and is being adopted not simply for expediency and cost savings, but to meet strategic IT and business goals.

(Chau, 2015)

It is really important for AUP IT to keep these trends in mind while transitioning to the new business/service model. Managed services can be any kind of service. If needed, AUP IT has to improve their skills to meet the clients' needs and be able to use these trends to grow as a business. Later in the report the skill challenges will be further elaborated. Based on the results of the quantitative study among potential customers the researcher will advise what skills need to be improved or developed based on areas with managed services.

2.2.3 Managed Service Provider

The managed services model comprises its own niche within the broader IT outsourcing aspect. The model serves as a solid option for end user organisation's that may not have an IT staff or are looking to an outside party to take over day-to-day technology needs so they may focus on their core business mission.

There is a difference between a managed services business model and the traditional outsourcing model. This differences can be found in average customer demographics and level of technology focus. Traditional outsourcing involves large IT projects with a finite timeline, formal requests for proposals and a bidding process. A managed service provider typically serves a smaller customer demographic, focusing on the everyday IT within the customer environment. Chiefly, this involves remote monitoring and management of the end user's network and security infrastructure, devices, as well as applications, operating systems.

Many customers and end users often see managed services and traditional outsourcing as one category. For AUP IT it is really important to combine managed services and the traditional outsourcing projects and clearly define the difference. AUP IT wishes to eventually achieve a revenue mix with 80% revenue coming from managed services. When they understand the distinction between managed services and outsourcing projects, AUP IT will be able to identify where the revenue comes from. (Trends in Managed Services, 2015)

2.2.3.1 Factors behind adoption

Organisations are looking to improve operational efficiency and IT reliability. Also taking a more strategic approach to IT is a reason for organisations to contract a MSP. Customers want to get out ahead of the potential IT problems, as well as getting recommendations on a technology roadmap aimed at the future needs and growth goals.

The biggest reason why organisations use a MSP is that the provider allows the in-house staff to innovate around strategic project while the MSP takes care of the day-to-day IT operational functions. Predictable pricing and cost savings is not the main reason for customers to contract a MSP compared to previous years.

Security on the other hand increased compared to previous years. Many organisations realised that security problems are typically the result of human error by internal staff. Reluctance to put control of data into a third party's hands has lessened because of the cloud. (Trends in Managed Services, 2015)

2.2.4 MSPAlliance

The International Association of Cloud & Manage Service Provider (MSPAlliance) was established in 2000 with the objective of helping MSPs become better MSPs. MSPAlliance has become the world's largest industry association (and certification body) for cloud computing and manage service professionals. MSPAlliance is a large international consortium of MSPs that work in a collaborative effort to partner, network and grow.

The mission of the MSPAlliance is to promote the Cloud Computing and Managed Services Industry, as a true and viable profession to the Business Consumer. Because each and every one of our members agrees to follow a strict code of ethics, consumers of Cloud Computing and Managed Services can have greater assurance that they are dealing with reputable, qualified, and trustworthy providers. (About us, MSP Alliance , 2016)

It is an asset for AUP IT to be a member of the MSPAlliance. MSPAlliance can help AUP IT improve their practice. Manage Service can be a complicated activity, particularly when an MSP owner does not have anyone who can provide them with the proper support and expert advice they need to make the right decisions. MSPAlliances' professional counsel is a valuable resource, helping entrepreneurs and managers clarify issues and make critical business decisions. MSPAlliance can also be helpful prove to the customers that AUP IT is qualified and trustworthy. (Consulting, MSP Alliance, 2016)

2.3 Conclusion

The transitioning to Managed Services looks really positive and promising for AUP IT. The Australian business industry is currently more willing to use a third party to take care of their infrastructure. The adoption has been relatively low but companies have become more familiar with managed services and are turning to MSPs for management of certain IT functions.

As a managed service provider it is really important that AUP IT focuses on the trends. This means AUP IT needs to be specialised in several areas to meet the clients' needs. Big data and cloud computing are the areas AUP IT definitely needs to be part of. When AUP IT specialises themselves in different areas across various industries it will position them as an expert in the IT industry and will be very interesting for the end users.

It is an asset for AUP IT to be a member of the MSPAlliance. MSPAlliance can help AUP IT improve their practice. This is something AUP IT needs to keep in mind while transitioning to a business model based on Managed Services.

3. Problem Definition

This chapter discusses the reason to carry out this the research project. It explains why AUP IT has created a research project that should be conducted by the researcher.

After highlighting the reason for carrying out this research and knowing in which context the research will take place, it is important to define the problem. This problem definition will be the point of focus during the research. First, the problem will be formulated from a management point of view. This is followed by an operationalization of the problem definition into a concrete question. This paragraph will also address the sub questions. These sub questions will eventually help the researcher to give answer to the concrete question. Finally, the research goal will be outlined.

3.1 Research motivation

The business environment of IT services is changing very fast. AUP IT needs to respond to these market developments. Also the competition of AUP IT is forcing the organisation to transition the business model. Business environments change, and healthy business models change along with them. The products and services AUP IT offered for the last seven years, may not be the most sensible and profitable offerings now once AUP IT gained experience and defined their niche.

After many internal discussions and considerations, AUP IT has made the decision to transition to a business model based on managed services. AUP IT started their business seven years ago and used a “project based” business model. This has been a great model to sell IT services to the clients but because of the market developments this model has got outdated and is not efficient enough for the business anymore. Efficiency and growth are the key words for AUP IT and the most important reasons for the transition of the business model.

The researcher will do research on how AUP IT can change their business model from “project based” to “based on managed services”, what process they have to follow and what they need, to get to the point where AUP IT fully integrated the new business model.

3.2 Management Problem

The management of AUP IT has identified problems regarding the current used business model. As discussed earlier AUP IT has more growth opportunities when they change their business model from “project based” to a business model “based on managed services”.

This changing process will affect the entire organisation. Financially there will be changes in the billing process, cash flow and revenue. Technically, the technicians have to work with different process and have to manage the service desk differently. The transition will also affect sales. The selling points for “project based” services are different than those for “managed services”.

Because this transition needs to be done within a short time frame and because it will affect the entire organisation, the management team decided to create a research project to find out what is needed to successfully change the business model. Many aspects should be considered while the transitioning happens. AUP IT never experienced a reorganisation before. This gave them little trust and decided to ask advice. To make sure AUP IT is able to successfully transition to the new business model based on managed services this research is started.

3.3 Research Problem

The problem definition will be described as follows:

How can AUP IT change their business model, from “project based” to “based on managed services”, to generate better results in the future?

The advisory section of this report will give answer to this main research question. The researcher will carry out a research first to eventually be able to advise AUP IT how to successfully transition their business model from “project based” to “based on managed services”.

3.4 Sub Questions

The sub questions listed below will help the researcher provide an answer to the research problem. These questions are drawn based on the research problem. On the basis of the answers the researcher will be able to give AUP IT the advice the organisation needs.

What is a business model transitioning and what kind of benefits does this transition have for AUP IT?

A business model transitioning requires planning and structure. In order to successfully execute this transitioning it is important to know what this business change is about. A theoretical explanation of this concept will illustrate the components of the transition and will show the organisation what to expect.

What is a “project based” business model?

The need to change the business model is there. The first step in the transition process of the business model is reviewing the organisation including the current used business model. Knowing what a business model, based on projects, includes and how it is integrated within the business will help the researcher create a perfect vision on what needs to be changed. This sub question is discussed in chapter four, the theoretical framework.

What is a business model based on “managed services”?

This sub question is designed to find out what needs to change to achieve the business goals, which both directors have in mind. In order to successfully transition to the new business model, it is important to know what this new model exactly means and how AUP IT will formalize this new model. The researcher will provide a theoretical justification of the business model based on managed services in chapter four.

What are the clients’ needs regarding outsourcing of IT management?

This sub question is chosen because the answer to this question will help AUP IT create the desired situation. While adopting a new business model, the value proposition changes. After conducting the research, focussed on the clients’ needs and requirements, it is easier to create a perfect value proposition. This will eventually generate an efficient position in the MSP market.

What is the current situation of AUP IT in terms of business model?

This current situation serves as a basis for the research. It is important to examine the current situation on operational, tactical and strategic level. Later in the report the researcher will examine the desired situation on the exact same levels. This will ensure reliable advice given by the researcher. The current situation will be outlined on the basis of the knowledge and skills of the employees. Also qualitative studies will help the researcher to create a correct image of the current situation.

Where does AUP IT wants to work towards and what is the desired situation?

This sub question has been created to find out what AUP IT wants to achieve with this transition. This question will be answered through desk research in combination with a qualitative study with the directors, Qui Truong – Solution Architect and Raja Pradeep – Director of Sales and Marketing. If AUP IT and the researcher have a clear idea of what they want to achieve and where they want to be within a couple months, the researcher will be able to write advice that will help AUP IT achieve their desired situation.

Which changes need to be made to manage and implement the business model based on “managed services”?

The answers to the previous questions will help the researcher create a conclusion and recommendation. The previous questions serve as the actual research. This sub question will focus on the implementation of the new business model. The most important aspect of this research is the conclusion and recommendation. After looking at the current situation and the desired situation the researcher will be able to advice AUP IT how to successfully accomplish the transition.

3.5 Professional Goal

The professional goal of this research is to find out how AUP IT can transition from their old business model, based on projects to a new business model based on managed services. AUP IT thought of this project because this transition will affect the entire business. Many aspects should be considered while the transition happens. AUP IT never experienced such a reorganisation before, this gives them little trust. To make sure AUP IT is able to successfully transition to the new business model based on managed services this research was started.

Besides that, this research has started because of management reasons, this research is also conducted to find out how AUP IT can meet the clients’ needs. As previously indicated, the customers are more willing to adopt managed service providers than previous years. Managed services are what the client wants. This is an opportunity for AUP IT to improve the business and grow as an IT service provider.

4. Theoretical Framework

This chapter will highlight the theory, used by the researcher in order to successfully complete the research. Different literature, websites and documents created by AUP IT, are used to design the theoretical framework. A theoretical framework gives this research a strong scientific foundation and will help the researcher create conclusions and recommendations based on theory in combination with the practical findings of this research. This chapter will give answer to several sub question listed above.

4.1 Definition of a business model

A business model is in charge of how the business is designed to function. A business model is the conceptual and architectural implementation of a business strategy and represents the foundation for the implementation of business processes.

A business model design includes nine components that represent the business strategy. The components of a business model are: value proposition, target customers' segments, distribution channels, customer relationships, value configurations, core capabilities, partner network, cost structure and revenue model. The nine components are based on the Osterwalder Conceptualization. The nine components and their relations are illustrated in the figure below.

The offer is what the business produces and sells including the value proposition.

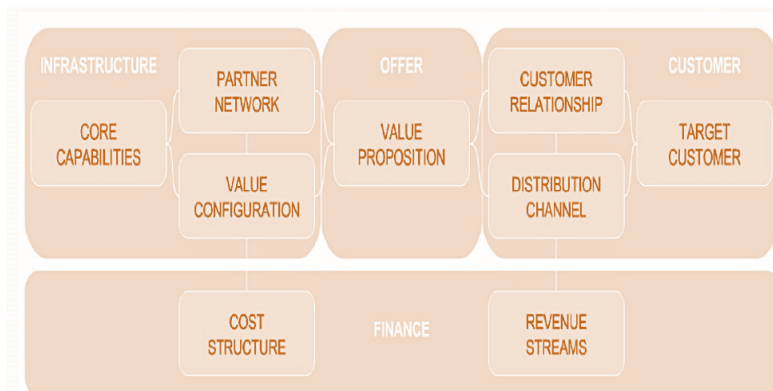


Figure 3: Nine components of a business model, Osterwalder

Value Proposition

The value proposition is a description of the products and services the business offers and why the customers will be compelled to buy them. The value proposition describes how the features and characteristics of the products and services will contribute to the solution of the customers' problem.

Infrastructure is the part of the business that creates expenses. This part describes the basic facilities, skills, manpower, partnerships, and production process needed to exploit the business opportunity.

Core capabilities: This component will highlight the capabilities and core competencies necessary to operate the business. This includes, facilities, equipment, personnel and their required skills needed to produce the products or services described in the value proposition.

Partner network: Partner network will describe the business alliances the organisation needs to operate. Most businesses need alliances, agreements, licenses or other third party assistance.

Value configuration: This business model section will describe the process that will be used to produce the products and/or services. The value configuration describes how the materials, supplies and other required resources will be obtained and transformed into usable products or services and how they will be made available to buyers.

The customer part of the business model is the part of the business that generates revenue.

Target customers: This component describes the business' target customers. Recognizing that different market segments have different needs is important. Finding the potential in different market segments can be a massive opportunity for the business.

Distribution channel: This includes the business' marketing and distribution strategy. This highlights how the organisation delivers the products and/or services to customers.

Customer relationships: This component includes the process of interacting with the customers of the business. It includes communicating, selling, supporting and assisting customers purchase and use the business' products and services.

Finance is the part of the business that determines its financial performance and profit.

Cost structure: This component includes the expenses required to produce the products or services. It should include an itemization of the expenses required by expense category and the assumption made to estimate these expenses.

Revenue: This particular component describes how the business revenue is generated. This also includes sales volume, revenue projections and the assumptions and logic used to make these projections. (Business Model, Alex Osterwalder, 2010)

4.2 Business model change

As indicated earlier, a business model can be simplified down to two basic components: how the company plans to generate sales revenue and the operational factors that will enable it to reach and maintain profitability. AUP IT is in the business for almost 8 years and as it proceeds from the start-up stage, the model needs to change due to new opportunities, new competitive threats or simply because the company learns more about what its customers truly need.

A business model is also designed to help a company build a competitive advantage. Competitors respond by constructing their own models to create their own advantages. An old model can put a business in an unfavourable competitive position.

A revenue opportunity is one of the reasons for a business to change their business model. The company's business model specifies what are the target customer groups. Marketing strategies are then formulated to reach these groups and persuade them to purchase from the company. Management often discovers that a revised business model increases business revenue. (Hill, 2011)

The following four statements are the result of a study on how to change a business model besides changing strategies and the organisational structure.

- 76% of CEOs surveyed believe that collaboration with partners and customers will be the leading source of business model innovation.
- Organisations that target their business model, rather than products or operations, for innovation increase operating margins by 5% more than their competitors do.
- Though nearly 80% of respondents say the integration of business and technology is of "great importance," only 40% say they have achieved such integration.
- Respondents who report significant business and technology integration also cite revenue increases three times as often as those reporting less business and technology integration.

CEOs that had implemented more extensive business and technology integration reported greater customer satisfaction, speed and flexibility. (Manage, 2006)

4.3 Business model – Project Based

A project based business model is part of a value added reseller Model. Value added reseller is a model where a business sells products or services, which is resold by other businesses but with modifications, which add value to the original product or service. In the IT services industry, VARs (Value-added reseller) commonly use a project based business model. The key value-add of a VAR are the services around the hardware, software and/or networking components AUP IT resells. All the projects are based on these services. (Rouse, 2015)

4.3.1 Structure

Business environments requiring constant and rapid innovation are especially suited to project based models. Organisations using a project based business model have an organisational structure based on projects. The company's departments and personnel are organised around each particular project.

Organisational structures based on projects continuously change as the projects change. This constant flux results in increased flexibility in assigning work to the employees best suited to the tasks. Sales people are normally part of the sales department in a functionally organized business. Because of the business size, AUP IT uses a project based organisation structure to a lesser extent.

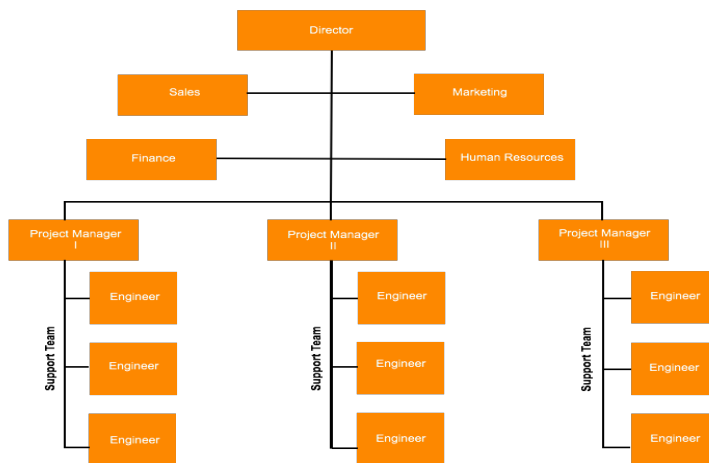


Figure 4: Project Based Organisational Structure

The figure displays a project based organisational structure. This is a simplified version of the reality. As mentioned earlier, AUP IT is using a structure similar to this one. AUP IT does have engineers and contractors working on different projects.

Projects are focused on solutions and implementation, such as whether the project does what it is supposed to, whether it is within budget and whether it will be completed on schedule.

A project based structure gives the organisation the ability to work more quickly and efficiently by appointing a project manager and assembling a team of people who are most suited to the job. (Project-Based Organisational Structure, sd)

4.3.2 Procedures

A standard project has the following four major phases: initiation, planning, implementation, and closure. These phases represent the path a project takes from the beginning to its end. The following diagram gives a graphical representation of the overall phases that are associated with the completion of project works.



Figure 5: Project Life Cycle, AUP IT 2016

Initiation Phase: The Initiation Phase involves defining the purpose and scope of the project, the justification for undertaking the project and the solution to be implemented.

Planning Phase: The Planning phase involves the creation of a set of planning documents, which will guide the team throughout the project. The project planning processes are iterative in nature and it is expected that planning will happen often throughout the project.

Implementation Phase: During the Implementation phase the deliverables are physically built and presented to the customer for acceptance. While each deliverable is being constructed, a group of management processes are carried out to monitor and control activities. Once all the deliverables have been produced and accepted by the customer, the project is ready for closure.

Closure Phase: The Project Closure phase involves releasing the final deliverables to the customer, handing over project documentation, terminating supplier contracts, releasing project resources and communicating project closure to all stakeholders. The final step is to undertake an Evaluation to determine the extent to which the project was successful and note any lessons learned for future projects. (Project Management Principles, sd)

In order to divide the overall project into smaller and more manageable work packages AUP IT creates a Work Breakdown Structure. An example of the WBS is illustrated in Annex III.

4.3.3 Pricing Models

A pricing model is a contractual agreement, signed between IT services provider and a client, that specifies the pricing of the project. Depending on the scope and duration of the project there are different pricing models. The three most widely applied models are Fixed Price, Time and Materials and Dedicated Team. AUP ITs most contractual agreements with clients are based on the Fixed Price model. The researcher will highlight this model in the following paragraph.

Fixed price model

The model based on fixed prices is preferable for the small or medium scope projects. This model is good to use when the requirements are clear and well documented. It involves precise scope and project specifics, predefined delivery period, and fixed budget. The IT service provider is able to estimate price on the basis of project scope, complexity and time frame. This model is not possible when the requirements of the client are not clear enough or when the client has an unpredictable workflow.

Advantages of the Fixed Price model:

- Good for small and medium level projects that have well-defined specifications and precise deliverables from the start.
- Cost and timeframe are specified before the beginning of the work on project.
- Only a little supervision is required from the client because all requirements are defined beforehand.

Drawbacks of the Fixed Price model:

- Demands ability and time to precisely define requirements, timetable, and approval criteria.
- Less flexible in management of additional features and changes, each request results in re-negotiation of the delivery schedule and price.
- Due to lack of direct communication between client and provider there is possibility of quality issues and dissatisfaction with the end product. (Pricing Models , sd)

4.4 Business model – Based on Managed Services

The MSP trends in Australia are mentioned earlier in this report but what does a managed services model means? The theory behind the managed services business model will be highlighted in this paragraph. It is of great importance to know what a business model based on managed services means and how it is constructed.

A business model based on managed services is often used by Managed Service Providers. The Managed Service Provider is an IT service provider using a managed service business model. The managed service model means that the IT provider remotely manages a customer's IT infrastructure and/or end user systems on a proactive basis.

(Managed Service Provider, 2015) In the information technology area, the most common managed services evolve around Connectivity and Bandwidth, Network monitoring, Security, Virtualization, and Disaster recovery. Beyond traditional application and infrastructure management, managed services also include storage, desktop and communications, mobility, help desk and technical support. (Managed Services, 2016)

MSPs often provide their offerings under a service level agreement, a contractual arrangement between the MSP and its customer that spells out the performance and quality metrics that will govern the relationship. To keep labour costs in check and improve the efficiency of the customer's organisation, most MSPs employ remote monitoring and management (RMM) software to keep tabs on clients' IT functions. RMM software lets MSPs remotely troubleshoot and remediate issues with servers and endpoint devices. With RMM, MSPs can manage numerous customers' IT systems simultaneously.

The MSP business line calls for organisations to adopt different performance metrics, technology infrastructure components and sales compensation programs. These are a few challenges an IT provider is facing when transitioning towards a business model based on managed services. Experience has shown that many MSPs derive revenue from other business lines such as IT project work and break/fix business. Pure-play MSPs are relatively rare in the IT services industry. (Managed Service Provider, 2015)

4.4.1 Prospects

Small and medium-sized businesses are typical MSP customers. Many smaller companies have limited in-house IT capabilities, so may view an MSP's offering as a way to obtain IT expertise. Larger enterprises may also contract with MSPs, however. For example, government agencies, facing budget pressure and hiring limitations, may contract with an MSP to supplement in-house IT staff. The MSP subscription model provides customers of all sizes the advantage of predictable IT support costs. And because MSPs take a proactive approach, they may be able to prevent IT problems from occurring and therefore from disrupting business operations. (Managed Service Provider, 2015)

4.4.2 Sales techniques

Making the transition to the managed services model can be tough on the sales staff. As mentioned earlier there are a few challenges to face. The biggest obstacle VARs/solution providers face is restructuring the sales staff.

The term sales is a big area that needs an overhaul. A business model based on projects requires a sales team that sells product or even project work. It is quite different to sell services and long-term contracts, the aspects that are involved with the business model based on managed services. It is a different type of sale; it requires a different conversation with the customer and often with a different type of customer. Products and project work is usually sold to the IT department/manager while the managed services line of the business is sold to a CEO or CFO. (Bedell, Restructuring Sales Staff, 2014)

4.4.2.1 Farmers vs. Hunters

Hunter and farmer are terms commonly used in the sales industry. The classic hunter is the aggressive sales man who finds new business. Farmers do account management on the back end, serving existing customers. They attempt to upsell, cross-sell and account-manage clients that are already on board. In the managed services industry there is more need for farmers. Whenever the IT provider is putting customers on long-term contracts and providing long-term services, there is a stronger need for farmers to take care of those customers.

In the world of managed services, where the financial model is based on an annuity over time, retention matters more than acquisition in terms of the fundamental profit calculation. Farmers need to be as proactive. The farmer must approach the customer about new business development initiatives. Farmers have to be pitching proactively, seeking new solutions they can deliver and recommending transactions.

This does not mean the farmer is continuously pushing technology just to make the sale. "Retaining the customer is not about technology; it is about customer service and being a trusted advisor. This requires understanding the customer's business goals to determine. In order to be successful, the farmer must have good communication and management skills.

A lot of IT solution providers do have account managers who are the farmers. They are the liaison to the existing customer, but on the back end, they have technical managers or engineers who then will help with more of the IT-related questions.

The ones that are easier to transition into the farming conversation are those with a technical ability. Staff members that come from an environment that has some kind of customer service aspect like helpdesk and/or troubleshooting are suited for this position. (Bedell, Solution Provider Staffing, 2015)

4.4.3 Service Level Agreement and Reporting

Within a MSP model a service level agreement (SLA) is one of the most important aspects of these engagements. The SLA serves as the guide for performance targets and expectations, accountability and level of service. Ideally the terms are worked out between the MSP and end user organisation and customised to suit the particular needs of that client.

The elements end users value in an SLA is response times. Response times are critical to the success of an MSP engagement; without quick, efficient reactions to IT problems, the customer could suffer in small or catastrophic ways. SLA's differ based on end users size of business. Other distinctions in an SLA wish list map to customer size. For example, larger end user organisations greatly favour an SLA fully tailored to their specific needs. As mentioned above, this is optimal for all MSP users, but larger firms typically have more moving parts, differing department priorities, an IT staff of their own and remote locations to consider. This complexity begs for an SLA that is fine tuned. Smaller organisations on the other hand have 24/7 support as a top SLA priority. While 24/7 support is a fairly basic expectation of any MSP, it is likely more critical to a smaller customer that lacks its own IT staff. If something goes amiss in the network, the MSP is the first and likely only line of defense, whereas a larger firm could call upon its own IT people to jump in in an emergency.

Besides the SLA, the other essential thing of a MSP engagement is reporting. This is a measure that benefits both the end customer and the MSP. The report is a regular submission of incident reports of all actions taken during a certain period of time, monthly in most cases. These proactive reports not only keep end user organisations aware of what has been done to keep their IT in top shape, but also serve as a forward-looking exercise in helping to anticipate future needs.

In addition to routine incident reports, quarterly business reviews are also advisable. These typically bring together non IT executives within the customer organisation to sit down with the MSP to discuss strategic goals and correlate how IT services can help. (Trends in Managed Services, 2015)

4.4.4 Revenue

Managed services work different from other business models in the IT solution provider business. One of the most interesting aspects of the managed services model is recurring revenue. Solutions providers pursuing the break/fix model or performing IT project work charge a fixed price or charge based on time-and-materials. The way these IT providers generate revenue is based on a one-time basis from each project. The conventional IT provider business is mainly transactional. An MSP, on the other hand, does have a recurring revenue stream. This can provide a more stable and predictable base of the business. (Managed Service Provider, 2015)

4.4.4.1 MSP Revenue Mix

As mentioned earlier in this paragraph it is rare to find a pure play MSP in the IT services industry. The business model based on managed services is a tough one to transition to as the research progresses. Research conducted by Autotask 2015, Managed Services Market Study, has proven that fifty-three percent of MSPs produce less than half of their revenue from managed services. Revenue based on managed services only is rare in the IT industry. It is therefore important for AUP IT to find the perfect revenue mix.

What is the perfect revenue mix? The results of the research showed that MSPs in the top quartile of profitability had the following average revenue mix in 2014:

- Managed services (support for flat fee): 44%
- Product resale (including cloud resale): 32%
- Projects (implementation): 9%
- Break/fix/time and materials (support by the hour): 8%
- Private cloud: 7%

True MSPs are rarely "pure" managed services companies. That is because most started life in a different business model before transitioning to managed services. Managing such a business mix is challenging. To be able to be successful, it is necessary for a MSP to actively monitor their key performance indicators to stay on top of their diversified business lines.

4.4.5 Pricing Models

A pricing model for a business model based on managed services differs from a pricing model of a project based business model. The most popular pricing models for managed service providers include the Monitoring-Only, Per-Device, Per-User, Tiered and All-you-can-eat models.

4.4.5.1 Monitoring Only

The monitoring only pricing model is often sold in small and medium-sized businesses, as well as mid and enterprise environments. The monitoring only pricing model provides network monitoring and alerting services by the MSP.

In this scenario, several different service levels can be employed. For example, an SMB-focused offering that provides operating system and software application patch management, antivirus and anti-spam updates, disk optimization and backup monitoring for a flat fee per month allows the MSP to bill for additional remediation activities identified through monitoring. A mid/enterprise service level offering forwards all alerts to the customer's in-house IT staff only and allows MSPs to address and perform all incident resolution. Another service level may be where the MSP participates in basic incident resolution or even more advanced support.

4.4.5.2 Per Device

The Per-Device model is fairly simple and many MSPs utilize it primarily for this reason. The premise is to develop a flat fee for each type of device that is supported in a customer's environment. For example, the devices are categorised as follows: desktop, server, network printer and managed network.

The benefits of this pricing model are that it is very easy to quote, it illustrates costs for prospects and it is also easy for the MSP to modify the monthly service fee as the customer adds additional devices. A disadvantage is that this model can lend itself to selling managed services based more upon price rather than benefit.

4.4.5.3 Per User

The per-user pricing model is similar to the per-device pricing model, with the difference being that the flat fee is billed per end user per month and covers support for all devices used by each end user. This may entail supporting an office PC, laptop, PDA or smartphone, home PC and connectivity etcetera.

4.4.5.4 Tiered

The tiered pricing model may be the most popular among MSPs. The premise is to build several bundled packages of services with each increasingly more expensive package providing more services to the customer. For instance, a "bronze" desktop managed services package may include basic phone and remote support, patch management and virus and adware removal for an entry-level price. Bumping up to the higher priced "silver" desktop managed services package may include on-site visits, and the "gold" package may include emergency after-hours support (being the highest-priced package).

4.4.5.5 All You Can Eat

The all-you-can-eat pricing model is extremely flexible and includes all remote support, on-site support and lab or bench time for an entire organisation for a flat fee per month. It also may provide 24/7/365 support or services during certain hours and/or days of the month only with additional charges billed for services rendered outside of those times. The primary goal is to provide the customer with the ability to realistically budget their IT support costs over a year's time and experience no extraordinary billing fluctuations. (Simpson, 2008)

4.6 Skill Improvement

In order to be prepared for the transition and have the right skills in-house it is important for AUP IT to exam the skills of the permanent staff. For many businesses including Small and Medium Sized Enterprises (SMEs), undertaking workforce planning and development will provide positive business outcomes. Most businesses find they need to undertake workforce planning and development for one or more of the following reasons:

- Growth in: sales demand (local, interstate or international), new markets, new products/services;
- Decline in: sales demand from existing clients, number of new clients, supply chain;
- Changes in: market preferences, competitors, the economy, SME strategic plan, technology and equipment, productivity, job requirements, finance costs.

The key is not to over complicate the process and to see workforce planning and development as a way to get a better understanding of:

- Your current capability and capacity;
- What is required into the future;
- What the gaps are.

Workforce planning and development will help you to achieve your business goals over the longer term. Workforce Development is the planned development of staff in a business to improve the ability to meet changes in:

- Business or job requirements;
- Client and customer demands;
- Market conditions.

Simply put workforce development is about:

- getting the right people
- growing the right people
- keeping the right people.

Workforce planning is the process of forecasting the business's staffing needs and working out the range of ways you can create and maintain the workforce in line with your business goals. (Workforce planning and development, 2012)

4.7 Performance Management

During the transition it is important to manage the performance. A challenge for IT providers transitioning to MSP is to find the correct mix between business lines. AUP IT must stay on top of their diversified business lines and actively monitor their key performance indicators (KPI). A Key Performance Indicator is a measurable business metric that demonstrates how effectively a company is achieving key business objectives. Organisations use KPIs at multiple levels to evaluate their success at reaching targets.

(KPI, 2014)

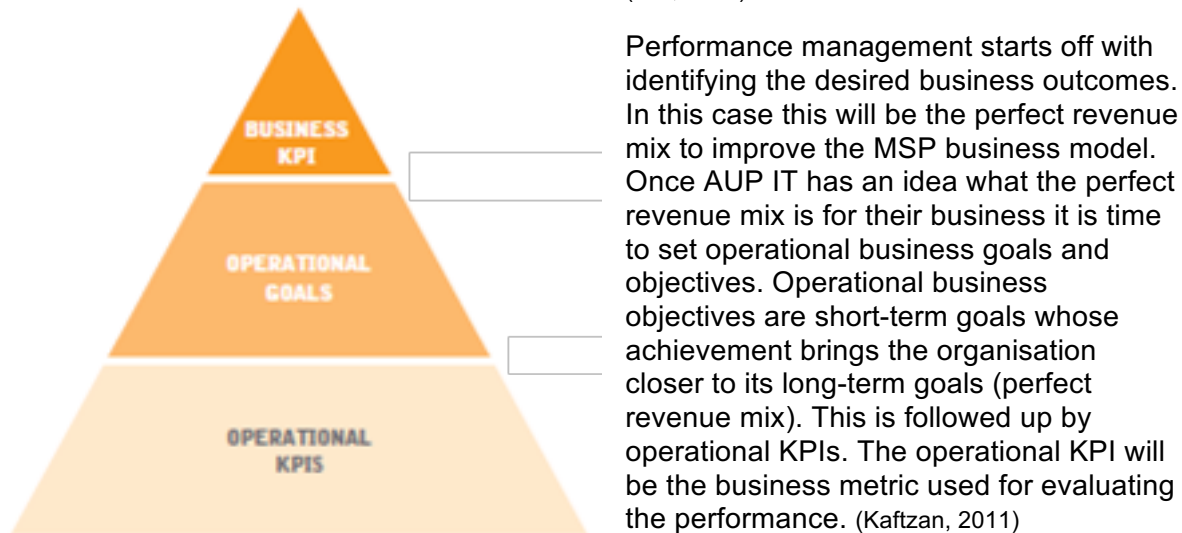


Figure 6: Key Performance Indicator Model, 2011

There are many metrics that are important to track, but only a few are KPIs. A metric is a KPI if it meets two criteria: it is tied directly to a business, marketing, or campaign objective; and there are time-sensitive targets that can be measured and rated. (Cheng, 2014)

It is important for the organisation to correctly identify their KPIs. The theory behind identifying KPIs for the organisation can be found in Annex IV. This theory will help AUP IT create their own important metricises to measure and keep an eye on the revenue mix among other things.

5. Research Design

Chapter five, Research Design presents a description of the research including research methods and technics, which have formed the basics of this advisory report. First, desk and field research are highlighted. Later this chapter will delve deeper into the methods of field research and will describe the process of the analysis. This chapter also addresses the importance of representativeness, validity and reliability.

5.1 Desk Research

Desk research has been an important foundation for this advisory report. Desk research, also known as secondary research, is a way researchers gather and analyse data in the starting phase of the research. Desk research basically means collecting data of existing researches and information. Both internal and external desk research techniques are used to create a foundation for further research.

Internal desk research can be treated as the most reasonable starting point of research for organisations. Information is generated internally within the organisation as a course of normal process. The main advantage in performing internal desk research is that it involves internal and existing organisational resources to organize the collected data in such a way that it is not only efficient but also usable. Confluence and OneNote are both platforms used by AUP IT as an internal knowledge base for the organisation.

External desk research involves research done outside the organisational boundaries and collecting relevant information. The theoretical framework is basically built on the basis of external desk research. Multiple resources are used during the external research. Relevant information is used from resources like the Internet, various literature and physical documents. (Desk Research, 2016)

Because of desk research it has become clear how the organisation, AUP IT, works. Several sub questions are answered fully or partially throughout desk research. The first sub questions are answered in the above chapter.

Reliable and relevant resources are important for the theoretical support of the research. As this research is conducted in Australia the researcher was not able to use resources related to the study. Mostly used resources are used in addition, several literature books are used from the State Library in NSW. For more information about used resources, please refer to the resource list in chapter 11.

5.2 Field Research

Field research is the collection of primary, original and unavailable data. The approaches and methods used in field research vary across disciplines. Field research can be quantitative or qualitative. Quantitative field research is focused on numbers, while qualitative field research focuses on opinions and experiences. (Field Research, 2016)

For this particular research the researcher used quantitative research as well as qualitative research. The qualitative research will collect data on how the organisation, AUP IT, runs the business focussed on the business model. The quantitative data collection focuses on the customer satisfaction regarding the new business model and managed services in general. Both methods are further discussed in the following paragraphs.

5.2.1 Qualitative data collection

Qualitative research is a form of empirical research, which predominantly uses information of qualitative nature. This method of data collection aims to describe and interpret research problems based on situations, events/proceedings and people.

Qualitative data relates to the nature, the value and the characteristics of the studied phenomenon, and not on the quantities such as quantity, size and frequency. Examples of qualitative data are the experiences, characteristics and appreciations of certain things. (Niek Reulink, 2005)

The method of qualitative data collection used for this research is the interview. The interview will collect information from the answers, given by the respondents, based on a pre-formulated problem definition. The interviews will be based on the problem definition, “how can AUP IT change their business model, from “project based” to “based on managed services”, to generate better results in the future?” The researcher will be taking open interviews. In an open interview the interviewer introduces topics based on the problem definition using questions to see what the interviewee experiences and thoughts are on those particular topics. The advantage of an open interview is that the researcher can quickly get information about different topics. This method will also give the researcher the ability to ask supplementary questions if the need arises. (Niek Reulink, 2005)

During the interviews, the researcher used a semi-structured interview. In a semi-structured interview, the researcher will use a questionnaire, which consists several open questions based different topics. This method is called semi-structured because the researcher created an interview template in advance. This interview template includes general questions. Because of this method, the researcher was able to deviate from the general questions if necessary. This will give the researcher more detailed information, which is the goal of a qualitative research. (Dingemanse, 2015)

The researcher conducted several interviews among the employees of AUP IT to find out what their experiences are with the project based business model and what their thoughts are on managed services. Based on company knowledge and position, the researcher selected the following employees to participate in this research.

Directors:	Raja Pradeep, Qui Truong
Sales Team:	William Cornwill, Priya Ramkrishnan
Technical Team:	Mike Prakavan, Karthik Bharadwaj, Ivan Ong, Ben Pin, Ravi Krishnan
Finance:	Daisy Shen

As indicated earlier, the researcher created an interview template in advance. These templates can be found in Annex V. Unfortunately, the researcher was not able to interview Mike Prakavan due to demission reasons.

After conducting the interviews, the researcher will start with the transcription of the interviews. By transcribing the interviews, the researcher will be able to draw a conclusion. The interview transcriptions can be found in Annex VI. Once the interviews are fully elaborated the researcher will start with coding the interviews. The researcher will take several important statements from the interviews and list them in a schedule for further open coding. The results of the coding process can be found in Annex VII. Based on this analysis the researcher will be able to give AUP IT reliable and useful information. (Biddix, sd)

5.2.2 Quantitative data collection

The researcher chose to use quantitative data collection to find out what customers ask and expect of a managed service provider. The results of this research will help the organisation create a business model that has benefits for both the organisations and the customers of AUP IT.

There are several quantitative research methods: (Kwantitatieve Methoden , 2012)

- Survey
- Secondary analysis
- Experimental research
- Monitor

To be able to exam the customers' needs, the researcher will use the survey method. A survey is a structured data collection method using a questionnaire. Respondents will have to fill in a questionnaire, which consists of multiple-choice questions. Open-ended questions are used to the minimum, as they are qualitative.

The reliability of the survey is important. A survey or statistic's sample size is important in determining the accuracy and reliability of a survey's findings. Sample size is a concept in statistics, and refers to the number of individual pieces of data collected in a survey. (Zamboni, sd) To determine the sample size needed for the survey, the researchers will take a number of desired factors into account. These factors are the population size, margin of error, confidence level and percentage value.

Population Size

The first factor is the total size of the population being studied. In other words the entire group the researcher is interested in making conclusions about. The population of this particular research are all small medium sized businesses in Australia. There were 2 132 412 actively trading businesses in Australia as at June 2011. Of the 2 132 412 actively trading businesses in June 2011, almost 96 per cent were small businesses (2 045 335), 3.8 per cent were medium businesses and less than 1 per cent were large businesses. (Clark, 2012) Of the 2,045,335 small businesses operating in Australia, more than half were located in New South Wales and Victoria. In 2011 there were about 680,000 small businesses in NSW. If the medium sized businesses were added to this amount, the entire population for this survey would be around 700,000 small medium sized businesses. (Business, sd)

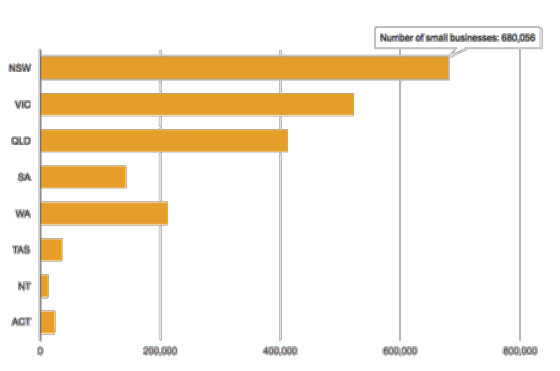


Figure 8: Number of small businesses by state, 2011

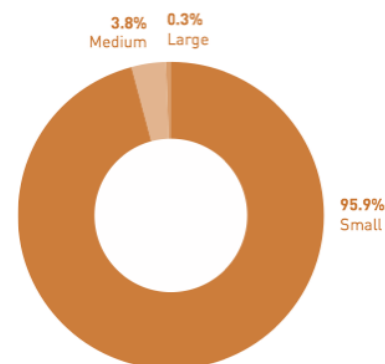


Figure 7: Total business numbers by size, 2011

Margin of Error

Margin of error is a percentage that describes how much the opinions and behaviour of the sample the surveys is likely to deviate from the total population. The smaller the margin of error is, the closer the researcher gets the exact answer.

In general, the larger the sample size, the lower the margin of error. The closer the sample is in size to your population, the more representative the survey will be. For the margin of error, the researcher chose to use a percentage of 5. Five percent is the most common percentage in calculating the sample size. (Responses, 2015)

Confidence Level

A confidence level describes how reliable a measure is. Common standards used by researchers are 90%, 95%, and 99%.

A 95% confidence level means if the same survey were to be repeated 100 times under the same conditions, 95 times out of 100 the measure would lie somewhere within the margin of error. When calculating the sample size, the researcher uses the Z-Score for the confidence level. The Z-Score is the number of standard deviations a given proportion is away from the mean. (Responses, 2015)

Confidence Level	Z-Score
90%	1.65
95%	1.96
99%	2.58

Table 1: Confidence levels - Z-Score, 2016

Percentage Value

Sample size requirements vary based on the percentage of your sample that picks a particular answer. The researcher will be running this survey for the first time, and since the survey has more than one question (and therefore more than one percentage value to evaluate), it is recommended that the researcher is using $p = 0.5$ to calculate the optimum sample size. This produces a sample size estimate that is neither too conservative nor too loose.

The sample size of this researcher is 384. This will be round up to 390 or even 400 participants. This sample size is based on a population of 700,000 businesses, a margin of errors of 5 percent and a confidence level of 95 percent. The researcher can conclude that the research is reliable and usable when 400 businesses participate in this survey. (Responses, 2015)

The researcher will use several ways to spread out the survey. The survey is created by a software platform SurveyMonkey and is shared via mailing lists using the program MailChimp, social media (organisations account), physical survey hand out and the corporate website. The survey questions are listed in Annex VIII. Also the results and analysis of the survey can be found in Annex IX.

5.3 Reliability

Reliability is the overall consistency of a measurement. It basically refers to how consistent the measurement is. Reliability of a research depends on the amount of random errors.

The reliability of research results indicates to which extent the research is free of random errors. The following list provides examples of possible random errors. (Betrouwbaarheid, sd)

- Misreading the answers
- Answers, given by the participants, are not clear enough
- Analysing the actual results incorrectly
- Inconsistency

It is also important that a research repeatable is. When a research is not repeatable it is not a reliable research. A research needs to meet the requirement of repeatability. The repeatability requirement does mean that the research should be repeatable during another time, with another researcher, with different participants and in different circumstances. The research is reliable when the research has the same results with other circumstances. This does not mean that the actual results need to be the same but the overall outcome of the research needs to be the same. (Betrouwbaarheid, sd)

In terms of the qualitative research, the researcher has ensured that several permanent employees with different positions are interviewed. This improves the reliability and representativeness of the research significantly. The reliability of the quantitative research depends on the sample size. The more responses the researcher gets from participants the more reliable the research will be.

5.4 Validity

Validity is the extent to which a measurement tool measures what it is supposed to measure. The validity is an equivalent to accuracy. In order to improve and achieve a high level of validity, the researcher clearly defined the goals and the objectives of the qualitative as well as the quantitative study. (Validity, 2016)

The quantitative study is constructed to eventually be able to meet the customer's needs. The goal of this particular study is to find out what the customer expects from a MSP. While creating the questionnaire the researcher has ensured that the questionnaire provides answers to the question of how AUP IT is able to meet those needs and reflects to the ultimate goal. The qualitative study among employees will create an image of the current and desired situation of AUP IT. The qualitative studies are based on a half structured interview. As indicated earlier this will give the researcher more detailed information on the situation. This is eventually the goal of a qualitatively data collection. Despite the fact that a half structured interview has a lower level of validity, the researcher has ensured that the validity level is acceptable. (Interviews, 2015)

By assuring all the participants that all responses will be treated with the utmost confidentiality will increase the validity of this research. Participants will have faith in this research, which ensures truthful answers of the participants. (Validity, 2016)

5.5 Representativeness

Representativeness is defined as the level of how well or how accurately reflects upon a sample. A study with good representativeness gives a good indication of what the whole population believes. The employees of AUP IT are good representatives for the qualitative study to outline the current and desired situation. Because several employees of each position are questioned, it will be hundred percent reliable.

The level of representativeness of the quantitative study on the other hand is not as high as the qualitative study. The population of small medium sized businesses in Sydney is a lot. The researcher used several strategies to reach the small medium sized business population. The population of small medium sized businesses is representative because this is the target customer for an MSP. Unfortunately, is the amount of responses not representative enough to reflect the whole population. For internal use this research is good to get an idea of what the customers ask of AUP IT as an MSP. Unless this research will help, the researcher would definitely recommend AUP IT to conduct another research among more participants to find out if the results are the same within a bigger population. (Representativeness, 2016)

6. Current Situation

The current situation will describe how AUP IT runs the business based on a project based business model. Highlighting the current situation is of great importance to be able to transition the current business model towards a business model based on managed services. The current situation is refined based on the interviews with permanent employees. In paragraph 6.1 a description on, how the nine components of the business model are completed within the organisation, is presented. The current organisational structure is shown in paragraph 6.2. In paragraph 6.3, the current procedure of how AUP IT is running projects will be highlighted. Finally, paragraph 6.4 will highlight the current pricing model.

6.1 Project based business model

The last seven years AUP IT has run as an organisation where project work is the main business line. The business has added a lot of value to the customers with this business model. Over the last seven years this business model has evolved. Seven years ago, AUP IT was a hundred percent project based. Meaning, the customer would contact AUP IT with a specific requirement, for example certain equipment or software installation. AUP IT then helps the customer source that, including installation. The vendors will then take care of the maintenance of the product. Overtime AUP IT realized that there is more than just delivering and installing the equipment or software. AUP IT understands the customer better than the vendor does and can provide maintenance for a better and cheaper price. Besides delivering projects, AUP IT evolved in delivering long term services over the years.

This paragraph explains how the nine components of the business model are completed within the organisation.

6.1.1 Value Proposition

The services AUP IT offers have been extensively discussed in paragraph 2.1.2. These services are all based on projects. Services AUP IT provides have been evolved in the past seven years. AUP IT is constantly searching for new opportunities and services they can add to the business offers. This is positive, certainly because the IT industry is moving really fast.

Projects have historically run as short burst projects to achieve a particular goals or solve problems for customers. In this industry you here businesses (customers of IT service providers) complain that projects failed. The IT service provider would not necessarily give what they needed but give the customer what they asked for. What makes AUP IT exceptional is that the business will take effort to understand the customers' business. The value proposition is that AUP IT always looks for the complete solution rather than just selling a point solution. Basically, AUP IT will ask more questions to the customer, to understand the business and problem. Not focus on what they think they need but finding out what they actually do need. AUP IT exists to help customers instead of sell to customers.

6.1.2 Core capabilities

The project based business model requires a lot of skills in order to successfully deliver the services, as discussed earlier. Project work is unpredictable. Despite the fact that projects are unpredictable, the team and skills you have in-house are predictable. It is important to leverage the skills of engineers to the right projects. The skills should be improved because the technical team needs to know how to solve a particular problem. This can only be achieved by experience and training. The customer is expecting you that you already know the job and expects you to solve the problem.

Beside permanent in-house staff AUP IT uses contractors with specific skills to be able to accomplish specific projects. AUP IT has a permanent contractors base with contractors, each with different sorts of skills, which are available for AUP IT. AUP IT cannot afford to have all these contractors with specific skills as permanent staff. It is a disadvantage and a risk to hire people with specific skills. As said earlier, projects are unpredictable. It would cost AUP IT a lot of money to have these skills in-house. A storage project this month does not mean you will need this employee next month when the storage project is accomplished. The use of contractors will improve the core capabilities of the business and definitely saves money long term.

As a project based company it is hard to say “no” to a project purely because of the reason that there is not any security for the business that they will get a certain number of projects per month. It is possible that a customer is contacting AUP IT for a particular project where AUP IT does not have the skills in. What AUP IT does in this instance, is that they partner up with other businesses. They tell people upfront that this is not our core strength or that this is not our area of expertise. AUP IT will then manage or coordinate the project, the actual installation is done by a partner. The partner network is further elaborated in the following paragraph. The biggest disadvantage in a pure project based business model is that the organisation has got to understand the market value of a projects. Which projects are worth spending time on.

6.1.3 Partner Network

What is changed since the business first started, is that AUP IT is working with a lot more partners rather than working directly with the customers. There is still a level where AUP IT is still doing work directly with customers but for the last year, Raja and Qui, really tried to develop a partner eco system. This gives AUP IT the chance to work with partners on projects. The main reasons to develop this partner eco system was to get the name of the organisation out on the market and to have a broader base of sales people which helps the business get more leads.

Based on the interviews, the partner network has been pretty successful. Recently, AUP IT has come across more project work because of this partner eco systems and mostly because the industry is getting better and more interesting.

6.1.4 Value Configuration

Every single project is completely different from each other. Despite the fact that you cannot compare projects, the project will start once a standard procedure has been completed. This procedure is a general overview how AUP IT adds value to the product by delivering services. Based on observation the research is able to elaborate this procedure for further references.

1. Lead Generation

First, the sales team needs to convert the prospect into a customer. It is all about selling the business and building up trust.

2. Understanding Requirements

Once the sales team has brought in the customer, the sales team will visit the customers onsite to understand their requirements. This particular procedure will take time. As discussed earlier it is of great importance to AUP IT to deliver solutions that the customer actually needs.

3. Resources

After understanding the requirements of the customers, AUP IT will be able to leverage the right skills to the project. AUP IT will bring in the resources (technicians/engineers/solution architects) to look at the requirement/problem. This will be the initiation phase where the resources will prepare a scope of work including time, material and equipment. In this phase AUP IT will contact vendors, for example Ingram Micro, Dicker Data or ACA Pacific, to get prices and quotes for the products needed to fulfil the project.

4. Billing

Based on the quotes received from the vendors AUP IT will be able to finish off the scope of work including budget, time and material. AUP IT uses two pricing models for their projects. This will be either pricing based in time and material or a fixed price.

5. Quote

The scope of work will be presented to the customer. This stage also includes quote presenting to the customer.

6. Purchase Order

If the customer agrees with the price and scope of work, they will send AUP IT a PO to approve the project. Once AUP IT receives the PO the project is ready to start.

7. Meetings

This will be the start of the implementation phase. During these meetings with the customer, the project manager discusses the start off date, procedures, and everyone's role including customer's role and resources/technician roles.

8. Project Management

The project manager will track down the project very carefully in order to ensure that planning works fine and every procedure is accomplished successfully.

9. Customers sign off

Once all the deliverables have been produced successfully, the project is ready for completion. This will be the closure phase. This phase involves handing over project documentation and project evaluation. Once the customer agreed with the completion of the project, the customer will sign off the project.

10. Invoice

The final step for AUP IT is to send an invoice to the customer.

6.1.5 Target Customer

Currently AUP IT is focussing on medium to small sized businesses. IT is everywhere, this means AUP IT does not really have particular segments. Each single industry is interesting for AUP IT to focus on, of course some more than others. The first interesting customer is a small customer which do not have any knowledge about IT and need the knowledge to improve the business. Secondly, customer who have their own IT staff. In this case AUP IT is able to assist in projects and add value to the existing IT infrastructure.

Based on observation, AUP IT is recently focussing on councils and non-profit organisations, for examples libraries. There is a lot of opportunity in these industries.

6.1.6 Distribution Channel

Based on the interview responses of the sales team, this is something AUP IT definitely needs to improve. Currently there is no clarity around the business' offerings to market. This is a struggle for the sales team. AUP IT does not necessarily have an articulated marketing strategy. It is hard to go to the customer and tell them what you sell when you do not know what you sell. Much more aligned market concepts will improve the sales results. Everything AUP IT offers to customers must align the business objectives and business lines. AUP IT needs to first identify what the lines of business are and then clean up or create new avenues of conversation and marketing.

6.1.7 Customer Relationship

A project based company does not require a close relationship with customers. Projects are ad hoc and one time only. A strength of AUP IT is the fact that AUP IT always looks for the complete solution rather than just selling a point solution. Customer relationship from a sales perspective works fine. From a technical team perspective customer relationship needs to be improved. Based on interview results, technical people are typically poor in communication. Also the technical team requires to have customer relationship skills. Engineer are half salesmen already. an engineer you constantly have to look for improvements. If a customer hears a recommendation from a technical guy it is more likely to be convinced than from a sales guy who simply tries to sell.

6.1.8 Cost Structure and Revenue Stream

From a finance perspective the project based business model has definitely advantages and disadvantages. The truth about a pure project based business model is that it is unsustainable in the long run. Once the project is finished AUP ITs sales team has to go out on market to find more work. Cash flow management is a constant challenge and risk for AUP IT.

As AUP IT is not a purely project based company, they are able to reduce the risk by introducing long term maintenance services to the business. Despite the fact AUP IT reduces the risks regarding cash flow management, AUP IT is constantly worrying about the gap. Project based business model has some disadvantages regarding payment terms. As discussed earlier, AUP IT will invoice the customer once the project is finished. When a project last three months, AUP IT needs to have a buffer to be able to fund salaries and invoices of vendors. So there is a danger cash flow problem with projects based business model. AUP IT has to be able to fill up that gap.

An advantage of the project based business model is the ability to charge a highly daily rate. In general projects will be more specific with the skill set required from the engineers.

The current revenue stream is as follows:

- Projects: 65%
- Managed Services: 20%
- Break/Fix: 8%
- Product Resale: 7%

6.2 Structure

The current organisational structure is discussed earlier in paragraph 2.1.1. In this paragraph it has become clear that AUP IT runs the organisation with an organisational structure based on projects. This has been working fine for the past seven years. Based on the interview results, the researcher found some dissatisfaction with employees regarding the organisational structure.

Being a small company the number of technicians available are limited. So therefore, AUP IT makes use of existing resources among multiple projects. Most of time, director and solutions architect Qui Truong, will run all the larger projects. The advantage is that AUP IT then has a lot of knowledge and experience available to successfully accomplish the project. However, having a director working in the business instead of working on the business is a downside. A director should work on developing the business, get more leads and have the project work delivered by someone else. Both the directors have to make themselves free to sell and improve the business instead of deliver. The directors should deliver by outsourcing the work to their employees.

The reason that this is happening is that AUP IT does not have enough resources. That is a constant struggle/challenge when the business runs a business model based on projects. Do you hire more engineers/project managers and wait for the projects or do you first get the projects and then hire more engineers? At the moment it is just about right but AUP IT needs to have more team in the future.

6.3 Processes/Procedures

Currently AUP IT is really busy getting all the processes in place. Based on the interview results AUP IT is currently looking towards the transition and preparing themselves for taking on more managed service customers. Processes are based on how to become more efficient with handling work. At the moment there is a lot more scope than the technical team can handle.

From a technical team perspective technicians are dissatisfied about project planning and procedures. When a project starts there is often no clear plan/procedure. This is a risk for the business. A detailed planning is required. Processes, to some extent, should be present to be followed and implemented. It will help the company and make things much easier.

6.4 Sales

To be successful in project based business model the business needs to be client based and have a good sales team selling projects. AUP IT does not have a big sales team and wishes to add a new business developer to able to grow and get more leads. The sales cycle of project relatively short. As the projects are unsustainable, it is an advantage that projects have a short sales cycle in order to be able to meet more prospects at once.

The project based business model requires the sales team of AUP IT to be “value sell” focused. Being a project based company it is important to value sell. If the customer perceives the value, they will purchase. If they cannot perceive the value than it is just the sales of the product. Then the customer will not buy from you but from somebody else which is probably cheaper. So adding value is one of the most important thing for AUP IT selling.

6.5 Conclusion

Based on the information above, the researcher is able to create a SWOT-analysis. This analysis shows the strengths, weaknesses, threats and opportunities of the business. This will give the organisation a clear vision on what needs to be changed and what aspects are important to consider in the future. The SWOT-analysis can be found in the table below.

Strengths
• AUP IT always looks for the complete solution rather than selling a point solution
• The organisation provides service based sell instead of commodity sell
• AUP IT has a wide partner network that can be used in the future
Weaknesses
• Small staff, with a shallow skills in many areas
• There is no clear vision on business lines in combination with the business objectives
• Currently there is no clear marketing strategy
• Communication towards customers that affects the customer relationship
• Planning and procedures
• Small sales team
Opportunities
• More organisations are turning to/willing to contract a Managed Service Provider
• Providing managed services and transition to being a Managed Service Provider
• Having a constant revenue instead of fluctuating revenue from unpredictable projects by changing the business model
Threats
• Current business model is unsustainable in the long run
• Cash flow management
• New trends in the business industry constantly. Technology changes very fast

Table 2: SWOT-Analysis AUP IT, 2016

In order to successfully transition towards a business model based on managed services there are some main areas that must be improved. In the list below, the researcher created certain business objectives AUP IT needs to consider to be able achieve their business goals.

- Core capabilities, including skill improvements
- Customer Relationship
- Sales, including sales team, business lines and marketing strategy
- Processes/Procedures, including SLA and planning

7. Desired Situation

Based on the interviews with the directors, the researcher is able to outline the desired situation of AUP IT. This chapter will focus on the desired situation and goals of AUP IT based on the managed services model.

7.1 Desired Situation

The ideal situation for AUP IT would be running the business based on a managed services business model. This means that AUP IT will be more focusing on managed services than projects. These services include the management of a customer's IT infrastructure and/or end user systems on a proactive basis.

From a market perspective AUP IT is forced to transition to a new business model. If the business does not have any managed services or cloud offerings, it will become irrelevant. The business will uncover a lot of opportunities for the business. The biggest benefit this business model will bring is annuity, a predictable account base. AUP IT will build up a fixed client base with fixed revenue and fixed set of tasks/services. This will help the business plan their resources.

As discussed earlier in this report, it is rare in the IT industry to be a pure-play MSP. The fact that a pure play MSP is not possible to achieve is not a disadvantage. By growing a managed services footprint by its very nature it will increase the number of projects as well. AUP IT will be working with more clients, will be providing ongoing IT support to a lot more customers meaning the business will uncover a lot more problems which will results in more projects. These projects will be a little bit more qualified, a little bit more strategic to the organisations needs and it is not ad hoc and spontaneous as previously done with project work. Within the managed services business model, projects and managed services are not competitive with each other. In fact, increase in one area, managed services, will help increase in project based stuff.

Based on the interview results, the ideal revenue mix from AUP ITs business perspective would be as follows:

- Managed Services: 70% (aiming for 80%)
- Projects: 20%
- Break/Fix: 6%
- Product Resale: 4%

Based on desk research, research has proven that only fifty-three percent of MSPs produce less than half of their revenue from managed services. Whether this objective is entirely feasible, is unpredictable. This will depend on many factors. As long as the business produces more than fifty percent revenue from manages services, the transition is accomplished.

7.2 Business Objectives

In order to successfully change the business model and achieve the revenue mix as mentioned above, AUP IT needs to focus on business objectives based on core capabilities, customer relationship, sales and processes/procedures. These business objectives have emerged from the current situation. In this paragraph, these business objectives will be further elaborated including the feasibility of the objectives.

7.2.1 Core Capabilities

Based on the fact that AUP ITs business model always has been about not being a commodity sell but providing a service based sell, the shift to transition towards a business model based on managed services will not be too challenging. As discussed earlier, AUP IT quickly realised that there would a lot more opportunities when AUP IT would sell consulting and professional services. The fact that AUP IT is familiar with providing professional services and does have the skills to deliver professional services will be a substantial advantage.

The difference between projects and managed services is that the skill set of the technical team will be used differently. Around managed services 80% of the work can be done by the service desk including level one, two or three incidents or requests. Managed services business model does not require high-end engineers, because this model is all about managing the environment for the customer. The managed services engagement can be divided into two stages. When AUP IT takes on a new customer stage one will start off with taking over the new client and improve the environment by running small projects. It depends on the environment how long this stage will last. When the customer and AUP IT are satisfied how the environment has been improved and is working AUP IT will slowly start stage two. Technicians will hand over the customer to the BAU team. The BAU team is the business as usual team which is the service desk team. This team makes sure that the customer's IT environment will be monitored and requests/incidents will be resolved with the SLAs. Managed services have lots of advantages. One of the most important aspect is that the team is avoiding the problems by monitoring instead of just fixing the problems.

Based on the information above, the researcher could argue that AUP IT does not have to look after improving their skills. However, this is not the case. As mentioned before, AUP ITs goal is to increase the number of services that they go out to market with and find more niche areas where they can service and provide managed services for customers. In order to deliver services in these areas, permanent staff should improve their skills and have basic knowledge about these areas. Skills and knowledge can be improved by experience and training courses. A workforce planning and development before integrating the new business model will help to see where AUP IT is at and what needs to be changed.

Core capabilities includes not only the competencies but also systems/equipment that make the service possible. Recently AUP IT moved to a new software platform called Manage Engine. This remote monitoring software platform will help AUP IT keep track in clients' IT function. This software will let AUP IT remotely troubleshoot remediate issues with servers and endpoint devices.

The last couple of months the staff has become familiar with this software platform. Based on the interview results, there are some concerns and improvements possible. Currently, the managed services revenue is only 20%. In order to achieve a 70% revenue based on managed services AUP IT needs to take on more clients. With these support AUP IT must be able to adapt multiple client infrastructure. Currently this adaptation results into the use of many different support systems/solutions. For example, Manage Engine has a remote connection feature which works fine but issue is that not devices can be reached. The result is that the technical staff needs to use different software (TeamViewer) to be able to connect to endpoint devices. At the moment this works fine because there are not many managed services customers. However, when AUP IT is taking on more managed services customers, in order to achieve 70% revenue coming from managed services, it could cause major issues. It is highly recommended to do some research to improve and optimize the current service desk in order to incorporate future clients.

7.2.2 Customer Relationships

In comparison to project based business model, the organisation has a much closer relationship with the customer. As a MSP, the one that will manage the customer's IT infrastructure, AUP IT should be part of the customers' business. AUP IT will have to collaborate with chief officers to understand the business completely, in order to align the IT to the customer's business objectives.

A contract and service level agreements are the two most important aspects within managed services business model. Those are crucial to the relationship. Managed services are usually based on SLAs on how to deliver service and on what time frame. The service desk will be the key in meeting those SLAs. The service desk will have to manage this process. Customers will pay AUP IT a fixed amount per month based on guaranteed outcomes for every requirement whether it is a normal, urgent or critical request. This brings back the fact that AUP IT needs to have optimum support systems. It is pretty easy, a perfectly skilled technical team combined with efficient support systems ensures that the business will meet their SLAs which results in satisfied customers.

The third most important point regarding customer relationship is communication. AUP IT must keep the line open with all end users which send in a request. The customer and their end users do not like to be kept in the dark. Communication with the requester is the most important aspect to improve customer's satisfaction. Whether the technician is finishing of the project or just gives an update on how the issue/request is progressing, the customer needs to know. The service desk owns that responsibility.

All these aspects will improve the customer relationship. The previous chapter indicates that from a technical perspective communication must be improved. No communication will eventually be a reason for failed managed services engagement.

7.2.3 Sales

Looking at the business objectives of AUP IT, sales would be the most important factor to achieve the ultimate goal. When the sales team is unable to bring in new customers, AUP IT will not be able to achieve their goals.

7.2.3.1 Target Customers

The customers AUP IT will target, when running a managed services business model, will be practically the same as their current target customers. Small and medium-sized businesses in various industries are typical MSP customers. Many smaller companies have limited in-house IT capabilities, so view a MSP's offering as a way to obtain IT expertise.

7.2.3.3 Sales Techniques

In order to achieve AUP IT's business objectives the sales team needs to start closing off more managed services engagement. In comparison to project based engagements, the sales cycle of a managed services engagement is relatively long. Building rapport is important to long-term customer relationship. The sales team should be able to have time to get to know the prospect by investing time in meetings. Because these engagements will take time it is important to have a strong sales team that is big enough to succeed in the delivering of managed services engagements.

As indicated earlier, AUP IT is planning to add a new, an extra business developer to the team. The advantage is that the sales team is familiar with building up a close relationship with the customers because AUP IT currently sell professional services. The team already consists of farmers.

7.2.3.2 Marketing Strategy

Based on the interview results which have been previously indicates the sales team has some difficulties with selling services to customers as they do not know what services AUP IT is offering. The transition is a good opportunity to have look at the business objectives and business lines. There needs to be a clear vision on what AUP ITs lines of business are and make sure every service AUP IT delivers lines up with those business lines.

In order to make selling services easier for the sales team, AUP IT needs come up with main business lines first and then position old and new services behind those lined. With the transition in mind AUP IT first priority is to improve this. Once this is clear AUP IT will have to focus on creating a marketing strategy which aligns the main business lines including their services.

7.2.3.4 Partner Network

The partner network, which AUP IT is currently using, will also be useful in future. It will always be an advantage to have a broader sales base to uncover opportunities. Besides the fact it will help AUP IT get more leads, it is a great way to get exposure in the managed services industry.

7.2.4 Processes/Procedures

MSPs require different ways of procedures. The managed services business model requires a different mind-set. A same skills set can be used that was used during the project based approached. However, the way how those skills are applied and what sort of mentality the team needs to have, must change.

Managed services staff have a different way of thinking which is driven around service level agreements and real effective customer service relationships. As discussed earlier, SLAs are the key in customer relationship of a managed services engagement. This process will be new for the technical team and needs to be on point. SLAs are different per customer. When AUP IT brings in new managed services customers it is important for management and the sales team to share SLAs with the technical team. Based on this information the technical team will be to create clear processes for each customer.

From a technical team perspective, as mentioned earlier, technicians are dissatisfied about planning and procedures. This will be a short terms objective for AUP IT to improve while the transitioning is happening. Planning and procedures go hand in hand with communication. Communications should be transparent in a small company like AUPIT which definitely needs to be improved.

7.2.5 Conclusion

In order to be successful, the business objectives mentioned above need to be achieved in short term. Short term means within three to four months. The ultimate goal is to run the business based on managed services with 80% revenue coming from managed services. This goal will be achieved in long-term. To achieve this, AUP IT should be focussed on managed services completely and let go of projects for a bit. How long it will take to achieve the ultimate goal is depending on the following factors:

- Accomplishment of the short-term business objectives
- Capabilities of the sales team
- Market Impacts
- Prospects

In addition to the above information, the researcher created a chart where the desired situation is compared to the current situation. For this information please refer to annex X.

7.3 Customers' Needs

It will always be good to do research in what the customers' needs are. As an MSP, AUP IT needs to be able to meet those needs. This chapter will focus on interesting results of the quantitative study that has been carried out among possible prospect of the business. Please bear in mind that the the level of representativeness of the quantitative study is not high enough. The population of small-medium sized businesses in Sydney is a lot. Unfortunately, is the amount of responses not representative enough to reflect the whole population. It will be positive for AUP IT to review these results, but the researcher would definitely recommend AUP IT to conduct another research among more participants to find out if the results are the same with a higher sample size.

7.3.1 IT Arrangement

The minority of respondents are using an MSP or have their IT outsourced. Results show that small organisations usually use non IT-staff to handle IT problems. These organisations are very interesting for AUP IT as a becoming MSP. Periodic use of an outside IT firm or a contractual arrangement with an IT provider is mostly use by medium sized businesses, meaning 40 – 80 users.

The majority of respondents is happy/satisfied with their current IT arrangement. Still 38% is unhappy and want to improve the way how IT has been handle within the organisation. The statement "my IT function is completely aligned to my business objectives" is agreed by almost 60% of the respondents, which is positive. IT needs to improve the business. The main reasons for misalignment the fact that business do not have the knowledge to prioritise or have the right resources to align IT to their business objectives. Also costs spend on IT is a reason for misalignment. Despite the fact that the majority of the respondents' IT is aligned with the business objectives, 45% agrees with statement "IT is more a roadblock than an enabler in my organisation." An MSP that is able to understand the customers' business will be able to align their IT to the business objectives.

Every single respondent is familiar with managed services. The interesting fact is that the majority of the respondents is either planning to use a MSP in the future or currently evaluating. The respondents that are planning to use an MSP, to look after their IT, are located in the category small and medium sized businesses.

All respondents have been asked what the reasons are to consider an MSP. The main reason to consider an MSP is the fact that the customers will get a proactive approach to maintenance. The maintenance of a MSP will eventually reduce costs as a MSP is preventing IT problems instead fixing problems. This brings us to the second most given answer, return on investment and cost savings. The third popular answer is to improve efficiency and reliability of operations. This reflects back on the statement of the alignment of IT to the business objectives. Because AUP IT sees value in understanding the business and being part of the business, the MSP role will suit AUP IT perfectly.

Besides the IT arrangement and reasons for adoption, the annual spend on IT shows that businesses spend a lot of money on IT. 75% of the respondents is spending more than 50K on IT per year. These results are relatively high in comparison to how much percent of the respondents are small businesses. Also the percentage on how much is reserved for IT services of the total annual IT spend is relatively high. This means businesses are willing to spend a huge amount of money on IT services. This can be an advantage for AUP IT as a MSP can reduce cost for the customers' business.

These results recognise that the transition towards a business model based on managed services is promising and that there will be a future for AUP IT to grow business arrangement services.

7.3.2 MSP Areas

Managed services include many services. The most interesting of this survey are the areas businesses are focussing on. The most interesting areas are Cloud and Security. AUP IT is specialised in both of these areas. Based on the results of the qualitative study, AUP IT's goal from an operational standpoint is to increase the number of services that they go out to market with and find more niche areas where AUP IT can service and provide managed services for customers.

Besides the results of the quantitative study AUP IT is interested in in the following areas:

- Cloud
- CIO as a Service
- DBA as a Service (Database Administrator)
- Security as a Service
- Application Management as a Service
- Data Recovery Service
- Backup Services

If AUP IT wants to be strong in all areas, they probably have to invest in hire people with different kind of talents and skills in IT to have that in-house skill.

7.3.3 Conclusion

Based on the results of the quantitative study the transitioning to managed services looks really positive and promising for AUP IT. The Australian business industry (population of small-medium sized businesses) is currently more willing to use a third party to take care of their infrastructure. Results shows that businesses have become more familiar with managed services and are turning to MSPs for management of certain IT functions.

If AUP IT wants to be strong in all areas, they probably have to invest in new staff members with different kind of talents and skills in IT to have that in-house skill. Besides getting more skills on board, training permanent staff will help AUP IT achieve goals like providing these services to managed services customers. In the IT industry it is just the constant learning that is challenging for the business. Nobody knows everything and anything, the technology changes so fast. Doing research what is going on in the market and where you need to be is required.

8. Implementation Stages

To implement the change powerfully and successfully it is very important to structure the change in the organisations. Whether it is a small change to a new process, or a system wide change to an organisation, it is common that the scale of the challenge amazes many organisations. In order to make the change proceed smoothly, without any struggles it is recommended to look at the implementation stages of a change process. This chapter will focus on the implementation stages, in order to successfully implement the transition to the new business model based on managed services.

8.1 Clearing the ground (stage 1)

The organisational climate is a significant factor in change management. Assessing that climate, and creating an environment conducive to change management, is the essential first step in implementation. The change process begins when questions are asked about what the proposal is actually intended to do. It begins with a general review of the organisation and where the proposal of changing the business model is likely to take it. In other words, does the proposal fit with what the organisation is about, how it conducts itself and where the organisation wants to go looking at mission, values and vision.

Change is not possible when there are problems/issues in the business. There may be general problems with communication, management attitudes, resources, working conditions and procedures. These particular problems have nothing to do with the change, and might not actively work against it, but it will definitely colour attitudes and create a climate, which can affect the change process negatively. The health status of the organisation will affect the change process, so it is definitely recommended to closely analyse the organisation on any defects and try to solve those issues before starting the change.

8.2 Implementation Strategy (stage 2)

Choosing the right strategy for the change process is really important. The choice of which strategy is enacted depends on the manager's personality and the organisational characteristics. These will not only influence the approximate course to be taken, but will have a serious impact on major turning points and procedures. Change can be top-down or bottom-up, imposed and mechanistic or organic and consensual, managerial or creative. It is recommended to analyse the business internally to decide which strategy fits the most. It has been scientifically proven that there is a better chance of success if people are led through a consensual, open and empowering process which gives them a share in ownership and responsibility.

Once the strategy and the approach have been broadly decided, AUP IT will have to think about a communication strategy. Communication is a serious influence on motivation. Without an effective communication strategy laid down at the outset there is little chance of dialogue or effective contributions to implementation.

The communication strategy needs to be based on several principals listed below. Communication is an integral part of change. This means it has to be planned with the same degree of detail and sense of urgency as the implementation process itself. AUP IT also needs to keep in mind that the target audiences will be varied. Employees, which is the target audience, have different sets of expectations. They will also react in different ways via different channels. AUP IT should consider multiple mediums for example email, formal meetings, one-to-one conversation, presentations or even reports.

The tactics need to be carefully considered so that specific needs and worries can be addressed without a communication overload towards the management. Surprises during change will have negative effects on the implementation process. The frequency and content of communication can be adjusted so that people can be told of the possibilities in an unthreatening way, and given all possible reassurances. Also listening and asking questions are vital parts of communication in managing change. Managers should note that clarification is a two-way process. There are definitely things which management also need to find out from others.

Communications major purpose is to convey the sense of what is happening to everyone, and to give them an opportunity to contribute. In change management it is profitably seen as an exchange between individuals irrespective of formal position.

8.3 Reassessment (stage 3)

Having set up an implementation strategy including a communication strategy which will steer the process, the next stage should involve a pause for thought. Before the change process starts, a period of rumination leading to a review of the situation is quite useful. This time can be used by the management team to sketch outlines and share the plan with colleagues. It is really important for AUP IT to ensure the commitment of the staff. To be able to present a high quality proposal the management needs to clarify the plan for themselves. The management team must be convinced before they ask others to follow. The credibility of the proposal depends on several things, as listed below.

The Strategic Fit

It is important to consider if there is a strategic fit, meaning does the project of transition the new business model fits with the business strategy. What is being sought at this stage is the connection between the change project and the strategy. When it appears that there disconnect, for example, when people cannot relate to the proposal, the management team need to help make this connection. This can be done with the content of the proposal but also the manner in which it will be achieved. This stage calls for both strategic and operational congruence.

Predicting the Impact

Predicting the impact of the transition on the organisation is of great benefit. Most people approach change with some scepticism and worry. If the change is to succeed this is the where managers prepare the ground and dispel the worries. Questions that need to be asked are: What are the general aims? Does the change have any implications for structures, management styles, decision making and organisation development in general? Are there any less likely scenarios which might result? This stage and these question might avoid unpredictable issues during the change process.

Motives

The credibility of the proposal also depends on the motives of the change. The motives of the change need to be positive. Unfortunately, organisations have often negative reasons to change. Example of negative motives are, being the first to do something, innovate for reputation or status in the profession as well as doing something because other people have done it. Good reasons are to do with improving the service to the customers, improving efficiency and improving morale and job satisfaction. Having open and positive motives will also assist in winning acceptance.

Outcomes

The desired outcomes must be measurable in order to know if the project is succeeded. As discussed earlier, it is recommended for AUP IT to measure the revenue mix this is the ultimate goal to increase the revenue around managed services by transitioning for a project based business model to a business model based on managed services. Performance management and the KPIs are very important measuring the outcomes.

Potential Problems

Considering potential problems is important. Some of them will already have been identified through examining organisational health completed in stage one. Other problems will possibly emerge as the change is considered in detail. AUP IT will have to consider in advance how they will deal or possibly resolve the problems.

Alternatives

In stage one certain objectives are identified. The proposal of transition the business model might not be the only or best way of meeting the objectives. It is always good to have an alternative way of proceeding, or another project to achieve the business goals and objectives.

Responsibilities

If a manager gives away responsibility for a change project, giving responsibility needs to be followed by taking responsibility: for the delegation of powers; by joining and working alongside those who have been empowered; by using the skills of the coach, the leader and possibly the mentor; by offering insights into strategy and organisational politics which could only be provided by senior management. It is really important to clarify what the input of the staff is and how the project is going to be managed.

The Team

Because AUP IT is a relatively small business there is no need for a project team. However, it is definitely recommended to select two/three persons to manage the transition. One who can lead the project and maybe consider one or two staff members who can assist with implementation and control.

8.4 Development (stage 4)

If all stages are completed successfully, it is time to start stage four, the development stage. This is where the proposal becomes a detailed, comprehensive plan. This includes:

- Roles and responsibilities;
- Budgetary system set up (if needed);
- Reporting mechanism;
- Information gathering.

The research investigates every aspect of the proposed change: the detailed characteristics of the proposal; the staffing and personnel implications; the structural implications; the financial implications; technical features and requirements; hardware and software needs; the timescale for implementation; evaluation. Possible benefits will be assessed and the perceived outcomes are compared with the existing organisational situation. After developing the entire process, it is going to be to proceed to trials of sub projects, to alter the proposal or to abort the process.

8.5 Trialling (stage 5)

The change process AUP IT is facing, is not suited for a trial. Running a business model based on managed services depends on multiple aspects/factors which makes it difficult to run trials. Smaller projects within the change process are possible to trial.

During the trial stage all of the established criteria for the project or sub projects need to be matched against the actual performance. Testing sub projects would not be complete without actively involving the users. This will be the point where their input can be put to good, practical effect. This will provide different perspectives and can refresh the process.

8.6 Implementation (stage 6)

The implementation phase of the change process is an important stage. If the previous stages have been completed successfully, the implementation should run smoothly. The implementation stage should be faithful to some basic precepts:

- Breaking the implementation down into separate parts.
- Setting criteria for the completion of each stage.
- Setting a timetable
- Reviewing budget
- Putting the personnel
- Identifying staff development needs
- Communicating with the entire organisation
- Embedding the change into the workings of the organisation.
- Setting up a feedback mechanism
- Reviewing the general organisational implications
- Putting the change into operation
- Making the change permanent.

Because this transition is depending on many factors, the implementation of the new business model will take longer than for example introducing a new helpdesk system. The estimated time for the completion of this change process would be twelve months. AUP IT should achieve the desired situation including a revenue mix based on 80% revenue from managed services within twelve months. There will be smaller projects within the change process that each have a criterion for completion.

The final element of making the change permanent, is a matter of continuing to manage and dealing with issues, like keeping the employees informed and dealing with psychological issues which will hang around while the change is becoming embedded in the culture. Other steps which can be taken are to set more targets and to look for further developments and refinements. Once there is a positive result regarding the change process, AUP IT can move into the last stage in the model, that of review and evaluation.

8.7 Review (stage 7)

The reviewing stage starts when the process of change is completed. The objectives and the criteria set out at the start of the process and revised at all stages of the model can be compared with the data coming from the feedback, and from other data collected as the new business model is operating. It is really important for AUP IT to review the change process. Possible ways to review the change process is to collect data from management information system, staff and user surveys, staff development and appraisal schemes and the most important one as discussed before performance measures. All this data will indicate the success or otherwise of the change. If the indications are negative, it is recommended to start the process again. In this process it is important to look for alternatives or modifications.

The review not only offers the prospect of assessing the success and impact of the change. It is possible that the process itself, being based on research, the collection and evaluation of data, communication, involvement and ownership, will uncover other opportunities unrelated to the actual change. It is therefore important to review and that the organisation is open to an innovative culture.

9. Conclusion and Recommendation

This chapter will be giving an answer to the problem definition. This answer is based on the results of the desk research and field researches. The answers to the problem definition and its sub questions together will represent the conclusion of this advisory report. In response to these conclusions, the researcher will provide the commissioning authority several recommendations, in order to achieve the business objectives in the future.

9.1 Conclusion

This research/advisory report investigated how AUP IT would be able to transition their business model from project based to a business model based on managed services. The paragraph below presents all the conclusion that are made based on research results.

First of all, it is possible to conclude that the business model based on managed services will bring AUP IT lots of benefits and opportunities. The transition needs happen otherwise AUP IT will face the risk of becoming irrelevant.

Based on the research result, it can be concluded that the project based business brings more disadvantages than advantages. In general, there is no possibility to grow as a project based organisation, while managed services are getting more interesting among the customers. From a business perspective, the project based business model is unsustainable in the long run. Cash flow management is a constant challenge and risk for AUP IT.

In contrast to the project based business model, the business model based on managed services will give AUP IT more opportunities to grow as a business. The predictable account base will bring the business annuity. When AUP IT increases the total managed services accounts, AUP IT will be able to cover all the basic outgoing with the regular income, coming from selling managed services. The interesting fact is that within this business model managed services and projects are not competitive. Growing a managed services footprint will increase the number of projects.

The researcher concluded, that from AUP ITs perspective running the business, based on managed services means, that the business produces seventy to eighty percent revenue from managed services. Based on desk research, research has proven that fifty-three percent of MSPs produce less than half of their revenue from managed services. Whether AUP ITs objective is entirely feasible, is unpredictable. This will depend on many factors. As long as the business produces more than fifty percent revenue from managed services, the transition is accomplished.

The main reason to conduct this research was to investigate how AUP IT is able to change their business model, from “project based” to “based on managed services”, to generate better results in the future. In conclusion, AUP IT must first achieve a few short-term goals in order to achieve the long term objectives, running the business based on a managed services business model. The short-term objectives include:

- Core Capabilities, improve/change skill set and knowledge base of the team and support systems/software;
- Customer Relationship, improve communication skills towards customers;
- Sales, acquiring sales team members, create a clear vision on what the business lines are and create a new marketing strategy;
- Processes/Procedures, improve planning/procedures and internal communication.

9.2 Recommendations

In the previous paragraph is concluded that AUP IT will have a lot more opportunities to grow when the business changes their business model from project based to managed services. Based on the implementation stages, change is not possible when there are general problems with for example communication, resources and procedures. These particular problems might have nothing to do with the change but can affect the change process negatively. At the moment, AUP IT is not ready to start the transition. In order to successful transition towards the new business model, the researcher concluded that AUP IT should accomplish the short-term objectives first.

In order to improve the skill set, AUP IT must know what skills employees currently have and what skills are required in the future. To be able to find out what the gaps are, it is recommended to undertake a workforce planning and development process. This process will help the business be successful in managed services. Once AUP IT finds out which skills are missing, it is recommended to deliver training courses and perhaps invest in hiring new team members who can fill up the gaps and missing skills. AUP IT needs to realise that the investments will be returned once AUP IT has the perfect skill set in-house to successful deliver managed services in many different areas.

As communication is a weakness, it is highly recommended to use transparent communication. Open and transparent communication will result in understanding and cooperation of team members during the transition process. Also communication towards the customers must be open, transparent and frequently. The researcher believes that contacting/updating a customer once too much has a lesser impact on the customer than no communication at all. Communication can be improved by training courses and experience.

Besides open and transparent communication, another important aspect is the support system/software. The researcher concluded earlier, that the current support system needs to be improved, as it is not efficient enough. It is recommended to do research in how this system/software can be optimized and improved. The fact that this software is causing issues, is because this software has not been tested former implementation. For future references, it is highly recommended to use the trial stage in a change process where possible. This will prevent unnecessary issues.

Concluded is that planning and procedures are two of AUP ITs weaknesses at the moment. A detailed planning and clear processes are required. It is recommended to look at the processes with a fresh pair of eyes. Meaning, the transition will give AUP IT the opportunity to start the new business model with new procedures. Once these procedures have been created it is very important to share these procedures with the staff members and explain the thought behind it. It will make things easier and makes adaption easier for the staff.

The researcher concluded earlier, that from AUP ITs perspective running the business based on managed services means, that the business produces seventy to eighty percent revenue from managed services. To be able to achieve the sales team needs to start closing off more managed services engagement. Currently, there is no clarity around AUP ITs offering. There is no articulated model. It is therefore highly recommended to get a clear vision on the business's business lines. The transition will give the management of AUP IT the opportunity to create the business lines from scratch and align each service, they are planning to go out on the market with, behind those business lines.

Once the business lines and services are clear, it is recommended to create a new marketing strategy that will align the business lines and new business model. Creating a clear vision of business lines and marketing strategy will be on management level. It is of great importance that this will be shared with every single staff member. As a business everyone needs to know how the business functions and what it has to offer.

In order to be successful in managed services and achieve the desired revenue mix, it is AUP IT highly recommended to look very carefully into the customers' needs and the IT market trends. By doing research in the IT industry and frequently conducting quantitative researches among prospects, AUP IT will collect the right information to be able to improve. Innovation is the key to success.

The researcher recommends AUP IT to use the implementation stages as a guidance, mention in chapter eight, throughout the entire change process. The researcher believes that a powerful and successful change process can be accomplished by structuring the transition. Planning upfront leads to a change process without any concerns and a fast accomplishment.

The last but maybe most important recommendation is to track down the business performances. During the transition it is important to manage the performance. In order to achieve the desired revenue mix, AUP IT must stay on top of their diversified business lines and actively monitor their key performance indicators (KPI). The KPI will help evaluate their success at reaching targets. During the transition period, it is recommended to frequently check the performance. When, for example, a performance does not reach its set KPI, AUP IT needs to investigate why this performance is not accomplished. The researcher believes that close management of performances will speed up the change process.

10. Review

In this chapter, the researcher reviews the research. This review will describe the thoughts of the researcher, including what went well and points that could be improved. Also, this paragraph will highlight what the researcher would do differently next time and how the researcher will do it differently.

The last twenty weeks the researcher has been working on investigating how AUP IT best can change the business model in order to improve the business. Many aspects have been reviewed to be able to advise AUP IT how to change the business. The researcher is very pleased with the way this research was conducted.

At the beginning of the research period the researcher had some meetings with AUP IT management to discuss the research problem. Soon there was a specific reason to carry out this research. Based on the research problem the researcher was able to easily plan out the research.

The researcher is satisfied with the way in which the qualitative studies were conducted. This is due to the good cooperation of colleagues and their resources. Everyone has been of great help in order to successfully accomplish this research.

Besides the qualitative study the researcher also conducted a quantitative study. The researcher is very disappointed in the fact the quantitative study did not reach the sample size as previously indicated. The study will give AUP IT an idea of what the customers' needs are but unfortunately this study is not reliable and valid enough to cover the thoughts of the entire population. In certain ways the researcher is depending on the participation of respondents. The researcher used several different channels to reach the respondents, but to no avail. These channels include mailing lists, website links and several social media sites of the organisation. The researcher believes that respondents need to get something in return. This means the researcher will definitely think of something, next time conducting a survey, that will trigger the respondents to fill out the survey.

As regards planning the researcher should have kept a closer look at the progress of the research and should have managed this better. Unless the fact that the planning could have been improved, the researcher was able to finish the research before the end of the research period.

Overall, the researcher is looking back on a very instructive and valuable period within the organisation, with positive results. The researcher would like to thank AUP IT for given this opportunity. Hopefully, AUP IT will be able to successfully transition to the business model based on managed services with the recommendations given above.

Anne van Gemert, June 2016

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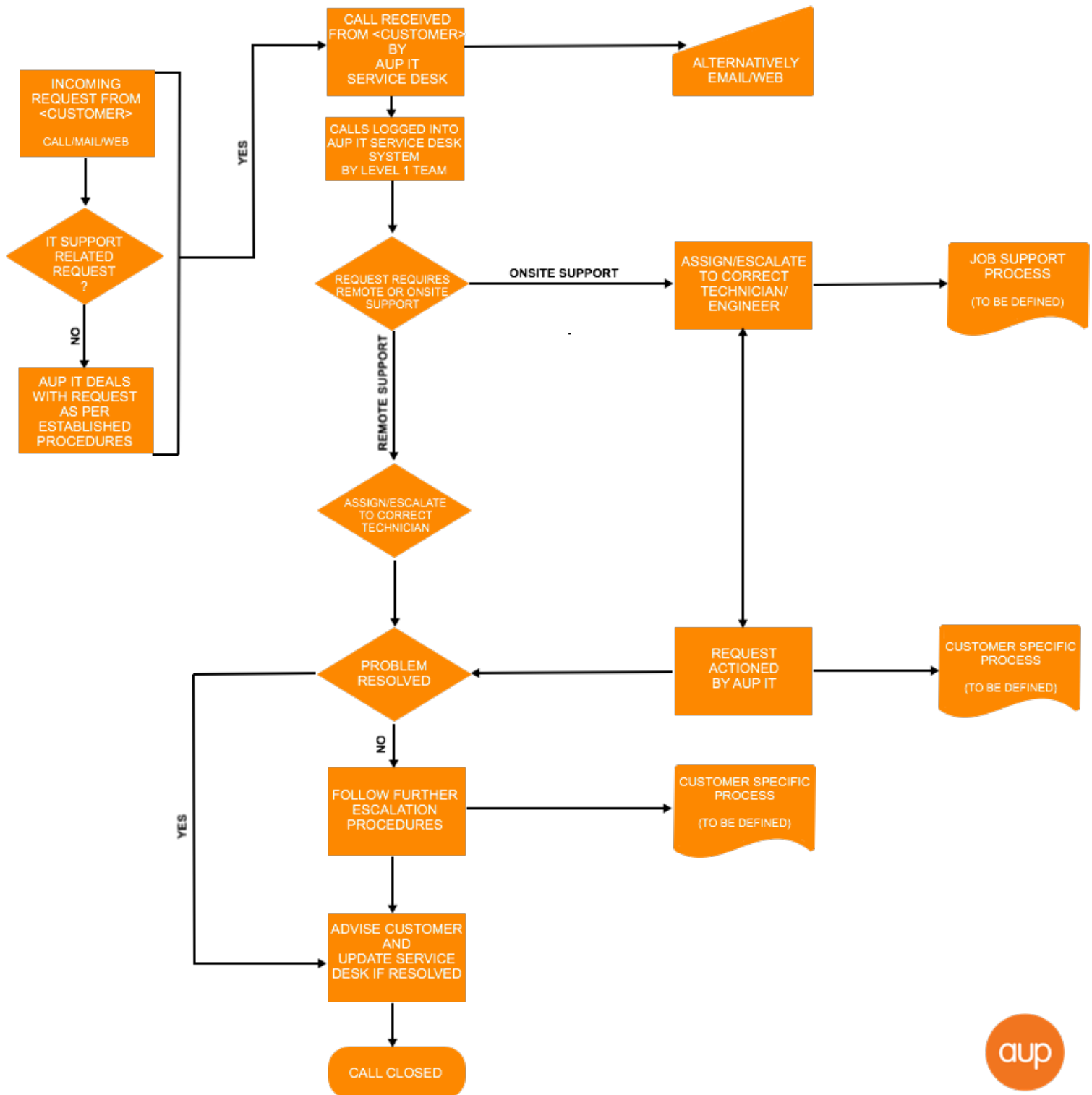
Appendix I – Capability Matrix

Service Category	Skill / Competency	Advise	Consult	Design	Implement / Configure	Manage
Data Management	Storage Architecture	✓	✓	✓	✓	✓
	Storage Assessments	✓	✓	✓	✓	✓
	Storage Area Networks (SAN)	✓	✓	✓	✓	✓
	Storage Migration	✓	✓	✓	✓	✓
	Archiving and eDiscovery Strategy	✓	✓	✓	✓	✓
	Brocade SAN	✓	✓	✓	✓	✓
	Cisco SAN	✓	✓	✓	✓	✓
	EMC Storage, Backup and Archive	✓	✓	✓	✓	✓
	NetApp Storage	✓	✓	✓		
	Sun/Oracle Storage	✓	✓	✓		
	HDS Storage	✓	✓	✓		
	IBM Storage and Backup	✓	✓	✓	✓	✓
	HP Storage and Backup	✓	✓	✓	✓	✓
	Symantec Storage Management	✓	✓	✓	✓	✓
	Backup and Archiving	✓	✓	✓	✓	✓
	Commvault Backup and Archiving	✓	✓	✓		
	Backup as a Service (BaaS)	✓	✓	✓	✓	✓
Data Centre	BC / DR Consultancy	✓	✓	✓	✓	✓
	Enterprise Architecture	✓	✓	✓	✓	✓
	VMWare	✓	✓	✓	✓	✓
	Linux	✓	✓	✓	✓	✓
	Windows Server	✓	✓	✓	✓	✓
	Veeam	✓	✓	✓	✓	✓
	EMC VMAX	✓	✓	✓	✓	✓
	EMC VNX	✓	✓	✓	✓	✓
	EMC EXTREMIO	✓	✓	✓	✓	✓
	Storagecraft	✓	✓	✓	✓	✓
	Cisco/Nexus/UCS	✓	✓	✓	✓	✓

Cloud Integration	Cloud Architecture	✓	✓	✓	✓	✓
	VMWare Cloud	✓	✓	✓	✓	✓
	Microsoft Office 365	✓	✓	✓	✓	✓
	Microsoft SharePoint Online	✓	✓	✓	✓	✓
	Microsoft Azure	✓	✓	✓	✓	✓
Work Space	Application Packaging	✓	✓	✓	✓	✓
	SOE Design	✓	✓	✓	✓	✓
	Windows 8 Migration	✓	✓	✓	✓	✓
	VMWare VDI	✓	✓	✓	✓	✓
	Hyper V	✓	✓	✓	✓	✓
	Microsoft Exchange	✓	✓	✓	✓	✓
	Active Directory	✓	✓	✓	✓	✓
	Microsoft SCCM	✓	✓	✓	✓	✓
	XENAPP	✓	✓	✓	✓	✓
	XENDesktop	✓	✓	✓	✓	✓
	XENServer	✓	✓	✓	✓	✓
	Security Architecture	✓	✓	✓	✓	✓
Security	Risk Management	✓	✓	✓	✓	✓
	Security Policy Definition	✓	✓	✓	✓	✓
	Vulnerability Assessment	✓	✓	✓	✓	✓
	Identity Management	✓	✓	✓	✓	✓
	Data Loss Prevention	✓	✓	✓	✓	✓
	Kaspersky	✓	✓	✓	✓	✓
	Firewall	✓	✓	✓	✓	✓
	Juniper	✓	✓	✓	✓	✓
	Fortigate	✓	✓	✓	✓	✓
	ISA/TMG	✓	✓	✓	✓	✓
	Licensing Advisory Services	✓	✓	✓	✓	✓
	License Reconciliation Services	✓	✓	✓	✓	✓
Software Asset Management	SAM Roadmap	✓	✓	✓	✓	✓
	Requirements Gathering	✓	✓	✓	✓	✓
Microsoft SharePoint	Architecture and Design	✓	✓	✓	✓	✓
	Development	✓	✓	✓	✓	✓
	Integration / Migration	✓	✓	✓	✓	✓
	Manage	✓	✓	✓	✓	✓
	Search	✓	✓	✓	✓	✓

Table 3: Capability Matrix AUP IT, 2015

Appendix II – Service Desk Procedure



Appendix III – Work Breakdown Structure

1.1	Initiation
1.1.1	Establish Project Controls
1.1.1.1	Develop scope
1.1.1.2	Identification of Risks
1.1.1.3	Assessment of Risks
1.1.1.4	Develop Risk Management Plan
1.1.2.5	Develop Risk Contingency Plan
1.1.2.6	Identify required products / resources
1.1.2.7	Develop detailed cost estimates
1.1.2	Define Reporting Requirements
1.1.2.1	Develop Project Organisational Chart and Responsibility Matrices
1.1.2.2	Develop Position Descriptions
1.1.2.3	Identify key project gateways
1.1.2.4	Establish milestones and status reporting timeframes
1.1.3	Develop Communications Strategy
1.1.3.1	Develop Project Communication Plan (PCP)
1.1.3.2	Review PCP
1.1.3.3	Submission of PCP to Executive Management
1.1.3.4	Endorsement of PCC by Executive Management
1.1.4	Commence Stakeholder Engagement
1.1.4.1	Identify all project stakeholders
1.1.4.2	Consultation with all project stakeholders
1.1.4.3	Obtain stakeholder agreement of PCP targets

Table 4: WBS Project Initiation Phase

1.2	Planning
1.2.1	Development of Project Charter
1.2.1.1	Develop Project Charter
1.2.1.2	Review Project Charter
1.2.1.3	Signoff by Executive Management
1.2.2	Project Schedule
1.2.2.1	Identify project tasks from WBS
1.2.2.2	Develop Project Schedule
1.2.2.3	Determine required resources
1.2.2.4	Resource redistribution / leveling
1.2.3	Requirements Gathering
1.2.3.1	Analysis of existing data
1.2.3.2	Gather additional information
1.2.3.3	Identify existing project management tools
1.2.3.4	Identify organisational competency
1.2.3.5	Gather information on current industry standards
1.2.4	Requirements Analysis
1.2.4.1	Undertake Gap Analysis
1.2.4.2	Identify Project Development Plan (PDP)
1.2.4.3	Obtain Executive Management signoff

Table 5: WBS Project Planning Phase

1.3	Execution/Control
1.3.1	Validate competencies against industry standards
1.3.1.1	Assessment of Gap Analysis findings with industry standards
1.3.2	Project Management Documentation
1.3.2.1	Develop overarching PM guidelines and policies
1.3.2.2	Integrate gap analysis findings into PM documentation
1.3.2.3	Review documentation against industry standards
1.3.3	Project Management Processes
1.3.3.1	Integrate systemic PM tools in processes
1.3.3.2	Develop PM procedures
1.3.3.3	Review PM procedures
1.3.3.4	Integrate PM procedures in overall organisational management
1.3.3.5	Distribute PM procedures to key stakeholders
1.3.3.6	Integration of stakeholder recommendations
1.3.1	Project Management System Recommendation
1.3.1.1	Complete Project Recommendation Report
1.3.1.2	Submission to Executive Management for Review
1.3.1.3	Signoff from Executive Management

Table 6: WBS Project Execution/Control Phase

1.4	Closure
1.4.1	Closeout Administration
1.4.1.1	Finalise administrative duties
1.4.2	Audit Project Works
1.4.2.1	Audit Phase 1 deliverables against project scope
1.4.2.2	Conduct Quality Audit
1.4.3	Implementation of Phase 2 Project Plan
1.4.3.1	Identify Phase 2 requirements
1.4.3.2	Develop Phase 2 Implementation Plan
1.4.3.3	Review Phase 2 Implementation Plan
1.4.3.4	Present to Executive Board for endorsement
1.4.3.5	Obtain sign off from Executive Management
1.4.4	Phase 1 Completion
1.4.4.1	Conduct lessons learned meeting
1.4.4.2	Recognise and celebrate successful completion of Phase 1

Table 7: WBS Project Closure Phase

Appendix IV – Theory behind Key Performance Indicators

The process starts with identifying the results the organisation expects. In order to measure your organisation's performance with key performance indicators, the organisation first needs to know what the goals actually are. It is, after all, difficult to establish rate of success without an expectation for success. Establish clear goals that reflect various areas of the company: asset management, revenue and profit, spending, safety and so forth. Key performance indicators are not limited to income; focus on a variety of areas. Review the company's business goals, and apply these to the desired results.

Once the areas are clarified, the organisation needs to establish the numbers the company needs in order to reach the goals. This step goes beyond just identifying the results; it gives shape to those results with actual numbers that represent objectives. Ask questions like for example how much profit the company needs to make, how many new customers it needs to add, how much money it needs to save and so forth. A company that makes \$10 million a year might have a goal of making \$15 million a year. That \$15 million is a specific, clear goal—more than just a goal of “increasing company profits.”

Identifying the progress that has occurred so far is the next step. Key performance indicators work alongside specific company activities, and developing indicators for future activities requires an understanding of what has already occurred or is in the process of occurring.

The next step of the process will be to determine the percentage of change that has occurred within each area of review. In other words, take a closer look at the current numbers—not focusing right now on the future numbers—and consider what has happened in the past. Doing so will enable the organisation to create more effective goals for the future. Look at the percentage of change on different scales: the change in profits from one July to the next.

Establish the frequency of reviewing these indicators. Looking at key performance indicators should not occur just once but should be a process that occurs at stated intervals over time. And each area of a company studied will require a different frequency. Company profits might need to be reviewed only quarterly, whereas internal staff skills should be reviewed monthly. (Lorette, sd)

Appendix V – Interview Template

Interviewee	Interview Subject	Interview Questions
Raja Pradeep	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. Are there specific areas AUP IT will specialise in?
		3. What opportunities does Managed Services have for AUP IT?
	- Current Situation	1. Why is AUP IT thinking about this transition?
		2. Are you satisfied with how things are currently going?
	- Desired Situation	1. Where do you see AUP IT in one year based on the Managed Services Model?
		2. What do you think is the perfect revenue mix for AUP IT?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition?
		2. What is the expected time frame for completing the transition?
	- Concerns and Weak Points	1. Are there any concerns or weak points that need to be addressed?
		2. What will be the biggest challenge?
Qui Truong	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. Are there specific areas AUP IT will specialise in?
		3. What opportunities does Managed Services have for AUP IT?
		4. How important is the Service Desk within the new business model?
	- Current Situation	1. Why is AUP IT thinking about this transition?
		2. How is the technical team currently functioning?
		3. Are you satisfied with how things are currently going?

	- Desired Situation	1. Where do you see AUP IT in one year based on the Managed Services Model?
		2. How will the technical team function according to you when AUP IT successfully accomplished the transition?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition?
		2. What is the expected time frame for completing the transition?
	- Concerns and Weak Points	1. Are there any concerns or weak points that need to be addressed?
		2. What will be the biggest challenge?
Mike Prakavan	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. What opportunities does Managed Services have for AUP IT?
		3. How important is the Service Desk within the new business model?
	- Technical Team	1. What are your thoughts on how the technical team is currently functioning?
		2. Is there any advice you would like to give regarding the team looking at the new business model?
	- Technical Processes	1. What are challenges for the technical team accordingly to you regarding the new business model?
		2. Do you think processes need to be changed for the new business model?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition?
		2. Are there any concerns or weak points that need to be addressed?
Karthik Bharadwaj	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?

	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. What opportunities does Managed Services have for AUP IT?
		3. How important is the Service Desk within the new business model?
	- Technical Team	1. What are your thoughts on how the technical team is currently functioning?
		2. Is there any advice you would like to give regarding the team looking at the new business model?
	- Technical Processes	1. What are challenges for the technical team accordingly to you regarding the new business model?
		2. Do you think processes need to be changed for the new business model?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition?
		2. Are there any concerns or weak points that need to be addressed?
Ivan Ong	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. What opportunities does Managed Services have for AUP IT?
		3. How important is the Service Desk within the new business model?
	- Technical Team	1. What are your thoughts on how the technical team is currently functioning?
		2. Is there any advice you would like to give regarding the team looking at the new business model?
	- Technical Processes	1. What are challenges for the technical team accordingly to you regarding the new business model?
		2. Do you think processes need to be changed for the new business model?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition?
		2. Are there any concerns or weak points that need to be addressed?
Ben Pin	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. What opportunities does Managed Services have for AUP IT?
		3. How important is the Service Desk within the new business model?

Ravi Krishnan	- Technical Team	1. What are your thoughts on how the technical team is currently functioning? 2. Is there any advice you would like to give regarding the team looking at the new business model?
	- Technical Processes	1. What are challenges for the technical team accordingly to you regarding the new business model? 2. Do you think processes need to be changed for the new business model?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition? 2. Are there any concerns or weak points that need to be addressed?
	- Project Based Business Model	1. What can you tell me about the business model based on projects? 2. What are the disadvantages of a business model based on projects? 3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model? 2. What opportunities does Managed Services have for AUP IT? 3. How important is the Service Desk within the new business model?
	- Technical Team	1. What are your thoughts on how the technical team is currently functioning? 2. Is there any advice you would like to give regarding the team looking at the new business model?
	- Technical Processes	1. What are challenges for the technical team accordingly to you regarding the new business model? 2. Do you think processes need to be changed for the new business model?
	- Sales Techniques	1. What are challenges for a sales person accordingly to you looking towards the new business model? 2. Do you think you have to adjust your sales techniques for the new business model?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition? 2. Are there any concerns or weak points that need to be addressed?

William Cornwill	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. What opportunities does Managed Services have for AUP IT?
	- Sales Techniques	1. What are challenges for a sales person accordingly to you looking towards the new business model?
		2. Do you think you have to adjust your sales techniques for the new business model?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition?
		2. Are there any concerns or weak points that need to be addressed?
Priya Ramkrishnan	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. What opportunities does Managed Services have for AUP IT?
	- Sales Techniques	1. What are challenges for a sales person accordingly to you looking towards the new business model?
		2. Do you think you have to adjust your sales techniques for the new business model?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition?
		2. Are there any concerns or weak points that need to be addressed?
Daisy Shen	- Project Based Business Model	1. What can you tell me about the business model based on projects?
		2. What are the disadvantages of a business model based on projects?
		3. What are the advantages of a business model based on projects?
	- Managed Services	1. What can you tell me about the Managed Services business model?
		2. What opportunities does Managed Services have for AUP IT?
	- Finance	1. How will this new business model improve the financial state of the organisation?
		2. Will the new business model improve the gross profit?
		3. Are there more growth opportunities for AUP IT?
	- Transitioning	1. What is the most important aspect that needs to be considered during the transition from a financial point of view?
		2. Are there any concerns or weak points that need to be addressed?

Appendix VI – Interview Transcriptions

All the transcriptions of the interviews are listed below. The researcher used recordings to get all the information. Via those recordings the researcher is able to fully transcribe and analyse the interview. This increases the reliability of the interviews and the qualitative research.

VI.1 Raja Pradeep – Sales and Marketing

Good Morning Raja,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services.

This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

We will start with the project based business model. What can you tell me about this model and how this has been running within the organisation?

So the project based business model, it is a really important to understand that we have tried to compress it. We are simplifying it too much. As we say project based business model, is it purely projects, no. We do have a few managed services customers but essentially for the last seven years we have run as an organisation where projects program off works has a beginning and an end. Those projects have been fantastic for us, we have added a lot of value to the customer. We have added a lot of value to the ecosystem of IT vendors, IT distributors, IT value added resellers and partners. Where we fit in to the value chain as a system integrator is we integrate or use our professional service of expertise to mix and match different solutions from hardware and software vendors and bring in our specialist expertise to make sure the solution works for the customer. However, the sad truth about a pure project based business model is that it is unsustainable in the long run because once the project is finished you have to get out there and find more work. That gap could be one month, six months or even nine months. It is unsustainable from a cash flow perspective for the business. It makes more sense to have a maintenance based or ongoing support based agreement or an arrangement with customers where you get paid a fixed monthly fee per month. That is something you can build a business on. Whereas with a purely project based business model approach it is hard to sustain.

As you were saying, you are not running a purely project based business model. So you have been doing some managed services already? Can you tell me how this is working in the organisation?

So when we first started the business, 7 years ago, we were a 100% project based. Meaning, the customer would come to us and say; I need to buy some pieces of equipment or I need to buy some software, can you help us source that, plus installing because the customer does not have the knowledge to do it themselves. We would go and do that for the customer. Overtime we decided, hang on, the vendor is charging a lot for the maintenance, we can do the maintenance for a cheaper price. We understand the customer better than the vendor does and we can offer a better service. After installing we would ask the customer if we need to monitor that for them for a 1000 dollars

extra per month. The customer agreed and then a twelve-month contract was signed by them. So once we are in there doing the monitoring service for the customer we may find other gaps and other areas in their business and say for an extra 500 dollars we can do something else for you. Or for an extra 2000 dollars we can host the cloud. Then it slowly turns into managed services kind of opportunity.

You already highlighted one of the disadvantages of the project based business model. That is the fact that there is no sustainability. Are there any other disadvantages within the project based business model which you will not have with the managed services business model?

That is a really good question. So I think we need to look at the same scenario but from different perspectives. So you got project based versus ongoing revenue or ongoing managed services. Now from a financial perspective it is clear that managed services is the winner and you might get some projects from time to time. That will then be the cream on top. But from an operational standpoint project based services can be harder for one simple reason. It is very hard for any team on the planet to have every single skill under the sun in one team. When you are a project based company it is very hard to say “no”. What happens for instance, we are getting a telecom infrastructure request what we do not do. But if we did not have a strong revenue base to sustain us we would say “yes” and probably take that job on and deliver bad services. What we do know in this instance, is that we partner up with people and we tell people upfront that this is not our core strength or that this is not our area of expertise but we can recommend people that can work with you. We can then project manage it or can coordinate it but the actual installation is not done by us. That is the biggest disadvantage in a pure project based organisation you got to understand the market value of it. You have got to be very clear on picking the right horse that is going to win the race. Otherwise it is much harder.

Can you tell me more about the managed services model and what this means from the organisations perspective?

The term Managed Services itself is misunderstood. The term managed services started with big companies like IBM, Fujitsu managing a small component of the IT infrastructure. For large companies it is way cheaper to take in a MSP than go out on the market to hire people and train people. It is easier to use a contractor. The bigger the organisation, which is quite interesting, the cost of hiring, cost of recruitment, cost of superannuation and insurance go up. The other advantage is that the resources can be just in time, you can just take them in whenever you want. It can be time constrained, it could be a six months, nine months, a twelve or even a two-year contract and so on.

That view of managed services has changed and evolved in the industry. The space we play and provide IT support to companies from 200 to 250 desktops. It can mean full outsourcing of someone's IT where they have zero resources in house or a very skeleton staff in house that manages a few things, but the bulk of the IT is outsourced to a company like AUP IT. But in essence all it means is that some part or the whole part of your IT or somewhere in between is outsourced.

Are there any areas AUP IT will specialise in when adopting the managed services business model?

There are some areas that have been core for the business and there are areas we are specialised in and we are aiming to get specialised in as well. Let look at what we are doing at the present time. At the present time we provide remote and onsite IT support across network, storage and compute. The three tiers of IT. Areas that we have gotten into and see success in are database administrator as a service (DBA as a Service), where we manage databases. Other areas we are getting into are Cloud Computing or Cloud based managed services. For example, if the customer is using AWS or Azure, which are public

cloud offerings, we can manage it for them. But also private or hybrid clouds we can manage for our customers. Areas where we feel that the dialog will continue to evolve and areas of opportunity to talk about are security as a service and application management as a service. As it gets more complex you will find that in house IT teams do not have the skills and specialist organisations will be called up on to deliver those services and we are right at that forefront of acquiring that knowledge and delivering that.

We also see a huge potential in CIO as a Service. It is very different area, it is not an operational IT activity, it is more a strategic activity, which sits in at the board level with the C level, CEO, CFO, CMO etc. We are finding that there is a willing in the Australian market and to a degree in the UK and US markets as well. We can see that they are open to bringing in external providers to sit in at the board level, open to bringing in an external provider to sit in with the executive team and help drive strategy. We believe that this will also drive more revenue for us in other operational project based work as well.

Indeed, there will always be projects evolving out of the managed services business model. Later we will discuss the perfect revenue mix for AUP IT. Now, looking at the managed services business model, how would you like to see the technical team functioning looking at this model?

Absolutely, that is a really good point. And that is something a lot of organisations struggle with, having the right mix of staff. This also touches on our uniqueness. We are unique in that our service desk staff are not pure support and operational staff. They are specialised in many different areas. Very unique in that our first call resolution time is very quick. The customer will speak with someone that has generic knowledge across all of these areas and that has come from the project based background. Because in a small company by its very nature, when one technician goes out, they have got to solve the problem right then and there. Large companies would say, this is none of our business, we will send a technician that will have the skills. That is possible for large companies to do that but for smaller organisations it is better to have all the skills in one person. Which will also lend itself better to managed services. From a customer perspective and we are always driven by what the customers really want. What the customer really wants is not to speak to many people but to get their problem fixed. That is a reality. Customers do not want to explain themselves 4 times and speak to 4 different people before their problem gets fixed. Our uniqueness reduces the frustration of the customer. To have that sort of mentality is really good and to have that team of expertise.

To answer your question, do you require different ways of procedures within the technical team. Yes, the MSP require a different mind-set but no they do not require a different skill set. Meaning, it is the same skills that was used during the project based approach. But how those skills are applied and what sort of mentality you need to have, that needs to change. Staff have a certain way of thinking. Managed services staff have a different way of thinking which is driven around service level agreements and real effective customer service relationships.

Can you tell me more about why AUP IT is planning on transition towards the business model based on managed services?

There are multiple drivers. One big driver obviously which we talked about is financial. The other thing is the market as well. There are market forces shifting and moving things in such a fashion that it pays better to be a managed service provider looking after certain niche areas then to be a pure play systems integration business. Being in the business for almost twenty years I can see now, friends who have started their own system integration businesses that grew several times bigger than us that have collapsed. Their entire business model was based on one or two large customer contracts. For example, if the margin gets squeezed, they feel a big pressure because they are purely in the business of selling commodity IT. So our business model has always been about not being a

commodity sell but providing a service based sell. So selling consulting and professional services. So it will not be a too big of a shift to transition towards a business model based on managed services as someone who is selling a lot of boxes like an IT vendor. That will be a harder shift. The managed service providers have been asked to acquire a new set of skills. As a young and dynamic organisation we are able to do that and as a fairly nimble organisation we are a flexible organisation and we can move quickly in comparison to a larger company. The other driver is the way procure decisions are made they are being changed because the people making the procurement decisions are different which also means that as a supplier to that industry we need to change our thinking and shift our business to appeal to a different set of buyers. We cannot keep aiming east when everything is moving west. That is not going to work. The thing that we need to is to aim after the high level decision makers and completely bypass the IT department which is most of the time a roadblock within the organisations.

Are you satisfied with how things are currently working in the organisation?

That is a really easy question to answer because I am never satisfied. Sometimes I think it is good to be a little bit dissatisfied but sometimes I also think that being in the business, in the forest you cannot see the trees. It is the same kind of thing so it is good to take a step back and look at it with a fresh pair of eyes, or get help from mentors and advisors who can look the industry from a helicopter point of view. So if we can stay ahead of the change and can see what is going to happen in two/three years' time and if we align our business model accordingly we are on the right track.

Can you point out what your dissatisfied about exactly?

Internally I am pretty satisfied with where we are at. We have got some good people on board. Externally with market forces, the thing that is not easy to do is doing your research what is going on in the market and where you need to be at is a constant struggle. I do not think this will end anytime soon. I am not actually dissatisfied with the fact the market is changing so quickly because where others see challenges, I see opportunities. Every technology has its time limit. The only thing we are limited by is our imagination. So if your imagination is thriving, well and healthy and able to see the trends and what will happen two/three years from now, you will be in a good position to align yourself to that.

Talking about the future, where would you see yourself and AUP IT within a year?

For us, the goal and challenge is to increase the managed services revenue by double our managed services revenue by the end of the calendar year. So that is the financial goal. From an operational standpoint we want to increase the number of services that we go out to market with and find more niche areas where we can service and provide managed services for customers. Another longer term goal for us is to go global because we believe if we do not expand essentially you are sitting dock and someone will take you out. We are looking at New Zealand, Singapore, US and perhaps Europe. Being a truly global economy in this day of age technology is not limited by borders. The end game for us in perhaps 10 years' time is to get acquired by a larger company, a larger vendor or service provider.

We talked about is earlier. What would be your ideal revenue mix looking at being a MSP? If you look at the top line, I believe that by growing a managed services footprint by its very nature it will increase our number of projects as well. We will be working with more clients, we will be providing ongoing IT support to a lot more customers meaning we will uncover a lot more problems meaning more projects will be created to fix those problems. They are not competitive with each other. In fact, increase in one area, managed services, will help increase in project based stuff. How much that project work will be if we double our managed services revenue is everyone's guess but it will be definitely more than what we

are doing now. In terms of ideal revenue mix I would say 70-30 or 80-20 in favour of managed services because I also believe that the 70/80% of managed services against 20% projects will be far higher than the 80% when we first started out our business. It is all relative.

Maybe it is a hard question to answer but how do you think you can achieve such kind of revenue mix?

Industry alliances, digital marketing. There is not one way we are going to market our business because essentially for us to double our revenue we need to double the number of leads coming in to our business because if we close one out of every four deals we are in front of, it is just about spreading the channel or creating multiple channels for those leads to come in to that funnel. That is where we are at. Simple to say but hard to execute. And we also need another business developer for Sydney. We need to hire one more sales person.

How is your current revenue mix designed?

- Projects: 65%
- Managed Services: 20%
- Break/Fix: 8%
- Product Resale: 7%

In your opinion, when would you like to see AUP IT be there where it needs to be?

Within the next twelve to eighteen months is the timeframe we have been given ourselves to make that happen. Definitely reachable because for an operational standpoint as you know we have made the transition to a new service desk platform. This has been a hard change. We started in December last year and only got it right in May. This is normal though. For me it looked like a really long time but we are too hard on ourselves. Which is good as well, that makes us demanding rather than taking it too easy.

Are there any concerns or weak points where we need to keep an eye on while the transition is happening?

I think the biggest shift is changing the mentality of the staff to a managed services model. Second, this is an ongoing task for any IT company in the world, is to get technical people think more business-like, to have that business accretion and that commercial savvy, to train them to be able to talk properly to the customer, give them confidence. In IT you are not selling IT but you are selling confidence. You are telling people that their problems rest with us and we will get it done for you. That is training that we realised that we need to give to our technical staff because their mind-set is very different. Most of the time they are introverted and only focussed on the fixing part.

Is there anything you would like to add to this information?

No not really, it was a really interesting interview. I only want to add that IT is everywhere and is not only limited to computers, hardware and software. This gives a lot of opportunities to get involved in IT industry.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.II Qui Truong – Directors / Solutions Architect

Good Afternoon Qui,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services. This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

Do you want to get both mine and Raja's point of view?

Yes, that is correct but I will also interview the technical team and the sales team including finance to make sure I get everyone's opinion.

It will be good to understand what everyone thinks because I would like to see that we are all on the same page. Which is good, so this is a good exercise.

Starting with the project based business model, can you tell me about how this model is running within the business?

Recently we have come across a lot more work on project based stuff, which is really good. What is changed since we first started, is that we are working with a lot more partners rather than working directly with the customers. There is still a level where we are still doing work directly with our customers but for the last year/a year and a half, we, Raja and I, really tried to develop a partner eco system. So we can work with partners on these projects and it is more to get our name out there and to have broader base of sales people to work for us indirectly. That has been pretty successful. Recently we have come across more project work, which is because the industry is getting a lot better.

About the project work. Based on research it is not possible or very rare to have a full managed services business. How do you see the project work within the managed services business model?

I think from my perspective, you probably heard 80% of the revenue should come from 20% of your customers. I would like to see that 20% of our customers are on a managed services agreement, which will be good if we get to that point. What you will find is, as part of a managed services agreement, is that there is always going to be a level of project work as well. You cannot have one without the other, it will just happen like that. Some will outsource their project work and just keep managed services / the helpdesk component but most do not outsource their project work. They will engage a MSP to get project work done. As long as you are billing the client for something the client will come to you for anything else. That is typical for small – medium sized businesses, where larger businesses get the whole outsourcing model and they understand that they can go anywhere they want. Because there are multiple decision makers within large businesses, one person might not like you and get their project done by someone else. But even then you will be managing the underlying managed services. Large businesses work like that where small – medium sized businesses have just one person in charge where you will deal with or not. But there will always be a level of project work out of the managed services. Everyone is driving to have an annuity business, it makes your business more viable and predictable, and so you know how to budget properly. Also, the reason why it is becoming more prevalent is because of the cloud. Everyone now (because of managed

services) is billing per month for cloud services whereas before you are selling a server, storage, you implement and walk away. Now they are not selling service, they are selling cloud. Customers are now understanding that they are buying a server per month and not buying it out rate. Service providers are also adding value to that by adding a level of service to that. Cloud more lends itself to managed services rather than just project based. It forced the whole industry to change basically.

You pointed out that Cloud is a really interesting area to focus on. Are there any other areas AUP IT would like to be specialised in?

CIO as a Service, you know about, is a really good one. Database, DBA as a Service (database administrator). That are two areas that we find skills hard to justify. CIO, you have to have a large IT department to have a CIO. A lot of the times small – medium sized businesses can't afford them and then the technician that became the IT manager within the business, is not really business savvy enough to be a CIO. That will be a very popular managed service. The other one is Database Administrator. The reason why is because you cannot live without databases these days. Everything comes with a database. What a lot of companies do not realise is that it is a very specialised area of IT. Everyone knows "networks" to a point where it becomes sufficient but not a lot of people know databases. That is another area that puts focus into, where we can find a lot attraction.

In your opinion, what opportunities has the managed services business model for the organisation?

Definitely the ones I was talking about just now. They are two good areas I think we can become very specialised in those areas. Managed services also gives you the opportunity to upsell. So you get in there and you sell one thing and before you know you can sell them something additional to that. Everyone out there sells managed services, no one really knows what it is, so a focused approach is a lot easier to sell.

To get back to the question, not looking at the services, what kind of opportunities does the model have for the business itself?

Business wise, definitely the annuity. The annuity, the predictable account base. We know when we get paid, how much we are getting paid, so we know how to plan. That is maybe the biggest benefit of this model. Market position wise, if you do not have anything like managed services or cloud offerings, you will become irrelevant, you will become a dinosaur. If you won't change, you will be gone for example Kodak. Not willing to change. Some might stay but they are getting smaller. You become irrelevant.

With this answer, I think we highlighted the question, why AUP IT is transitioning towards the new business model as well. Am I correct?

That is right.

How is the technical team currently functioning within the business?

What we do is we do what they call leverage. From a big company perspective (HP, IBM) they call it a leverage service model, where you basically leveraging skills from all your teams to leverage up project work. The project work is the one that is unpredictable so that comes and goes but what is predictable is your team to fulfil the service. You will always know you have got that team and you can predict how many people you need for the next month. So you can leverage those guys and put them on projects. So train them, training them to a point where we can leverage, that is important. Upscale them in house and then use those guys to deliver not only project work but also managed services in the future. The other one is contractors. I would like to use contractors as a last resort, use what we have internally but contractors it will be key. You cannot use your helpdesk guys all the time.

Are you satisfied how things are going at the moment?

Yes, I think the direction we have taking is good and the path we paid for ourselves to get to that end goal, I think we are on the right track now. I would have liked to see a quicker transition but it is what it is. I think, maybe, a quicker transition may have been to quick. We are getting there. There are a couple of little tweaks we might need to do on the customer service side of things. All and all, I think the guys have been picking it up really well, everyone involved and pulled together and done what we have to do. It has been good.

You mentioned it earlier. You want to see the transition going quicker. To follow up on that, where do you want to see AUP IT within one year?

I like to see 80% of our revenue being managed services. Again the 80-20 rule but if it is still 50-50 that is still okay. I want to see managed services become more than half of our revenue, at least. I would like to see the guys become more efficient in the way they handle the work. I think there is a lot more scope than the guys can handle. It is good that we do not have that many desktops at the moment just to get them in that routine. Get all the processes in place and then as we bring more customers on, they start to realise they can actually have the capacity to scale out and do a lot more than what we are doing now.

How do you think you can achieve that, with the technical team?

Through training and mentoring and just a bit of hard work. Mainly it is training and mentoring. That is key to any companies' survival I think. You got to give them the opportunity to learn.

What would be the most important aspect while transitioning towards the new business model?

Training! Giving them the right amount of time and the right amount of material and the right amount of mentoring. Guidance.

Are there any concerns or weak points where AUP IT needs to keep an eye on while the transition is happening?

Being technical, the guys, they have a lot more customer service skills they need to develop but that is with anything. There are technical guys but I like to see them develop more of their communication skills. This will help them with all sorts of things, not only with work just here but also with their whole career. The biggest change I would like to see is the communication. That will be make or break for anybody/everybody.

Is there anything you would like to add to this information?

I think you have been pretty thorough. Contractual side of things, I mean the contracts are an important part of everything, SLA's (service level agreements), understanding all of that. Those are crucial to the relationship. It is a different mentality. Managed services versus project work. Approaching the customers differently, selling it differently. Managed services is a way longer sale cycle but you get way more out of it.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.III Karthik Bharadwaj – Infrastructure Engineer

Good Afternoon Karthik,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects based related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services.

This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

What can you tell me about the project based business model and how that is functioning within the organisation?

Project based business model is good when you are having current pipeline projects. Most of the projects will be short term projects. With these short term projects, three, six or twelve weeks, you quote a high price because implementation needs to be done in a short time.

In terms of the projects. What is your opinion on how AUP IT runs projects?

In terms of project planning I thought there was a major issue, in terms of not planning properly. When a project begins for example system implementation there is often no clear plan. This is a risk when there is no backup plan. A detailed planning is required sometimes. Processes, to some extent, need to be there to be followed and implemented. It will help the company. It is not to bring down a person or to point to anyone. It is just to make things easier. If you have five steps to do you will not miss anything.

What can you tell me about managed services?

Project based would be more planned in terms of budgeting, implementation and execution can be planned to a big extent. With managed services a lot of services are provided. What you do is specialise in a way that attracts more customers. It is important to keep the existing customers and keep on building, expanding. Customer service is really important to achieve that. Also price is very important. You can give the best service, but if there is another MSP which offers the same service for a much cheaper price, the customer will eventually choose for the competitor.

What opportunities does Managed Services have for AUP IT?

In terms of the cloud based solutions with AWS and Azure, that is where the future lies. In terms of approaching the customer is very hard because existing customers will not change easily from on premise to the cloud. This is where AUP IT comes in and will try to convince the customer. Any new technology needs the attention. It is really important for AUP IT to follow the trends; you need to set those trends into the company. Otherwise you will struggle and not make money at all.

How important is the service desk for the new business model within the organisation?

The service desk is the first point of contact so it has to be good in terms of serving the customer. The service desk manages all the incoming calls and emails. When AUP IT grows within the managed services they definitely have to think about hiring more people at the service desk as a backup. You need to make sure that the customer feels that their problem is taking care of. Following up is very important. Service desk is really important, Within the managed services business model this is the signature and needs to be very

strong. It is like soldiers in an old traditional war, the front runners are the ones who are going to take the first hit.

What are your thoughts on how the technical team is currently functioning?

When moving to managed services model the technical team needs to have knowledge about each customer. It is really important that the customers get help whenever they need it. So in every circumstances they need to get the assistance as required. Also achieving SLAs should be improved. At the moment we have one managed services customer. SLAs are going well but it is sometimes possible to accomplish the request earlier by prioritising the issues better. It is also very important that the technical exist out of permanent staff. The customer needs to have faith in the technical team. When they are contacting AUP IT and realise that every three months there is someone else they are talking to, it will not look great. It will be very annoying for the customer. Like said earlier the service desk is the first contact and needs to be steady. The communication needs to be good. At the moment this could be improved. How you put things across is very important. How you communicate will change a lot and make things easier. Relationships are eventually build on trust also with the customer.

Do you think processes need to be changed for the new business model?

They are totally different models and cannot be compared easily, but the processes will be the same, I think. It is more about the implementation. Of course the processes are there to be followed, if nobody follows these processes there will be chaos. For the new business model, I think it is a good thing to create new processes and renew old processes, so that everyone knows what to follow.

What is the most important aspect or challenges that needs to be considered during the transition?

I already highlighted several challenges like the trends, planning and communication. Basically you have to plan the execution and get feedback of how you planned, how the execution went and what was done in the end. Constantly feedback is really important for the customer but also for your own learning. Keep improving it. When a third party asks the customers if AUP IT delivers a good service and they recommend it, then you are really good. This is eventually how you will get more customers into it than trying to advertise. The importance should be given to the word of mouth which is very powerful.

Is there anything you would like to add to this information?

I think you highlighted most of it. I think you could use this for your thesis. And if you have more questions along the way, feel free to contact me again.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.IV Ivan Ong – Infrastructure Engineer

Good Morning Ivan,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects based related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired

situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services. This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

What can you tell me about the business model based on projects and how this is used within the organisation?

The business model based on projects is very unreliable as they are very ad hoc. This could be due to the reason that we previously have had a fair few projects lined up that were taking up too much of the company resources thus the slowdown in the business pushing for more sales. However, by just working on projects, the business will lose opportunities to that are not presenting itself to them and by the time the project is completed and then the business deciding to look for more work, it could be too late. Sales could also be out of sync with what the current market wants and playing catch up would be hard. The business could've considered getting as many projects as they can and then bringing in more technical people on-board to help out with the work and grow the business.

What are the disadvantages of a business model based on projects from a technical and business perspective?

The business model works well when outsourcing is not matured. However, with outsourcing matured, doing projects could be a lot harder as if businesses has already outsourced, then they would first consider using the outsourced resources than going on board with a business that they've not worked with for the project as they wouldn't be confident about the results that will be delivered but if they are always happy with the company they outsource to, they wouldn't even consider any other businesses.

What are the advantages of a business model based on projects from a technical and business perspective?

The advantage of this business model would be that they can use any technical staff that fits into the project requirements as opposed to using their own staff who might be less knowledgeable to do the project and it doesn't incur the cost of having an extra head count when the project is completed as they will usually let the staff go to reduce cost.

What can you tell me about the Managed Services business model?

Managed services let you offload specific IT operations to a service provider, known in tech parlance as a Managed Services Provider. The managed service provider assumes ongoing responsibility for monitoring, managing and/or problem resolution for selected IT systems and functions on your behalf.

What opportunities does Managed Services have for AUP IT?

AUP IT as a business has definitely the ability to grow when taking on this new business model. The switch needs to happen as the market is changing fast. From my opinion we are late adopters. As AUPIT is small, it will be a challenge to convince companies to switch over as there are already many established players in the market.

How important is the Service Desk within the new business model?

Service desk is important. This is the key within this business model. Managed Services will be 80% service desk meaning remote fix and 20 projects onsite.

What are your thoughts on how the technical team is currently functioning?

There isn't communication in the office at the moment. Everyone is just acting like a silo and this is very bad for the business. Communications should be transparent in a small company like AUPIT as it will be encouraging for the staff to know that the company is growing and what opportunities will be presented in the near future.

Is there any advice you would like to give regarding the team looking at the new business model?

If the staff are not valued, then we cannot expect the staff to be committed. Currently the staff are low in morale as their needs are not satisfied. According to Maslow's hierarchy of needs, the second level of the triangle refers to "safety". Safety refers to human needs for survival. If the business doesn't care about the "safety" of the staff, it will become the case that the staff do not feel safe and will want to move on. Thus it is very important that the needs of all staff are taken into consideration and cared for to ensure that they can perform at their best.

What are challenges for the technical team, accordingly to you, regarding the new business model?

More work that will be piled on to the technical team as they are currently small. Although it is still manageable but they should do future planning to ensure that there is staff that can do the work at any one time as if one is sick or away, there would be no backups.

Do you think processes need to be changed for the new business model?

Yes, it does. Constantly hiring interns thinking as a way to save money will not work as businesses that use our services will be concerned to hear turnovers every so often. This will cause them to lose faith and move away as they are worried that the interns might do changes to their businesses and then move on only for the next intern to do something else and it causes a system that's already broken to be broken even further.

What is the most important aspect that needs to be considered during the transition?

Training and understanding of the requirement. Guessing and assumptions will only cause issues further down the track.

Are there any concerns or weak points that need to be addressed?

Investment needs to be made to the current business to ensure that its survivability.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.V Ben Pin – Infrastructure Engineer

Good Afternoon Ben,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects based related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services.

This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.



What can you tell me about the business model based on projects?

Using this model, the business revolves around completing individual projects. Each team of employees focus on a specific project that needs to be done. These teams are run by project managers who supervise and assign projects. There can be different teams within a single organisation each focusing on a specific project. Teams can choose to collaborate with each other to share information and resources.

What are the disadvantages of a business model based on projects?

The main disadvantages are isolation of services and lack of motivation. The focus of project based structures is to efficiently finish individual projects and goals. The model does not encourage employees to cooperate with other teams or share a common business vision.

What are the advantages of a business model based on projects?

Each team only has to worry about completing specific tasks and projects. The project manager itself can focus on their own team and is responsible for the project. Therefore, the drive is there to successfully complete the project.

What can you tell me about the Managed Services business model?

The managed services model focuses on outsourcing areas of the business to specialized companies. An example of this practice is to outsource the IT department to a Managed Services Provider (MSP) that specializes in IT support for multiple companies.

What opportunities does Managed Services have for AUP IT?

If many companies decide to use AUP IT as their MSP, it will generate a steady stream of income for the company. With the project based model the income relies on the completion of each individual project in order to generate revenue.

How important is the Service Desk within the new business model?

With the managed services model, the amount of revenue is more dependent on the quality of the support and service desk. If the client is satisfied with the support, the managed services model can also lead to projects emerging for specific customers that can be billed on top of the managed service.

What are your thoughts on how the technical team is currently functioning?

The current technical team is coping with the amount of requests that arrive in the service desk. The quality of the service desk is dependent on the technical skills and abilities of the engineers. If projects arrive that are beyond the knowledge of the engineers, this quality might suffer.

Is there any advice you would like to give regarding the team looking at the new business model?

I think there should be more focus on acquiring knowledge and keeping up to date with current IT processes. The IT market is always changing and in order to keep acquiring projects the knowledge of all engineers has to be kept up to date.

What are challenges for the technical team according to you regarding the new business model?

Like I said, earlier I think the main challenge is to keep up to date with the current IT processes. Many different customers lead to manage different environments where many different types of operating systems, network devices and server equipment are used. The technical team needs to have the ability to troubleshooting these different environments

while still providing the same support quality.

Do you think processes need to be changed for the new business model?

I think that the focus needs to lie more on teamwork. If engineers from different teams work together it is easier to share knowledge and quickly find solutions. The shift needs to be made from isolation and separate projects to multi-team cooperative environments.

What is the most important aspect that needs to be considered during the transition?

The most important aspect is maintaining the same level of the support quality. The other consideration is in terms of staffing and personnel. There should be less focus on using contractors for specific projects and more focus on incorporating full-time employees that are dedicated to the support of the customers.

Are there any concerns or weak points that need to be addressed?

The support systems themselves need to be analysed in order to prevent future issues. The company needs to adapt to multiple client infrastructures, but this adaptation should not result into many different support solutions being used. Research needs to be done to improve and optimize the current service desk in order to incorporate future clients.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.VI Ravi Krishnan – Senior Solutions Architect

Good Afternoon Ravi,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects based related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services. This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

The project based business model, what can you tell me about this model and how it is running within the business?

So the project based model is commonly ad hoc projects. First of all, there is no guarantee that you will get the projects. It comes if/when it comes. There is no assurance that you will get “x” projects a month. So that is the first problem with the project based business model. That means AUP IT needs a sales team to go out and constantly look for projects. As compared to managed services where you are guaranteed. You have guaranteed revenue and guaranteed work. To be successful in project based business model you need obvious be client based and have a good sales team selling projects. I think we do not have a big sales team, we have a very small sales team. So therefor, the inflow of projects is limited. We need more new customers, more new customers with new projects besides running the projects with existing customers. That is good but we need more. If you need to grow you need more because having projects with the same customer is a

risk. If they decide to do a project by someone else, you are lost. You need to have multiple customer base, multiple projects and salesforce.

Looking at the technical team, how are they functioning within the project based business model?

Being a small company the number of technicians available are limited. So therefore, we make use of existing resources among multiple projects. Most of it ends up Qui running all the larger projects. That is obviously a good thing because he is experienced but also the downside is, if you own the business you need to work on the business instead of in the business. Work on developing the business, get more leads and have the project work delivered by someone else. If yourself gets started on the project, you do not have the time to go out and get more business. Both of the directors have to make themselves free to sell the business instead of deliver. You should deliver by outsourcing or use the technicians which we should have more. It is like cash 22, do you take more engineers in the business and wait for the projects or do you first get the projects and then get more engineers. It is always a problem. At the moment it is just about right but you need to have more team.

More team in different skills you mean?

More team in different skills is correct but you need more dedicated permanent resources.

And if you look towards managed services do you recommend to look at people who have more skills. Because with the project based business model you use one guy for storage and another one for networking, is that correct?

That is partly right because you do not longer use for storage only. Maybe ten/fifteen years ago but that is no longer the case. I have managed teams the last fifteen years and I have constantly realised each engineer, each technician must have at least, to survive for you to maximise their skill availability, you need them to be skilled in at least three or four skills. It depends on the degree you are on. Some you know more about then others and that is okay. You need multi-talented and multi skilled engineers to be efficient enough to work across all streams.

What can you tell me about managed services and the main difference between these models?

Managed services or what you call recurring / annuity revenue, you got a fixed client base with a fixed revenue and a fixed set of tasks. This model helps plan your resources a bit easier. So the first difference between these models is that you have a certainty in what you need to do, your earnings and business productivity. That works better with managed services. However, you need both because in a managed services environment you can have some capacity to deliver the projects. You have the overflow.

Also, from experience I learned that you can have 80% work done by the service desk on level one, two or three. You do not need high-end engineers because you are managing the environment. So when you take on a new customer you first going to take over the new client, then you fix the environment up by running small projects and then you will give it to the BAU team. The BAU team is the business as usual team which is the service desk team. All that they are doing is monitoring and looking after requests or incidents.

Managed services have lots of advantages. One of the most important aspect is that the team is avoiding the problems by monitoring instead of just fixing the problems.

Now, there are a lot of managed service providers. In the past, say about five years ago, they have their own datacentres. They have a huge data rack there, tons of storage and servers. When the customer needs ten VMs they provide ten VMs and charge them per month. So they invest in hardware, the servers and the racks. Now it is completely

different with AWS (Amazon Web Services) and Microsoft Azure, you do not need all of this stuff. It is all virtual, you turn it on in 5 seconds and the managed service provider will manage it for you. That changed, again, completely. You do not want to invest money in your own datacentre, why bother. You get a reseller price, you can manage it online, it is highly accessible, better bandwidth, it does not cost you money in investment, you just run the service. That is the way to go now.

So this is definitely an area AUP IT needs to look into and what good be a great opportunity?

Yes, it is definitely therefor worth focus on this area.

We already talked about the fixed revenue being a positive aspect within the managed services business model. What are other opportunities for AUP IT looking at the managed services business model?

When moving to the new business model you will not have ongoing managed services but you will also get more, new projects. When you are looking after systems for one or two years then new versions come in. In this case you get certain project revenue coming from the same customer by offering a service to upgrade that system. You have to convert as much as you have because you have predictability on how much you earn. Otherwise, if you have a cash flow crisis, if you are up and down with the business, you will have a problem because you still have got salaries to pay and many more expenses. So the biggest opportunity this business model has for AUP IT is that the business is able to grow.

Looking at the revenue mix, what do you think would be a good balance in revenue running the business model based on managed services?

Typically, 70% should be from managed services and the rest can be project services. More projects will emerge from the managed services. Your projects will come because the clients already know that you are looking after the client, why go somewhere else. So the business kind of has guaranteed options.

How important is the service desk within the business model based on managed services?

The service desk is key. Without the service desk you do not have effective managed services. The first service definition that comes up within this business model is the service desk. Managed services usually has a SLA or must have a SLA on how to deliver the service and on what time frame. The service desk is supposed to manage that process for you. Customers is paying you an extra amount per month based on guaranteed outcomes for every requirement whether it is a normal, urgent or critical request. You cannot manage that if you do not have a service desk with a good platform, backing system, reporting tool. That is important and good people of course.

AUP IT has a good service desk at the moment?

Yes, we all have that now. The last six months we stabilised the new platform where it is now working well. We can always improve that but at least it is now stable. Your aim needs to be to solve 80/90% remotely. You go on premise only if you have to. This has to be rarely unless there is physically something wrong. Everything should be resolved remotely. That is where the service desk comes in. They should have the skill to do the first level, second and third level fix and then pass it on to others. Not just taking phone calls but also have the knowledge to solve the issues.

Talking about that. What are your thoughts about how the technical team is functioning?

It could be improved a little bit because we obviously are still training up the guys. At the moment I say we are good. What I am trying to do is also encourage the non-experienced

to do and learn the job. Now we see progression, Ivan who first was level one technician, is now level two/three. You have to progress otherwise you get stuck. We are doing well but we could use another technician at the service desk. You first of all need the coverage from 8am till 6pm. Secondly you need to have a backup when there is someone off sick.

You were talking about improvements. Can you specify what you would like to see improved?

Yes, sure. The technical skills because you need to know how to solve the problem. This can only be achieved by experience. The customer is expecting you that you already know the job and expects you to solve the problem. Knowing when to put your hands up and pass it on is important. You cannot forever try to work out the problem. If you cannot figure it out, go and ask somebody else, learn how to do it. Learn by executing the work and practise. AUP IT has a knowledge base which technicians need to use. If the technician cannot find anything in the knowledge base, the technician needs to take the initiative to update the knowledge base. If it helps yourself, it will also help others. You learn as you go. So improve the technical skills but also the customer service skills. When you take a call from customers, you have to make the customer feel comfortable enough to understand that he knows and feels confident that you understand the problem and you will fix it. The third most important point is communication. You have got to keep the line open. Whether you finishing it or updating it, the customer needs to know. The service desk owns that responsibility. They have to communicate back to the customer, as long as they know that this is what is happening. If you do not do this that will be a reason for a failed managed service engagement.

How is the communication towards customers and internally at the moment?

It could be better. At the moment it is 60%, it has got to improve a lot. From experiences, engineers, technical people are typically poor in communication. Not poor but they are lazy. Cannot find another word for it. You need to push them. They do not like administrative tasks. They like to go out and get things done, they do not want to do any admin work. Technical staff needs to have customer service skills. I keep saying, if you are an engineer you are half salesman already. As an engineer you constantly have to look for improvements. If a customer hears a recommendation from a technical guy it is more likely to be convinced than from a sales guy who simply tries to sell. So our soft social skills could be improved.

Do you think you have to adjust your own selling techniques for the managed services business model compared to the project based business model?

The difference being is that not every project customer is a managed service customer and vice versa. It depends on the need and understanding of the customer. So yes, you can go and pitch a managed services engagement where you feel it is an appropriate candidate for managed services. You have to know which customer is appropriate for which service. Also you need to know your limitations. Take on managed services where you think it is within your capacity. The expectations are very high so you have to know what you can take to meet those expectations.

What is the most important aspect that needs to be considered during the transitioning?

You have got to differentiate. If you are simply offering managing a server environment, 100.000 other people do it. What is your differentiations, what else can you offer? That is what we are planning to do with "CIO as a Service". The customer has to find a reason why you are better than the others.

Are there any areas AUP IT would like to be specialised in?

CIO as a Service, Printing as a Service, Data Recovery Service, Backup etc. I think are really interesting. AUP IT needs to make sure that the customer would not hire anyone else for a service. Make sure the business covers a broad area of services.

Are there any concerns or weak points where AUP IT needs to keep an eye on while the transition is happening?

Definitely, you need innovation and you have to constantly innovate. You cannot remain static. If you remain static you are gone. You have got to innovate new offerings, new services, new products. That is one important thing. Secondly, AUP IT has to increase the marketing. You need to be shouting out loud. If a search in google AdWords does not show up at the first page, no one will look at it. So AUP IT should definitely improve their marketing area.

Is there anything you would like to add to this information?

No, I think we covered everything. I just want to say that AUP IT needs to stay ahead of the game. If you are a follower you already lost, you are just picking up the crumbs. That is the most important.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.VII William Cornwill – Business Development Manager

Good Afternoon William,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects based related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services. This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

What can you tell me about the project based business model?

Projects have historically run as short burst projects to achieve a particular goal. Customers have generally come to organisations asking for specific things to be developed and to work on and quotation have been given and rewarded to a company. Then a series of resources would go in there to meet some management to make sure that the delivery was being admit based on time, budget etc. A lot of the time that would fail, the IT service provider would not necessarily give what they needed, they give what they asked for and so recently in project based modelling we basically will ask more questions to the customer and not focus on what they think they need but we will find out what they actually do need and then we will work on scoping that in the first few week of the engagement.

If you look at managed services, what are the differences between these two models?

Managed Services is something where a repeatable service offering is provided to a customer. There are a couple things you can do with this model, there is customized managed services and there “reaching of the shelf” model. For instances, an organisation

that has a hosted exchange service, it is going to be the exact same service for every single customer. There might be levels in that but basically have an offering, charge the customer and the customer chooses to choose that managed service provider. With a customized managed services model it is really about things like the CIO as a service offering we currently introduced. The service is going to depend on the customers' requirements, the customers' needs and the customers' maturity, so although it is the same service it is focussing more on the customers' needs. So that is going to be more mixed between project services and managed services.

Do you agree with the statement that projects will be developed out of the managed services?

That is correct. That is great about managed services that you end up getting project work that comes out of that. But it is a little bit more qualified, a little bit more strategic to the organisations needs and it is not adhoc and spontaneous as previously done with project work.

So that would be a positive and more effective way to start a project then running projects based on project based business model?

I mean, one of the advantages is that the organisation, providing that level of strategic managed services, is also able to understand the needs of the organisation. The projects will be more aligned with the organisations goals, needs and strategic. A great example would be, the sixteen-inch disco ball. The director asked the production crew for a sixteen-inch disco ball and gave him a week to get that disco ball. So you will have a timeframe and a requirement. So the guy goes out to see if they have a disco ball, they do not so he goes out to get quotes and find out that it is going to cost them 10000 dollars in the timeframe as required. The guy agrees with the price and lets them build the disco ball. After delays, the director is asking the guy where his disco ball is, the guy says it should be here, it should be coming. Then another guy is asking why he needs the disco ball. It turns out that he just needs sparkling lights on the ground (blue). The disco ball will not be in shot; it is just about the lights. For no costs they were able to get lights on the ground. This shows that it is all about being able to get closer to understanding the business requirements and not just relaying on what the customer asks for, because it is not necessarily what the need to get specific outcomes.

So an IT provider needs to be able to get the business strategic in line with the organisations infrastructure?

That is right, they need to ask the complex questions sometimes, they never thought of. Not just 'what do you need' but 'why you need it, what is it for and how you are using it'. Sometimes the most value person in an organisation is the receptionist. They are the person that knows how the whole organisation runs.

Having a further look at managed services and the goals of AUP IT wants to achieve. What, do you think are opportunities for AUP IT running a business model based on managed services?

I think the CIO as a Service offering is fundamentally key to our particular success in managed services. That is really an avenue for securing a deeper understanding and a more connected understanding of a business's strategies and long term objectives, with the intention to assist them with project implementations and work that comes out of that and tie back to the strategic nature of the business. That is the key. I think to drive success for our organisation we need to focus on the CIO engagements.

Do you think there will be differences between sales techniques based on the two models?

There can be. With the project based business model you got an objective which is tangible and with that objective you might clarify and you might articulate it in certain way where it is with managed services it is not as tangible, the outcomes that you are doing, you are doing more long terms strategic engagements with customers versus short term timeframe/time bound deliverable project. So there is a slide difference in the longevity of it. I know that with managed services we can provide more discount than short term projects based on the fact we got a longer term engagement. The other thing also is that both of those benefit from having value sell versus product sell. Value sell is always going to be one where, if the customer perceives the value they will purchase and if they cannot perceive the value than it is just the sales of the product and then they will not buy from you but from somebody else which is probably cheaper. So adding value is one of the most important thing for us selling managed services.

What is the most important aspect when growing into the managed services business model?

Credibility! Credibility and then their case studies, something where we can reference and point to on our website, would be fantastic. I think you know, we have got a great opportunity of some of the experiences around organisations that we work with, like the student accommodation place that we have done a lot of work with. The case studies, the references, the credibility in the market that goes a long way to be able to sell to the next customers and the ones after that.

Are there any concerns or weak points that need to be addressed?

From a customer using us, I do not think so, I think we are very strong. We have got some professional bunch of people and we have got some very strong individuals in the organisation. I think from our perspective, a clarity around our offerings to market is still a struggle for me. We do not necessarily have an articulated model. It is getting better, the brochure we just produced is more in line with where we need to be. But it is still hard to go to the customer and tell them what you sell when you do not know what you sell. Does that make sense?

Definitely. How do you think AUP IT can improve that?

Much more aligned social media and website concepts. So that everything we do and everything we put out there is align to our business objectives and business lines. We need to be cleaner about what our three, four, five lines of business are and then everything that we do, lines up behind those business lines. Whether it is a section on the website or in the LinkedIn profiles, whether it is a famous book component or whether it is a direct marketing or whether it is a brochure, each one of those needs to be align behind its particular business line. So you need to come up with the business lines first and then position everything behind those.

So if I am correct, AUP IT needs to look at their objectives and business lines and connect marketing material with those business lines.

We are getting better. If you look at our website versus our Facebook versus our LinkedIn there are different lines of business, different pages, different groupings, different articulating in messaging and when we go to our tenders, again we do not have clear articulations to what our lines of business are. You are right, first thing you need to do is identify what those lines of business are and then line up everything behind it and then go back and clean up all of the avenues of conversation.

And that is a key thing a sales person needs as a backup to sell AUP ITs services?

It is important that, when a customer has a specific issue or requirement, we can align them behind our business line and we can then cross sell into other business lines and be



clear in what we deliver in each of those categories. SharePoint is an example, then you can cross over into strategic business analysis and strategy as second long business cross upsell.

That is a really good point and is definitely something AUP IT needs to be focused on in the future. Is there anything you would like to add to this information?

I think that is a broad coverage. There are some really good strategies from AUP ITs perspective. We have got managed services being one of those lines of business which covers different services and there are other lines AUP IT will have to focus on and will have to clarify. We are on a good way and I definitely have the feeling this could improve the business.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.VIII Priya Ramkrishnan – Business Development Manager

Good Afternoon William,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects based related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services. This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

What can you tell me about the business model based on projects?

Project based model definitely works in favour, if the business is not completely thriving on it. It is definitely a great source of income if it is working in parallel with MSP business model. However, project based work can help the business get exposed to bigger opportunities and lead generation.

What are the disadvantages of a business model based on projects?

A few highly impactful disadvantages that I can think of are the uncertain inflow of cash and the need to recruit resources as and when there is work coming in which makes it very challenging for the business. From sales perspective, I have to be more aggressive in finding productive projects.

What are the advantages of a business model based on projects?

Depending on the project requirement, the business hires resources and let goes of them on completion. By doing so the business saves heaps on not having to invest in full time resources and training and other costs. This cost saving can fund ongoing marketing campaigns.

What can you tell me about the Managed Services business model?

Managed Services business model includes delivery and client servicing. The service delivery guarantees month on month inflow of cash which is very crucial for any type of

business. The client servicing arm leads to generation of more project based work and lead generation possibilities which contributes to business development.

What opportunities does Managed Services have for AUP IT?

I truly feel AUP IT should focus highly on Managed Services to grow as a business. More MSP customers will also mean more stability and recognition.

What are challenges for a sales person accordingly to you looking towards the new business model?

The biggest challenge I face is the time it takes to convert a prospect into a customer. I understand the core of any professional service is the trust factor. One can't close deals if the customer doesn't trust you and the services you have to offer. Building trust and rapport with the customer is a time consuming process. As a sales person I have to be really patient and have a few leads up my alley to work on all of them simultaneously.

Do you think you have to adjust your sales techniques for the new business model?

Yes, I do. In a project based model, we work purely on the customer's requirement. We estimate the time and resource needed, implement the solution on time and the project is completed. In Managed services, we spend time understanding the customer's environment and then come up with ideas and solutions to suit their needs best. Depending on this, we also spend time in building rapport, getting existing customers as referrals, deliver POC before we get the actual work. As a managed service provider, we are the extended IT hand of our customers and to be successful in delivering our services we have to get our in-house team trained depending on the customers as every customer is different! Being a sales person myself, the last thing I want after closing a deal and getting a customer on board is customer complaints.

What is the most important aspect that needs to be considered during the transition?

The most important aspect to be considered during the transition is the approach. Clear communication and understanding will always ease the process of transitioning.

Are there any concerns or weak points that need to be addressed?

The process flow is always a concern which needs to be addressed. Transitioning becomes simple when the customer requirements, delivery team and the business plan work hand in hand.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

VI.IX Daisy Shen – SAM Consultant / Finance Manager

Good Afternoon Daisy,

First of all, thank you so much for helping me with this interview. During this interview I will ask you several questions based on different subjects related to the research I am conducting. As you may know I am currently doing research on how AUP IT can change their business model from based on projects towards a business model based on managed services. Until now I have been conducting a pre research using desk research. Now it is time for me to get a deeper understanding of the current situation and the desired situation of the organisation in order to give AUP IT advice and recommendations. By outlining the current and desired situation I will have a clear view on what needs to change internally in order to achieve a revenue mix based on 80% managed services.

This interview would take about half an hour. If you have any questions during the interview, please feel free to ask.

How is the project based business model functioning in the business from a financial perspective?

From the finance perspective I think in comparison to the managed services we can charge a highly daily rate because in general project will be more specific with skill set required from the engineers. For example, in these days with the younger generation, people may not know what AS400. If we have some projects which is related to AS400 and we have some senior people with that skill, we can sell these people at a higher rate. It is very difficult and rare to find someone with that skill.

How will this be with managed services? Are there more basic skills required?

Managed services is most part service desk. It is very easy to train people to have that skill. Managed services from the hourly/daily rate perspective of course you cannot compare this with projects so from that perspective projects will bring in more revenue to the business. Than the problem is that projects are not guaranteed like managed services is. That balances each other out. From a finance perspective we need a good balance. We need to have a few good accounts from managed services so we have regular income that can cover all the basic outgoings. The projects we will get, will be the cream on top.

You already highlighted several advantages and disadvantages of both models. Are there any other advantages for AUP IT when running a managed services business model?

So from the finance perspective the regular income from managed services is a really great advantage. So there is no worry about how we are going to manage the cash flow. Another disadvantage of the project based business model is the gap. Even though you can perhaps sell your consulting at a highly daily rate there are some disadvantages regarding the payment term. For example, it is June, if we deliver 10-day work for our customer there is a possibility that we only get paid in September. We cannot tell our partner or consultant that we get the money in September and are not able to pay him. Regardless whether it is an employee or contractor we have to set our billing but we only get paid three months later. So there is a danger cash flow problem with projects. You have to fill up that gap. If we are 70% focused on projects, we need to have a very big amount of money on a bank account to cover those periods. With managed services it is different because we would have a regular income coming in so we would not have the cash flow management issues.

Are there any differences in adding margin to services within both business models?

Margin wise I think it would be pretty much the same. We benchmark whatever is the market rate. With project we can always add something on top because when they require a unique skill we can charge more. Margin wise we always take the market rate.

What is your thought about the new business model and the fact this helps AUP IT grow the business?

We can talk about growing the business in two ways. One is in financial way growing the business. I think it is probably it is a fifty-fifty kind of thing. We do need regular income from managed services. If we want to be strong in all areas, we probably have to invest a lot of money to hire people with different kind of talent and skills in IT. To have that in-house skill. Or skeleton staff who look after day to day operations and projects. If we have bigger and more projects to run, we better find/use some contractors. We cannot afford to have all these contractors as permanent staff. So we have to find the right balance from a finance perspective. Also to grow the business for a technical perspective, it is apparently cost saving to have a managed services business model because the request from the

customer does not require a specific skill. When the transition is happening we probably still use the contractors and not train up people to have permanent in all different areas and skills.

What is the most important aspect when growing into the managed services business model?

From growing the business perspective, I think that it will take us back to our believe we want to recruit people with the right personality. Of course skills are important but we think personality is more than skills because skill can be learned. If you need certain skills you can pick up the skill but personality you cannot change. So we try to recruit people with the right personality so they kind of motivate themselves. Eventually the people with the right skills and personality will help grow the business.

What would be the perfect revenue mix, if you think about combining managed services business model with projects?

From the revenue perspective of course managed services will be better because of the constant income every month. You do not have to worry about when do I get paid. When the business is fully focused on projects you probably have to chase the customer. This will take a lot of time. From a technical perspective you will find that managed services is getting boring when working in the business for two years and doing the same thing day in day out. So projects will be more exciting when they go out, work in a different environment, different subject, different customer. Managed services is good for covering the basic cost but you have to get projects aside to keep the employees excited and interested. A 70-30 split would be good combination. So 70% of managed services to get the income covered and an extra 30% will give the team members the opportunity to upgrade and learn new skills within the projects.

Are there any concerns or weak points that need to be addressed?

In the IT industry it is just the constant learning that is the challenge for the business. Nobody knows everything and anything, the technology changes so fast, that is the challenging bit. People have to have the right mentality. If you do not want to learn, the IT industry is not for you, you need to keep learning things. Also all these training courses is not cheap as well so the self/online education cost a lot but is definitely required.

Thanks very much for your time. If there are any questions, please let me know. I will share my conclusions and recommendations with AUP IT within a couple of weeks, so if you are interested you are able to see the results of these interviews.

Appendix VII – Qualitative Coding

Code	Signification
	Business Impact
A.1	Advantage
A.2	Disadvantage
A.3	Opportunity
A.4	Challenge
A.5	Strength
	Affection
B.1	Satisfied
B.2	Dissatisfied
B.3	Positivity
B.4	Disappointment
	Knowledge
C.1	Description
C.2	Operational
C.3	Solution
C.4	Advice
	Situation
D.1	Must change
D.2	Change not needed
D.3	Must be improved
	Perspectives
E.1	Business Perspective
E.2	Finance Perspective
E.3	Sales Perspective
E.4	Marketing Perspective
E.5	Technical Perspective

Raja Pradeep – Director Sales and Marketing

Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation	C.1 C.2 B.3	As we say project based business model, is it purely projects, no. We do have a few managed services customers but essentially for the last seven years we have run as an organisation where projects program off works has a beginning and an end. Those projects have been fantastic for us, we have added a lot of value to the customer.
Business Model Transition	Project based Business Model	Projects within the organisation	A.2 B.2 D.2	The sad truth about a pure project based business model is that it is unsustainable in the long run because one's the project is finished you have to get out there and find more work. It is unsustainable from a cash flow perspective for the business.
Business Model Transition		Projects within the organisation	A.2 E.1	The biggest disadvantage in a pure project based organisation is that you got to understand the market value of a particular project.
Business Model Transition	Project based Business Model	Project Team	A.4 C.3 E.5	It is very hard for any team on the planet to have every single skill under the sun in one team. What we do know in this instance, is that we partner up with people.
Business Model Transition	Managed Services	Managed Services within the organisation	C.1	It can mean full outsourcing of someone's IT where they have zero resources in house or a very skeleton staff in house that manages a few things, but the bulk of the IT is outsourced to a company like AUP IT.
Business Model Transition	Managed Services	Managed Services Areas	A.3 E.1	At the present time we provide remote and onsite IT support across network, storage and compute. The three tiers of IT. Areas that we see success in are database administrator as a service, Cloud Computing or Cloud based managed services. Areas where we feel that the dialog will continue to evolve and areas of opportunity to talk about are security as a service and application management as a service. We also see a huge potential in CIO as a Service.
Business Model Transition	Managed Services	Managed Services technical team	A.6 E.1	A lot of organisations struggle with, having the right mix of staff. This also touches on our uniqueness. We are unique in that our service desk staff are not pure support and operational staff. They are specialised in many different areas.
Business Model Transition	Managed Services	Managed Services Skills	A.4 D.1 E.1	The MSP model require a different mind-set but no they do not require a different skill set. Meaning, it is the same skills that was used during the project based approached. But how those skills are applied and what sort of mentality you need to have, that needs to change.
Business Model Transition	Transition	Transition Drivers	A.3 E.1	One big driver obviously is financial. The other thing is the market change. The other driver is the way procure decisions are made they are being changed. We need to change our thinking and shift our business to appeal to a different set of buyers.
Business Model Transition	Transition	Transition Drivers	A.1 A.6 E.1	Our business model has always been about not being a commodity sell but providing a service based sell. Selling consulting and professional services. So it will not be a too big

				of a shift to transition towards a business model based on managed services as someone who is selling a lot of boxes like an IT vendor.
Business Model Transition	Business Situation	Current Situation	A.4 B.2 C.4	That is a really easy question to answer because I am never satisfied but if we can stay ahead of the change and can see what is going to happen in two/three years' time and if we align our business model accordingly we are on the right track.
Business Model Transition	Business Situation	Current Situation	A.4 A.3 E.1	Externally with market forces, doing your research what is going on in the market and where you need to be at is a constant struggle. I am not actually dissatisfied with the fact the market is changing so quickly because where others see challenges, I see opportunities.
Business Model Transition	Business Situation	Desired Situation	A.4 C.2 D.1	The goal and challenge is to increase the managed services revenue by double our managed services revenue by the end of the calendar year. From an operational standpoint we want to increase the number of services that we go out to market with and find more niche areas where we can service and provide managed services for customers.
Business Model Transition	Business Revenue	Perfect Revenue Mix	A.3 D.1 E.2	In terms of ideal revenue mix I would say 70-30 or 80-20 in favour of managed services. Increase in one area, managed services, will help increase in project based stuff
Business Model Transition	Business Revenue	Achieving Revenue Mix	C.3 C.4 A.7	Industry alliances, digital marketing. It is just about spreading the channel or creating multiple channels for those leads to come in to that funnel. Simple to say but hard to execute.
Business Model Transition	Transition	Concerns and Weak points	A.4 A.7 D.3 C.4	I think the biggest shift is changing the mentality of the staff to a managed services model. Second, is to get technical people think more business-like, to have that business accretion and that commercial savvy, to train them to be able to talk properly to the customer, give them confidence.

Qui Truong– Director Solutions Architect				
Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation	C.1 E.5	What we do is we do what they call leverage. From a big company perspective (HP, IBM) they call it a leverage service model, where you basically leveraging skills from all your teams to leverage up project work.
Business Model Transition	Project based Business Model	Projects within the organisation	A.2 A.4	The project work is the one that is unpredictable so that comes and goes but what is predictable is your team to fulfil the service. You will always know you have got that team and you can predict how many people you need for the next month. So you can leverage those guys and put them on projects.

Business Model Transition	Managed Services	Managed Services within the organisation	A.3 B.3	What you will find is, as part of a managed services agreement, is that there is always going to be a level of project work as well. You cannot have one without the other
Business Model Transition	Managed Services	Managed Services within the organisation	A.4 D.1 E.1 E.3	Contractual side of things, I mean the contracts are an important part of everything, SLA's (service level agreements), understanding all of that. Those are crucial to the relationship. It is a different mentality. Managed services versus project work. Approaching the customers differently, selling it differently. Managed services is a way longer sale cycle but you get way more out of it
Business Model Transition	Managed Services	Managed Services Opportunities	A.1 E.2	Business wise, definitely the annuity. The annuity, the predictable account base. That is maybe the biggest benefit of this model.
Business Model Transition	Managed Services	Managed Services within the organisation	A.3 E.3	Managed services also gives you the opportunity to upsell. So you get in there and you sell one thing and before you know you can sell them something additional to that.
Business Model Transition	Managed Services	Managed Services Areas	A.3 C.2 E.1	CIO as a Service and Database, DBA as a Service (database administrator). That are two areas that we find skills hard to justify. Also Cloud, Cloud more lends itself to managed services rather than just project based.
Business Model Transition	Managed Services	Managed Services technical team	B.2 D.3 A.3	I would like to see the guys become more efficient in the way they handle the work. I think there is a lot more scope than the guys can handle.
Business Model Transition	Managed Services	Managed Services technical team	B.1 B.3	There are a couple of little tweaks we might need to do on the customer service side of things. All and all, I think the guys have been picking it up really well.
Business Model Transition	Managed Services	Managed Services Skills	C.3 E.5	Through training and mentoring and just a bit of hard work. Mainly it is training and mentoring. That is key to any companies' survival I think. You got to give them the opportunity to learn.
Business Model Transition	Transition	Transition Drivers	A.5 E.1	Market position wise, if you do not have anything like managed services or cloud offerings, you will become irrelevant, you will become a dinosaur.
Business Model Transition	Transition	Transition Drivers	A.3 C.2 E.5	The reason why managed services are becoming more prevalent is because of the cloud. Everyone now (because of managed services) is billing per month for cloud services whereas before you are selling a server, storage, you implement and walk away. Now they are not selling service, they are selling cloud.
Business Model Transition	Business Situation	Current Situation	B.3 C.1 D.2	Recently we have come across a lot more work on project based stuff, which is really good. What is changed since we first started, is that we are working with a lot more partners rather than working directly with the customers. We tried to develop a partner eco system.

Business Model Transition	Business Situation	Desired Situation	B.4	I would have liked to see a quicker transition but it is what it is. I think, maybe, a quicker transition may have been to quick.
Business Model Transition	Business Revenue	Perfect Revenue Mix	A.3 D.1 E.2	I like to see 80% of our revenue being managed services. Again the 80-20 rule but if it is still 50-50 that is still okay. I want to see managed services become more than half of our revenue, at least.
Business Model Transition	Business Revenue	Perfect Revenue Mix	A.3 D.1 E.2	I think from my perspective, you probably heard 80% of the revenue should come from 20% of your customers. I would like to see that 20% of our customers are on a managed services agreement, which will be good if we get to that point.
Business Model Transition	Transition	Concerns and Weak points	A.4 A.7 D.1	Being technical, the guys, they have a lot more customer service skills they need to develop. There are technical guys but I like to see them develop more of their communication skills. This will help them with all sorts of things, not only with work just here but also with their whole career. The biggest change I would like to see is the communication.

Karthik Bharadwaj – Infrastructure Engineer				
Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation	C.1 A.2	Most of the projects will be short term projects. With these short term projects, three, six or twelve weeks, you quote a high price because implementation needs to be done in a short time.
Business Model Transition	Project based Business Model	Projects within the organisation	A.7 B.2 C.2 D.1 E.5	In terms of project planning I thought there was a major issue, in terms of not planning properly. When a project begins for example system implementation there is often no clear plan. This is a risk when there is no backup plan. A detailed planning is required sometimes. Processes, to some extent, need to be there to be followed and implemented. It will help the company.
Business Model Transition	Managed Services	Managed Services within the organisation	C.1 C.4	With managed services a lot of services are provided. What you do is specialise in a way that attracts more customers. It is important to keep the existing customers and keep on building, expanding. Customer service is really important to achieve that.
Business Model Transition	Managed Services	Managed Services Areas	A.3 C.4	In terms of the cloud based solutions with AWS and Azure, that is where the future lies. It is really important for AUP IT to follow the trends; you need to set those trends into the company. Otherwise you will struggle and not make money at all.
Business Model Transition	Managed Services	Importance Service Desk	C.2 D.3 E.5	The service desk is the first point of contact so it has to be good in terms of serving the customer. The service desk manages all the incoming calls and emails. When AUP IT grows within the managed services they definitely have to think about hiring more people at the service desk as a backup.

Business Model Transition	Business Situation	Technical Team	A.7 D.3	The communication needs to be good. At the moment this could be improved. How you put things across is very important. How you communicate will change a lot and make things easier. Relationships are eventually build on trust also with the customer.
Business Model Transition	Business Situation	Technical Processes	B.1 D.2 C.4 D.3	The processes will be overall the same, I think. It is more about the implementation. Of course the processes are there to be followed, if nobody follows these processes there will be chaos. For the new business model, I think it is a good thing to create new processes and renew old processes, so that everyone knows what to follow.
Business Model Transition	Transition	Concerns and Weak points	A.4 D.3 C.2	Challenges are the trends, planning and communication. Basically you have to plan the execution and get feedback of how you planned, how the execution went and what was done in the end. Constantly feedback is really important for the customer but also for your own learning. Keep improving it.

Ben Pin – Infrastructure Engineer				
Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation	C.1	Using this model, the business revolves around completing individual projects. Each team of employees focus on a specific project that needs to be done. These teams are run by project managers who supervise and assign projects.
Business Model Transition	Project based Business Model	Projects within the organisation	A.1 B.1	Each team only has to worry about completing specific tasks and projects. Therefore, the drive is there to successfully complete the project.
Business Model Transition	Project based Business Model	Projects within the organisation	A.2 C.2 E.5	The main disadvantages are isolation of services and lack of motivation. The focus of project based structures is to efficiently finish individual projects and goals. The model does not encourage employees to cooperate with other teams or share a common business vision.
Business Model Transition	Managed Services	Managed Services within the organisation	C.1	The managed services model focuses on outsourcing areas of the business to specialized companies, like AUP IT. An example of this practice is to outsource the IT department to a Managed Services Provider (MSP) that specializes in IT support for multiple companies.
Business Model Transition	Managed Services	Managed Services within the organisation	A.1 A.3 E.1	If many companies decide to use AUP IT as their MSP, it will generate a steady stream of income for the company. With the project based model the income relies on the completion of each individual project in order to generate revenue.
Business Model Transition	Managed Services	Managed Services Opportunities	A.1 A.3 E.1	If many companies decide to use AUP IT as their MSP, it will generate a steady stream of income for the company. With the project based model the income relies on the completion of each individual project in order to generate revenue.

Business Model Transition	Managed Services	Importance Service Desk	C.1 A.4	With the managed services model, the amount of revenue is more dependent on the quality of the support and service desk. If the client is satisfied with the support, the managed services model can also lead to projects emerging for specific customers that can be billed on top of the managed service.
Business Model Transition	Business Situation	Technical Team	B.1 A.5	The current technical team is coping with the amount of requests that arrive in the service desk. The quality of the service desk is dependent on the technical skills and abilities of the engineers. If projects arrive that are beyond the knowledge of the engineers, this quality might suffer.
Business Model Transition	Business Situation	Technical Team	C.4 E.5 A.4	I think there should be more focus on acquiring knowledge and keeping up to date with current IT processes. The IT market is always changing and in order to keep acquiring projects the knowledge of all engineers has to be kept up to date.
Business Model Transition	Business Situation	Technical Processes	A.4 C.4	The main challenge is to keep up to date with the current IT processes. Many different customers lead to manage different environments where many different types of operating systems, network devices and server equipment are used. The technical team needs to have the ability to troubleshooting these different environments while still providing the same support quality.
Business Model Transition	Business Situation	Technical Processes	C.4 D.1 E.5	I think that the focus needs to lie more on teamwork. If engineers from different teams work together it is easier to share knowledge and quickly find solutions. The shift needs to be made from isolation and separate projects to multi-team cooperative environments.
Business Model Transition	Transition	Concerns and Weak points	A.7 C.4	The most important aspect is maintaining the same level of the support quality. The other consideration is in terms of staffing and personnel. There should be less focus on using contractors for specific projects and more focus on incorporating full-time employees that are dedicated to the support of the customers.
Business Model Transition	Transition	Concerns and Weak points	B.2 C.4 E.5	The support systems themselves need to be analysed in order to prevent future issues. The company needs to adapt to multiple client infrastructures, but this adaptation should not result into many different support solutions being used. Research needs to be done to improve and optimize the current service desk in order to incorporate future clients.

Ivan Ong – Infrastructure Engineer

Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation	C.1 A.2 C.4	The business model based on projects is very unreliable as they are very ad hoc. The business could've considered getting as many projects as they can and then bringing in more technical people on-board to help out with the work and grow the business.

Business Model Transition	Project based Business Model	Projects within the organisation	A.2 A.5 D.1 E.1	The business model works well when outsourcing is not matured. However with outsourcing matured, doing projects could be a lot harder as if businesses has already outsourced, then they would first consider using the outsourced resources.
Business Model Transition	Project based Business Model	Projects within the organisation	A.1 C.2 E.2	The advantage of this business model would be that they can use any technical staff that fits into the project requirements as opposed to using their own staff who might be less knowledgeable to do the project and it doesn't incur the cost of having an extra head count when the project is completed as they will usually let the staff go to reduce cost.
Business Model Transition	Managed Services	Managed Services within the organisation	C.1 A.3	Managed services let you offload specific IT operations to a service provider, known in tech parlance as a Managed Services Provider. The managed service provider assumes ongoing responsibility for monitoring, managing and/or problem resolution for selected IT systems and functions on the customers behalf.
Business Model Transition	Managed Services	Managed Services Opportunities	A.3 D.1 A.7 A.4	AUP IT as a business has definitely the ability to grow when taking on this new business model. The switch needs to happen as the market is changing fast. From my opinion we are late adopters. As AUPIT is small, it will be a challenge to convince companies to switch over as there are already many established players in the market.
Business Model Transition	Managed Services	Importance Service Desk	C.1 A.3	Service desk is important. This is the key within this business model. Managed Services will be 80% service desk meaning remote fix and 20 projects onsite.
Business Model Transition	Business Situation	Technical Team	A.7 E.5	AUP IT does not have enough technical capabilities to take on bigger clients that would require a large and knowledgeable team to manage.
Business Model Transition	Business Situation	Technical Team	A.2 A.7 B.2 D.1	There isn't communication in the office at the moment. Communications should be transparent in a small company like AUPIT as it will be encouraging for the staff to know that the company is growing and what opportunities will be presented in the near future.
Business Model Transition	Business Situation	Technical Team	B.2 D.3 E.1	If the staff are not valued, then we cannot expect the staff to be committed. Currently the staff are low in morale as their needs are not satisfied. Thus it is very important that the needs of all staff are taken into consideration and cared for to ensure that they can perform at their best.
Business Model Transition	Business Situation	Technical Processes	A.5 D.1	Constantly hiring interns thinking as a way to save money will not work as businesses (customers) that use our services will be concerned to hear turnovers every so often. This will cause them to lose faith.

Business Model Transition	Transition	Aspect to consider	C.4 A.3	Training and understanding of the requirement. Guessing and assumptions will only cause issues further down the track.
Business Model Transition	Transition	Concerns and Weak points	C.4 E.2	Investment needs to be made to the current business to ensure that its survivability.

Ravi Krishnan – Infrastructure Engineer				
Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation	C.1 A.2 A.4	So the project based model is commonly ad hoc projects. First of all, there is no guarantee that you will get the projects. It comes if/when it comes. That means AUP IT needs a sales team to go out and constantly look for projects.
Business Model Transition	Project based Business Model	Projects within the organisation	A.2 A.7 D.1	To be successful in project based business model you need obvious be client based and have a good sales team selling projects. I think we do not have a big sales team, we have a very small sales team. So therefor, the inflow of projects is limited.
Business Model Transition	Project based Business Model	Project Team	A.2 B.4 C.4	Being a small company the number of technicians available are limited. So therefor, we make use of existing resources among multiple projects. Most of it ends up Qui running all the larger projects. That is obviously a good thing because he is experienced but also the downside is, if you own the business you need to work on the business instead of in the business. At the moment it is just about right but you need more dedicated permanent resources
Business Model Transition	Managed Services	Managed Services within the organisation	C.1 A.1 E.1	Managed services or what you call recurring / annuity revenue, you got a fixed client base with a fixed revenue and a fixed set of tasks. This model helps plan your resources a bit easier. So the first difference between these models is that you have a certainty in what you need to do, your earnings and business productivity. You need both because in a managed services environment you can have some capacity to deliver the projects. You have the overflow.
Business Model Transition	Managed Services	Managed Services within the organisation	A.1 A.4 D.3	From experience I learned that you can have 80% work done by the service desk on level one, two or three. You do not need high-end engineers because you are managing the environment.
Business Model Transition	Managed Services	Managed Services Opportunities	A.1 A.3 B.3 E.1	When moving to the new business model you will not have ongoing managed services but you will also get more, new projects. When you are looking after systems for one or two years then new versions come in. In this case you get certain project revenue coming from the same customer by offering a service to upgrade that system.
Business Model Transition	Business Revenue	Perfect Revenue Mix	A.3 D.1	Typically, 70% should be from managed services and the rest can be project services. More projects will emerge from the managed services.

			E.2	
Business Model Transition	Managed Services	Importance Service Desk	C.1 A.3 A.4	The service desk is key. Without the service desk you do not have effective managed services. Managed services usually has a SLA or must have a SLA on how to deliver the service and on what time frame. The service desk is supposed to manage that process for you.
Business Model Transition	Business Situation	Technical Team	A.4 B.1 D.3	It could be improved a little bit because we obviously are still training up the guys. At the moment I say we are good. What I am trying to do is also encourage the non-experienced to do and learn the job.
Business Model Transition	Business Situation	Technical Team	A.5 C.4 D.1	We are doing well but we could use another technician at the service desk. You first of all need the coverage from 8am till 6pm. Secondly you need to have a backup when there is someone off sick.
Business Model Transition	Business Situation	Technical Team	A.7 D.3 E.5	The technical skills should be improved because you need to know how to solve the problem. This can only be achieved by experience. So improve the technical skills but also the customer service skills. If you do not do this that will be a reason for a failed managed service engagement.
Business Model Transition	Business Situation	Technical Team	A.7 C.4 D.3	Communication could be better. At the moment it is 60%, it has got to improve a lot. From experiences, engineers, technical people are typically poor in communication. Not poor but they are lazy. Technical staff needs to have customer service skills. So our soft social skills could be improved.
Business Model Transition	Business Situation	Sales Techniques	A..4 E.3 C.4	The difference being is that not every project customer is a managed service customer and vice versa. It depends on the need and understanding of the customer. You have to know which customer is appropriate for which service.
Business Model Transition	Transition	Concerns and Weak points	A.4	You have got to differentiate. The customer has to find a reason why you are better than the others.
Business Model Transition	Transition	Concerns and Weak points	A.4 E.1	You need innovation and you have to constantly innovate. You cannot remain static. If you remain static you are gone. You have got to innovate new offerings, new services, new products.
Business Model Transition	Transition	Concerns and Weak points	A.7 D.3	AUP IT has to increase the marketing. You need to be shouting out loud. AUP IT should definitely improve their marketing area.

William Cornwill – Business Development Manager

Research	Topic	Subtopic	Code	Interview Part
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Business Model Transition	Project based Business Model	Projects within the organisation	C.1 E.1 E.5	Projects have historically run as short burst projects to achieve a particular goal. Customers have generally come to organisations asking for specific things to be developed and to work on and quotation have been given and rewarded to a company.
Business Model Transition	Project based Business Model	Projects within the organisation	A.2 B.2 C.4	A lot of the time that would fail, the IT service provider would not necessarily give what they needed, they give what they asked for. We should not focus on what they think they need but we will have to find out what they actually do need.
Business Model Transition	Managed Services	Managed Services within the organisation	C.1 A.3 E.1	Managed Services is something where a repeatable service offering is provided to a customer. There are a couple things you can do with this model, there is customized managed services and there “reaching of the shelf” model.
Business Model Transition	Managed Services	Managed Services within the organisation	A.1 A.3 E.1	That is great about managed services that you end up getting project work that comes out of that. But it is a little bit more qualified, a little bit more strategic to the organisations needs and it is not adhoc and spontaneous as previously done with project work.
Business Model Transition	Managed Services	Managed Services within the organisation	A.1 B.3 C.2	I mean, one of the advantages is that the organisation, providing that level of strategic managed services, is also able to understand the needs of the organisation. The projects will be more aligned with the organisations goals, needs and strategic.
Business Model Transition	Managed Services	Managed Services Opportunities	A.3 E.3 E.5	I think the CIO as a Service offering is fundamentally key to our particular success in managed services. That is really an avenue for securing a deeper understanding and a more connected understanding of a business’s strategies and long term objectives. I think to drive success for our organisation we need to focus on the CIO engagements.
Business Model Transition	Business Situation	Sales Techniques	A.3 A.4 D.1	With the project based business model you got an objective which is tangible and with that objective you might clarify and you might articulate it in certain way where it is with managed services it is not as tangible, the outcomes that you are doing, you are doing more long terms strategic engagements with customers versus short term timeframe/time bound deliverable project. So there is a slide difference in the longevity of it.
Business Model Transition	Transition	Aspect to consider	A.3 D.3 E.4	Credibility! Credibility and then their case studies, something where we can reference and point to on our website, would be fantastic. The case studies, the references, the credibility in the market that goes a long way to be able to sell to the next customers and the ones after that.
Business Model Transition	Transition	Concerns and Weak points	A.7 D.3 E.4	I think from our perspective, a clarity around our offerings to market is still a struggle for me. We do not necessarily have an articulated model. It is getting better, but it is still hard to go to the customer and tell them what you sell when you do not know what you sell.
Business Model Transition	Transition	Concerns and Weak points	C.3 C.4 E.4	Much more aligned social media and website concepts. So that everything we do and everything we put out there is align to our business objectives and business lines. We need to be cleaner about what our three, four, five lines of business are and then everything that we do, lines up behind those business lines.

Business Model Transition	Transition	Concerns and Weak points	A.3 D.3 E.4	It is important that, when a customer has a specific issue or requirement, we can align them behind our business line and we can then cross sell into other business lines and be clear in what we deliver in each of those categories.
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Priya Ramkrishnan – Business Development Manager				
Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation		Project based model definitely works in favour, if the business is not completely thriving on it. Project based work can help the business get exposed to bigger opportunities and lead generation
Business Model Transition	Project based Business Model	Projects within the organisation		A few highly impactful disadvantages that I can think of are the uncertain inflow of cash and the need to recruit resources as and when there is work coming in which makes it very challenging for the business. From sales perspective, I have to be more aggressive in finding productive projects.
Business Model Transition	Project based Business Model	Projects within the organisation		Depending on the project requirement, the business hires resources and let goes of them on completion. By doing so the business saves heaps on not having to invest in full time resources and training and other costs. This cost saving can fund ongoing marketing campaigns.
Business Model Transition	Managed Services	Managed Services within the organisation		Managed Services business model includes delivery and client servicing. The service delivery guarantees month on month inflow of cash which is very crucial for any type of business.
Business Model Transition	Managed Services	Managed Services within the organisation		The client servicing arm leads to generation of more project based work and lead generation possibilities which contributes to business development.
Business Model Transition	Managed Services	Managed Services Opportunities		I truly feel AUP IT should focus highly on Managed Services to grow as a business. More MSP customers will also mean more stability and recognition.
Business Model Transition	Business Situation	Sales Techniques		The biggest challenge I face is the time it takes to convert a prospect into a customer. I understand the core of any professional service is the trust factor. One can't close deals if the customer doesn't trust you and the services you have to offer. Building trust and rapport with the customer is a time consuming process. As a sales person I have to be really patient and have a few leads up my alley to work on all of them simultaneously.

Business Model Transition	Business Situation	Sales Techniques		To be successful in delivering our services we have to get our in-house team trained depending on the customers as every customer is different! Being a sales person myself, the last thing I want after closing a deal and getting a customer on board is customer complaints.
Business Model Transition	Transition	Aspect to consider		The most important aspect to be considered during the transition is the approach. Clear communication and understanding will always ease the process of transitioning.
Business Model Transition	Transition	Concerns and Weak points		The process flow is always a concern which needs to be addressed.
Business Model Transition	Transition	Concerns and Weak points		

Daisy Shen – SAM Consultant / Finance Manager				
Research	Topic	Subtopic	Code	Interview Part
Business Model Transition	Project based Business Model	Projects within the organisation	A.1 A.3 E.2	From the finance perspective I think in comparison to the managed services we can charge a highly daily rate because in general project will be more specific with skill set required from the engineers.
Business Model Transition	Project based Business Model	Projects within the organisation	A.2 E.2	The problem is that projects are not guaranteed like managed services is.
Business Model Transition	Project based Business Model	Projects within the organisation	A.2 B.2 D.1 E.2	Another disadvantage of the project based business model is the gap. There is a danger cash flow problem with projects. You have to fill up that gap. If we are 70% focused on projects, we need to have a very big amount of money on a bank account to cover those periods.
Business Model Transition	Managed Services	Managed Services within the organisation	A.2 A.3 B.3	Managed services from the hourly/daily rate perspective of course you cannot compare this with projects so from that perspective projects will bring in more revenue to the business.
Business Model Transition	Managed Services	Managed Services within the organisation	A.1 A.3	So from the finance perspective the regular income from managed services is a really great advantage.
Business Model Transition	Managed Services	Managed Services Opportunities	A.1 C.2 E.5	Also to grow the business for a technical perspective, it is apparently cost saving to have a managed services business model because the request from the customer does not require a specific skill.

Business Model Transition	Business Situation	Desired Situation	A.4 A.3 B.3	From a finance perspective we need a good balance. We need to have a few good accounts from managed services so we have regular income that can cover all the basic outgoings. The projects we will get, will be the cream on top.
Business Model Transition	Business Situation	Desired Situation	A.4 A.5 E.1 E.2	If we want to be strong in all areas, we probably have to invest a lot of money to hire people with different kind of talent and skills in IT. To have that in-house skill. Or skeleton staff will look after day to day operations and projects. If we have bigger and more projects to run, we better find/use some contractors. We cannot afford to have all these contractors as permanent staff. So we have to find the right balance.
Business Model Transition	Business Situation	Desired Situation	A.2 A.5 E.5	From a technical perspective you will find that managed services is getting boring when working in the business for two years and doing the same thing day in day out. So projects will be more exciting when they go out, work in a different environment, different subject, different customer.
Business Model Transition	Business Revenue	Perfect Revenue Mix	A.3 B.3 E.2	A 70-30 split would be good combination. So 70% of managed services to get the income covered and an extra 30% will give the team members the opportunity to upgrade and learn new skills within the projects
Business Model Transition	Transition	Aspect to consider	A.3 A.6 E.1	From growing the business perspective, I think that it will take us back to our believe we want to recruit people with the right personality. Of course skills are important but we think personality is more than skills because skill can be learned. Eventually the people with the right skills and personality will help grow the business.
Business Model Transition	Transition	Concerns and Weak points	A.5 A.6 C.4	In the IT industry it is just the constant learning that is the challenge for the business. Nobody knows everything and anything, the technology changes so fast, that is the challenging bit. People have to have the right mentality. If you do not want to learn, the IT industry is not for you, you need to keep learning things

Appendix VIII – Quantitative Survey Customers/Prospects



Always Up IT Pty Ltd

QUESTIONNAIRE - MANAGED SERVICES PROVIDERS

Thank you for participating in this survey.

My name is Anne van Gemert and I am a student at Zuyd University of Applied Sciences in The Netherlands. One year ago I moved to Sydney to do an internship with AUP IT. In order to complete my thesis I need to survey customers to understand what their needs and requirements are.

The principal topic of my thesis is to understand the Managed Services Provider (MSP) business model. The purpose of this particular survey is to figure out what you, the customer really wants from your IT provider. In my research I found a disconnect between what companies need and what IT providers think they want. This disconnect leads to a misalignment between the customer and the service provider. The intent of this survey is to find out the reasons why.

This survey should take approximately 15 minutes to complete. Rest assured that your responses will be treated with the utmost confidentiality.

Please press "Next" to begin.



* 1. General Information

Name	<input type="text"/>
Company	<input type="text"/>
Position	<input type="text"/>
City/Town	<input type="text"/>
State/Province	<input type="text"/>
ZIP/Postal Code	<input type="text"/>
Country	<input type="text"/>
Email Address	<input type="text"/>

* 2. In what industry does your business operate?

- | | |
|--|--|
| <input type="radio"/> Non-Profit | <input type="radio"/> Manufacturing |
| <input type="radio"/> Government | <input type="radio"/> Technology |
| <input type="radio"/> Transport | <input type="radio"/> Telecommunications & Media |
| <input type="radio"/> Real Estate | <input type="radio"/> Marketing |
| <input type="radio"/> Healthcare | <input type="radio"/> Finance |
| <input type="radio"/> Education | <input type="radio"/> Consultancy |
| <input type="radio"/> Energy and Utilities | <input type="radio"/> Professional Services |
| <input type="radio"/> Other (please specify) | |

* 3. How many computer users does your company currently have?

- | | |
|-------------------------------------|--------------------------------------|
| <input type="radio"/> 01 - 20 users | <input type="radio"/> 61 - 80 users |
| <input type="radio"/> 21 - 40 users | <input type="radio"/> 81 - 100 users |
| <input type="radio"/> 41 - 60 users | <input type="radio"/> 100+ users |

* 4. How is your IT currently being managed?

- ☐ Formal IT department with dedicated staff
- ☐ Informally handled among non-IT staff
- ☐ Periodic use of outside firms/third parties for projects and/or troubleshooting
- ☐ Outsourced / Contractual arrangement with an IT provider.
- ☐ Other (please specify)

* 5. What is your level of satisfaction with your current IT arrangement?

- ☐ Very unhappy with our IT arrangement
- ☐ Somewhat unhappy with our IT arrangement
- ☐ Somewhat happy with our IT arrangement
- ☐ Very happy with our IT arrangement

* 6. How familiar are you with the Managed Services Model?

- ☐ Unfamiliar
- ☐ Heard of
- ☐ Somewhat familiar
- ☐ Very familiar

* 7. Are you currently doing business with a Managed Service Provider?

- ☐ Currently doing business with a MSP
- ☐ Plan to use a MSP in the future
- ☐ Currently evaluating an outside IT firm
- ☐ Our business will consider an outside IT firm if need arises
- ☐ Not planning to do business with a MSP in the future

* 8. What are the main factors for your business to consider a MSP engagement?

- | | |
|---|---|
| <input type="checkbox"/> Predictable pricing | <input type="checkbox"/> IT staff able to focus on strategic projects |
| <input type="checkbox"/> ROI/cost savings | <input type="checkbox"/> Proactive approach to maintenance |
| <input type="checkbox"/> Access to new technology | <input type="checkbox"/> Enhanced security/compliance |
| <input type="checkbox"/> Lack in-house IT for certain functions | <input type="checkbox"/> Improve efficiency/reliability of the operations |
| <input type="checkbox"/> Other (please specify) | |

* 9. What are the key areas of focus within your current IT setup?

- ☐ Security
- ☐ Cloud
- ☐ Mobility
- ☐ Business continuity
- ☐ Collaboration and productivity
- ☐ CRM
- ☐ Business Intelligence & Reporting
- ☐ ERP
- ☐ Network
- ☐ Office relocation
- ☐ IOT
- ☐ Big Data
- ☐ Other (please specify)

* 10. What is your preferred contract term with an IT supplier?

- ☐ 6 months
- ☐ 12 months
- ☐ 24 months
- ☐ No fixed term

* 11. What is your current annual spend on IT?

- ☐ less than 50K
- ☐ 50K - 100K
- ☐ 100K - 250K
- ☐ 250K - 500K
- ☐ 500K - 1 million
- ☐ 1 Million - 5 Million
- ☐ 5 Million and above

* 12. Based on the response above, what percentage of your annual IT spend is for IT services?

- ☐ 5% - 10%
- ☐ 10% - 30%
- ☐ 30% - 60%
- ☐ 60% and above

* 13. Do you agree with the statement - My IT function is completely aligned to my business objectives?

- ☐ Strongly agree
- ☐ Somewhat agree
- ☐ Somewhat disagree
- ☐ Strongly disagree

14. If you disagree with the above, what are the reasons for misalignment between the IT function and Business Objectives?

- ☐ IT people don't understand our business
- ☐ IT staff speak a different language
- ☐ IT is unable to prioritise correctly
- ☐ Business does not see value in IT
- ☐ IT is seen as a cost centre
- ☐ Other (please specify)

* 15. IT is more of a roadblock than an enabler in my organisation?

- ☐ Strongly agree
- ☐ Somewhat agree
- ☐ Somewhat disagree
- ☐ Strongly disagree

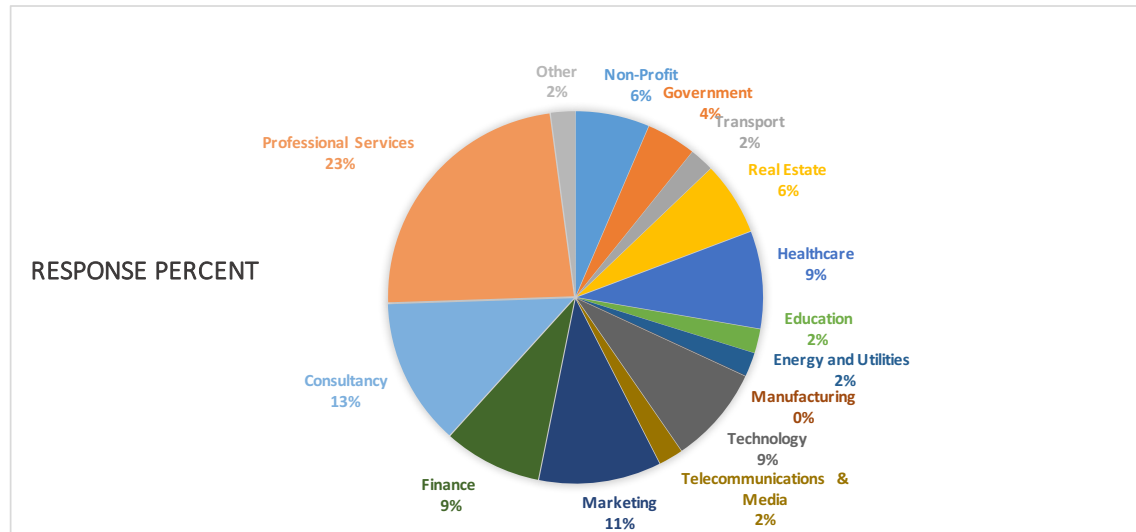
* 16. What are your overall expectations of a Managed Services Provider?

Appendix IX – Quantitative Research Results

Quantitative Survey Results

1. Respondents Industry

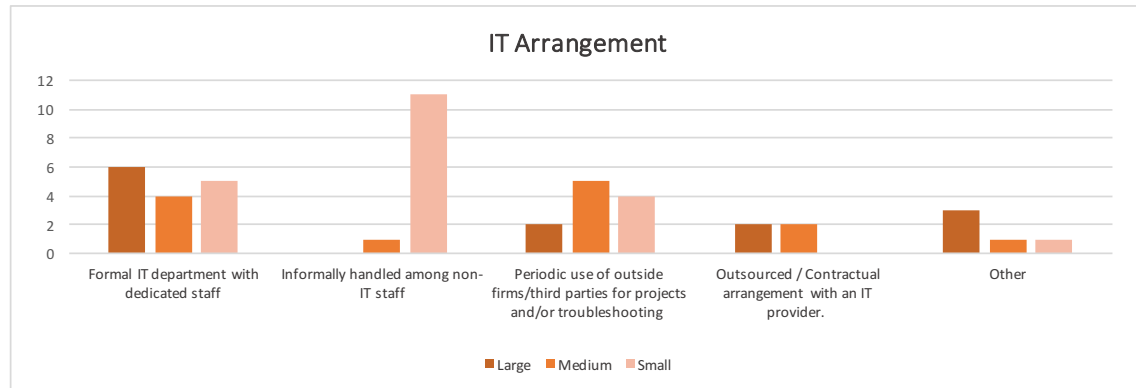
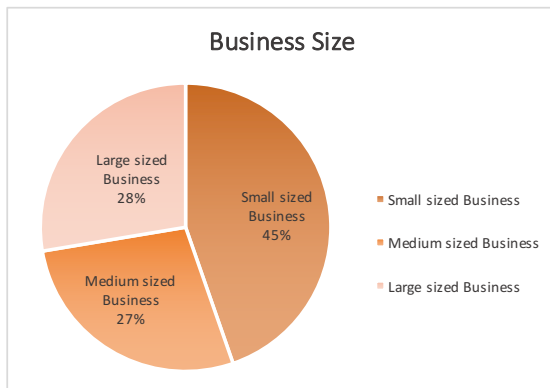
Industry	Response Percent
Non-Profit	6,4%
Government	4,3%
Transport	2,1%
Real Estate	6,4%
Healthcare	8,5%
Education	2,1%
Energy and Utilities	2,1%
Manufacturing	0,0%
Technology	8,5%
Telecommunications & Media	2,1%
Marketing	10,6%
Finance	8,5%
Consultancy	12,8%
Professional Services	23,4%
Other	2,1%



2. Business size and IT Arrangement

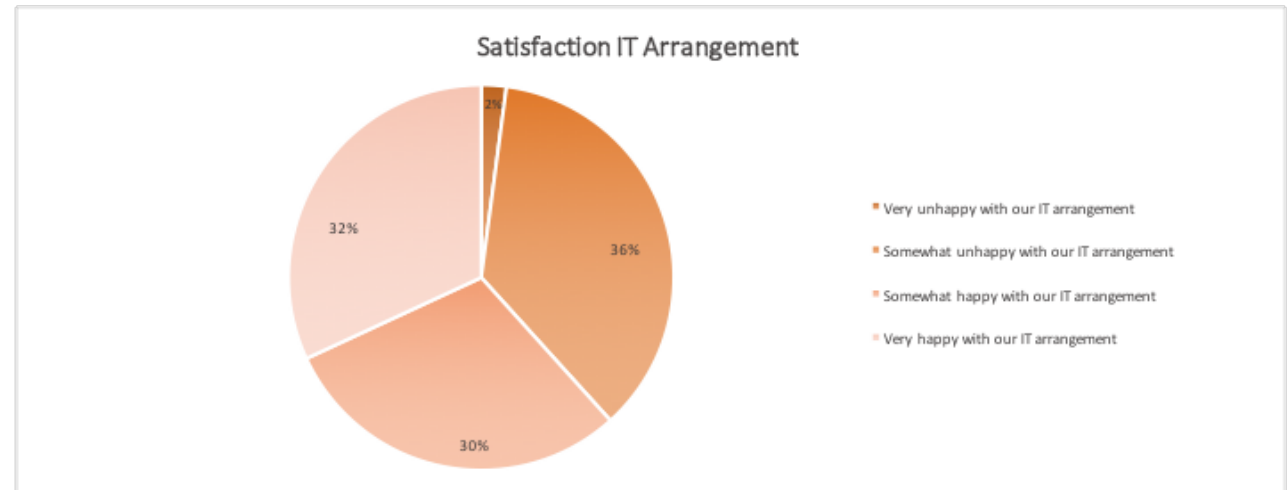
Business Size	Response Percent
Small sized Business 01 - 40 users	44,70%
Medium sized Business 41 - 80 users	27,65%
Large sized Business 81 - 100+ users	27,65%
Total	100%

IT Arrangement	Large	Medium	Small	Total
Formal IT department with dedicated staff	6	4	5	15
Informally handled among non-IT staff	0	1	11	12
Periodic use of outside firms/third parties for projects and/or troubleshooting	2	5	4	11
Outsourced / Contractual arrangement with an IT provider.	2	2	0	4
Other	3	1	1	5
Total	13	13	21	47



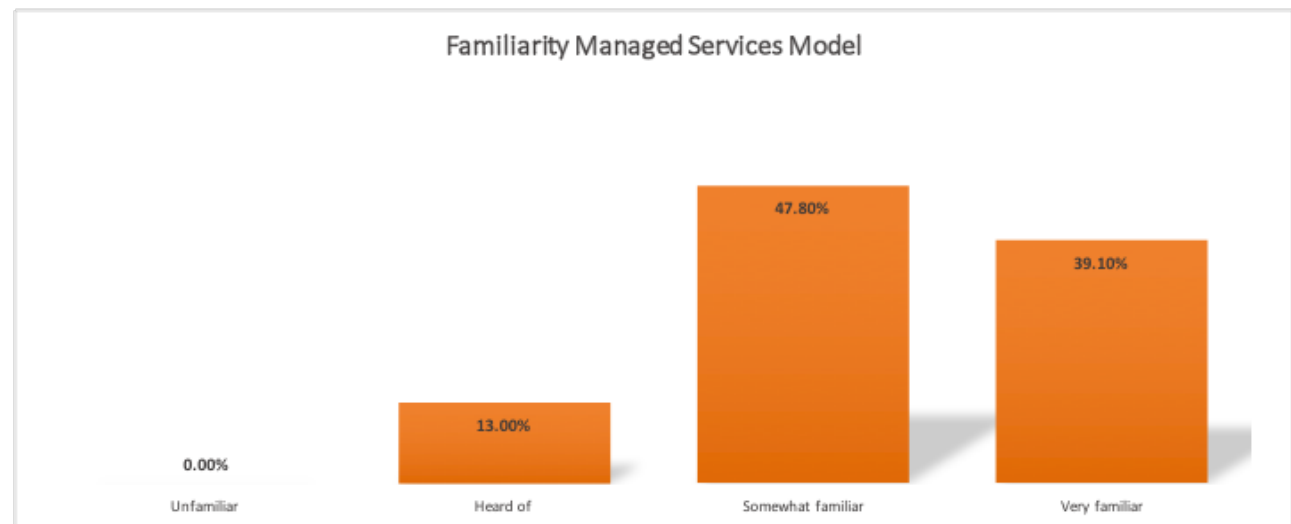
3. Satisfaction of IT Arrangement

Satisfaction of respondents IT arrangement	Response Percent
Very unhappy with our IT arrangement	2,10%
Somewhat unhappy with our IT arrangement	36,20%
Somewhat happy with our IT arrangement	29,80%
Very happy with our IT arrangement	31,90%



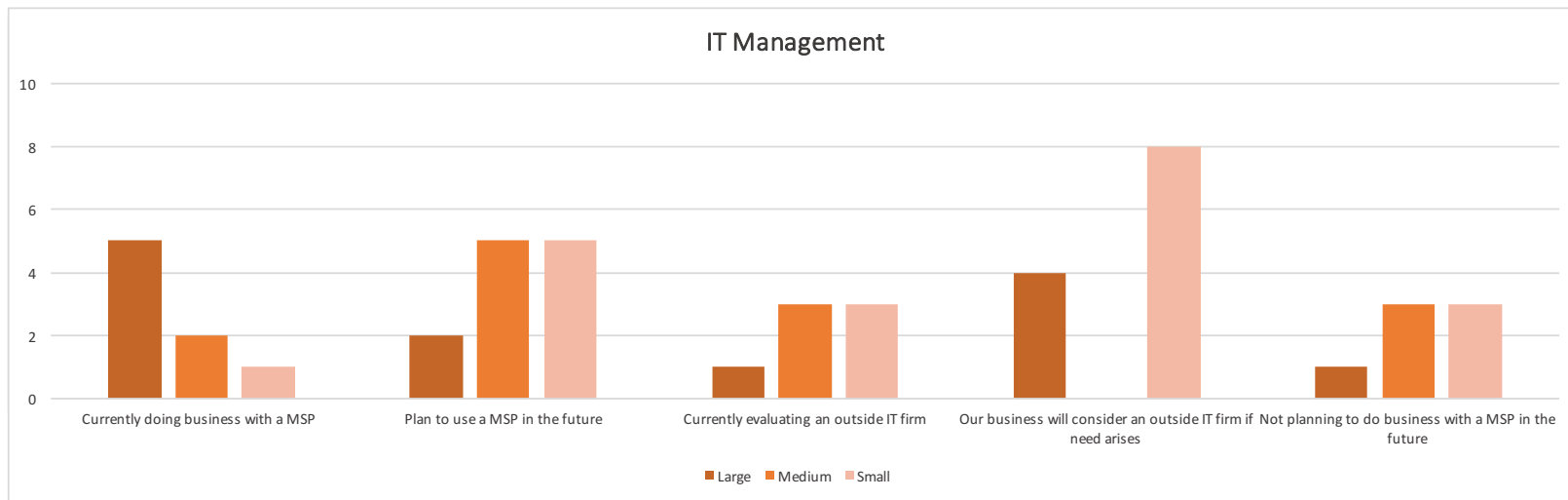
4. Familiarity Managed Services Model

Familiarity Managed Services Model	Response Percent
Unfamiliar	0,00%
Heard of	13,00%
Somewhat familiar	47,80%
Very familiar	39,10%



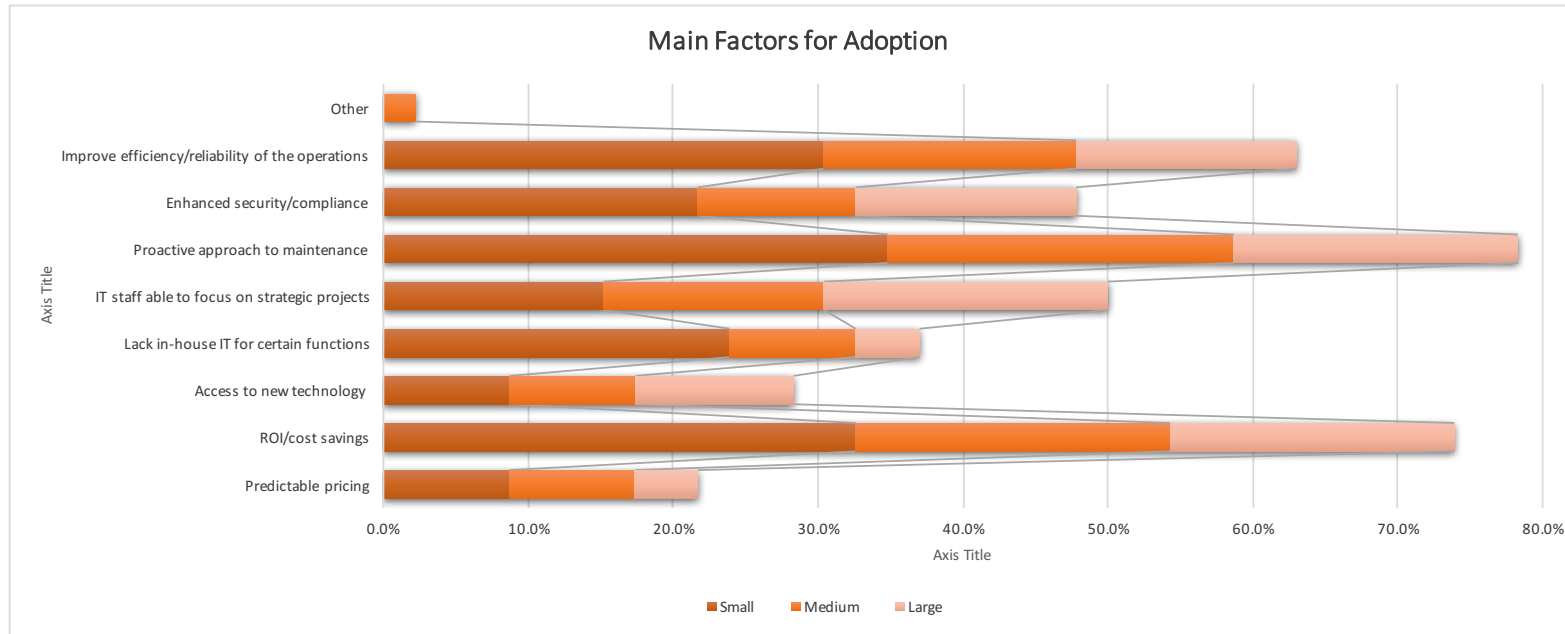
5. MSP Arrangement

IT Arrangement	Large	Medium	Small	Total
Currently doing business with a MSP	5	2	1	8
Plan to use a MSP in the future	2	5	5	12
Currently evaluating an outside IT firm	1	3	3	7
Our business will consider an outside IT firm if need arises	4	0	8	12
Not planning to do business with a MSP in the future	1	3	3	7
Total				46



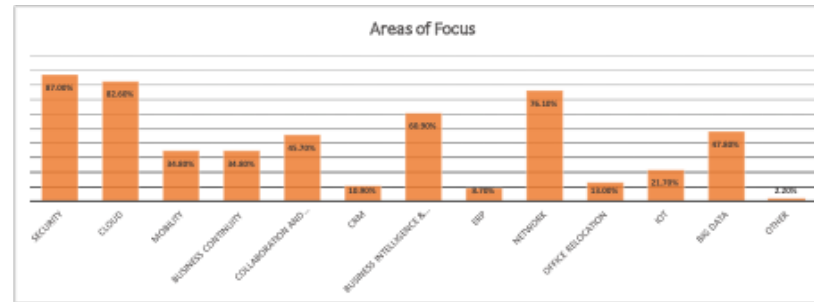
6. Main Factors for Adoption

Main Factors for Adoption	Business Size			Total
	Small	Medium	Large	
Predictable pricing	8,68%	8,68%	4,34%	21,70%
ROI/cost savings	32,60%	21,70%	19,60%	73,90%
Access to new technology	8,70%	8,70%	10,90%	28,30%
Lack in-house IT for certain functions	23,90%	8,70%	4,40%	37,00%
IT staff able to focus on strategic projects	15,20%	15,20%	19,60%	50,00%
Proactive approach to maintenance	34,80%	23,90%	19,60%	78,30%
Enhanced security/compliance	21,70%	10,90%	15,20%	47,80%
Improve efficiency/reliability of the operations	30,40%	17,40%	15,20%	63,00%
Other		2,20%		2,20%

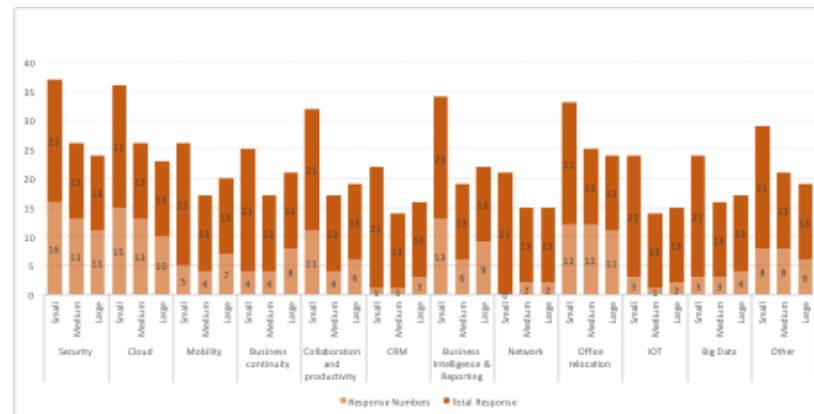
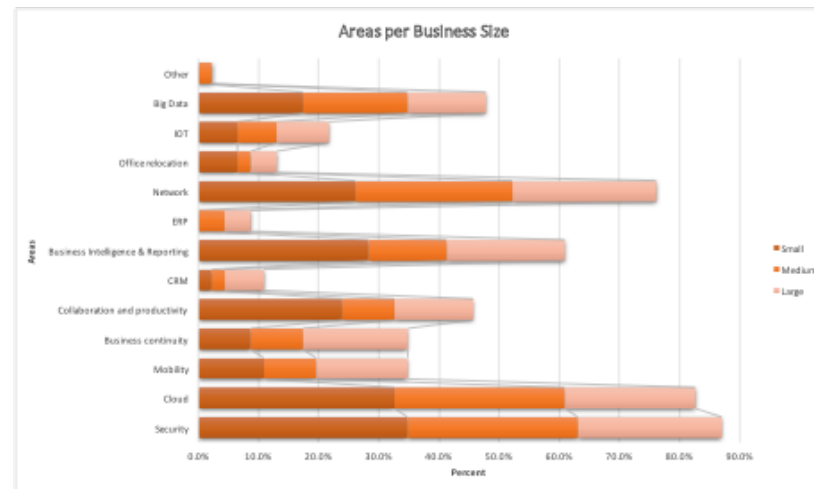


7. Areas of Focus

Areas of Focus	Business Size			Total Percent
	Small	Medium	Large	
Security	34,80%	28,30%	23,90%	87,00%
Cloud	32,60%	28,30%	21,70%	82,60%
Mobility	10,90%	8,70%	15,20%	34,80%
Business continuity	8,70%	8,70%	17,40%	34,80%
Collaboration and productivity	23,90%	8,70%	13,10%	45,70%
CRM	2,20%	2,20%	6,50%	10,90%
Business Intelligence & Reporting	28,30%	13,00%	19,60%	60,90%
ERP	-	4,35%	4,35%	8,70%
Network	26,10%	26,10%	23,90%	76,10%
Office relocation	6,50%	2,20%	4,30%	13,00%
IOT	6,50%	6,50%	8,70%	21,70%
Big Data	17,40%	17,40%	13,00%	47,80%
Other	-	2,20%	-	2,20%

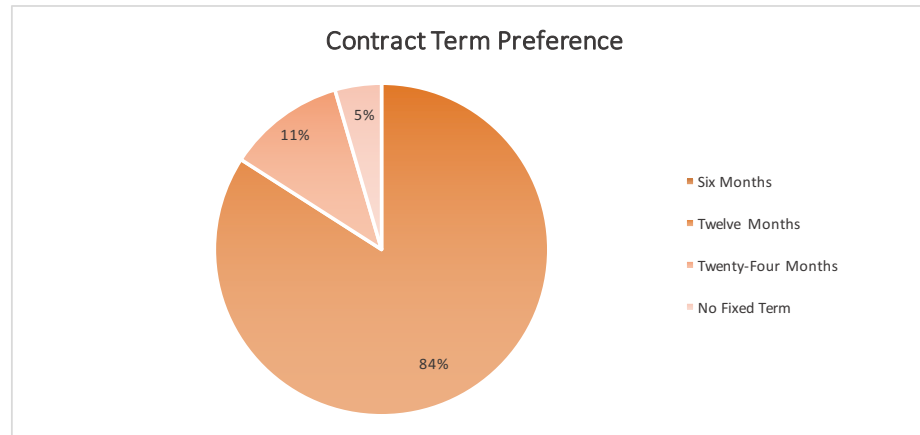


Area of focus	Size	Response Numbers	Total Response
Security	Small	16	21
	Medium	13	13
	Large	11	13
Cloud	Small	15	21
	Medium	13	13
	Large	10	13
Mobility	Small	5	21
	Medium	4	13
	Large	7	13
Business continuity	Small	4	21
	Medium	4	13
	Large	8	13
Collaboration and productivity	Small	11	21
	Medium	4	13
	Large	6	13
CRM	Small	1	21
	Medium	1	13
	Large	3	13
Business Intelligence & Reporting	Small	13	21
	Medium	6	13
	Large	9	13
Network	Small	-	21
	Medium	2	13
	Large	2	13
Office relocation	Small	12	21
	Medium	12	13
	Large	11	13
IOT	Small	3	21
	Medium	1	13
	Large	2	13
Big Data	Small	3	21
	Medium	3	13
	Large	4	13
Other	Small	8	21
	Medium	8	13
	Large	6	13



8. Contract Term Preference

Contract Term	Response Percentage
Six Months	0,00%
Twelve Months	84,10%
Twenty-Four Months	11,40%
No Fixed Term	4,50%



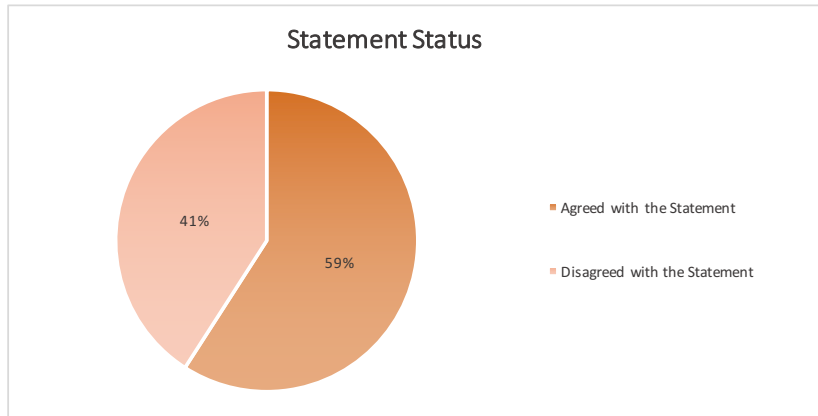
9. Annual IT Spend

Annual IT spend	Response Percent
less than 50K	25,0%
50K - 100K	29,5%
100K - 250K	11,4%
250K - 500K	20,5%
500K - 1 million	6,8%
1 Million - 5 Million	4,5%
5 Million and above	2,3%

IT services spend	Response Percent
5% - 10%	45,5%
10% - 30%	29,5%
30% - 60%	22,7%
60% and above	2,3%

10. Statement: My IT function is completely aligned to my business objectives

Statement Status	Response	Responses
Agreed with the Statement	59,10%	26
Disagreed with the Statement	40,90%	18
Total	100%	44

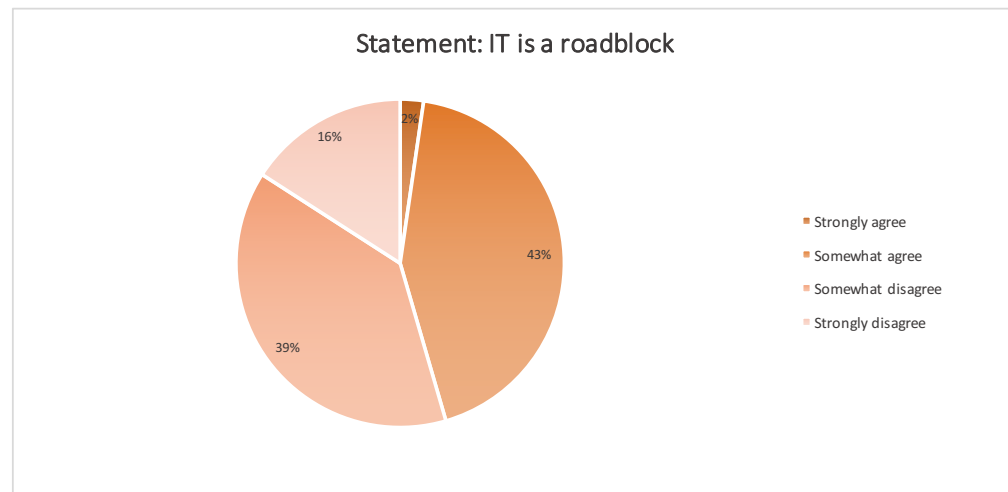


Reason misalignment	Response Percent
IT people don't understand our business	11,1%
IT staff speak a different language	11,1%
IT is unable to prioritise correctly	38,9%
Business does not see value in IT	22,2%
IT is seen as a cost centre	33,3%
Other	33,3%

Top Three Answers
1. IT is unable to prioritise correctly
2. IT is seen as a cost centre
3. Other
The other is in general that business don't have the correct resources or knowledge to align IT to the business.

11. Statement: IT is more of a roadblock than an enabler in my organisation

Statement: IT is a roadblock	Response Percent
Strongly agree	2,3%
Somewhat agree	43,2%
Somewhat disagree	38,6%
Strongly disagree	15,9%



Appendix X – Projects VS. Managed Services

