



# GenAI and technology managed services

Part A – Updating IT service contracts

# Executive summary

As the technology landscape rapidly evolves, it is imperative for technology leaders to question if their managed service providers are effectively leveraging generative artificial intelligence (GenAI) to enhance service delivery and value. This paper highlights six areas technology leaders should address in their managed service contracts to incorporate GenAI.

## Introduction

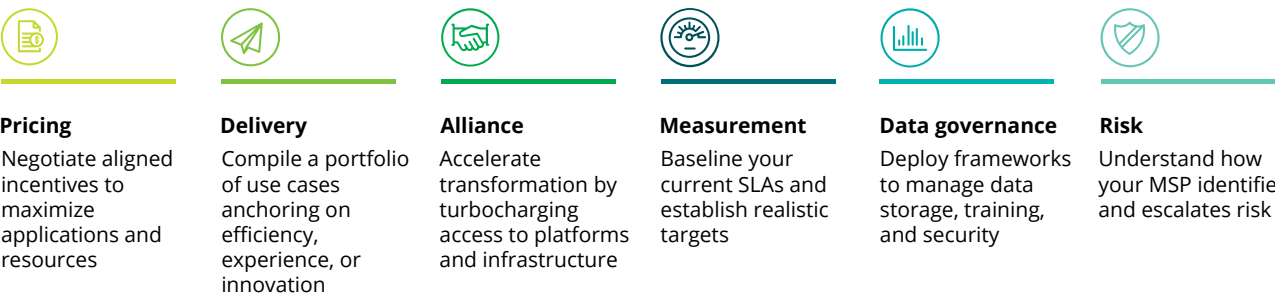
Enterprises today are seeing value from their early GenAI journeys, and these successes are driving technology leaders to identify more opportunities for rapid adoption. This search for opportunities has turned the attention to managed service provider (MSP) arrangements. With GenAI adoption, the dynamics of IT managed service contracts are evolving, necessitating a reevaluation of traditional practices and strategies. In addition to discussing value from new MSP arrangements, technology leaders are evaluating existing MSP arrangements to identify and deploy quick wins in terms of both cost savings and improved customer experience.

For CIOs, the integration of GenAI by MSPs is all about accelerating the adoption of AI and GenAI across the enterprise and creating sustained value in line with the enterprise's objectives. Many MSPs are increasingly committing to piloting proofs of concept to demonstrate the potential of GenAI use cases and to reduce the time required for decision-making. However, the potential of GenAI to rapidly drive innovation and efficiency comes with its own set of challenges, particularly on how services are priced, delivered, measured, and governed.

CIOs and technology leaders can initiate conversations based on six foundational topics regarding their MSP relationships:

- 1. **Pricing.** What are the terms and constructs to consider when incorporating GenAI solutions?
- 2. **Delivery.** What value can MSPs generate by deploying GenAI use cases at scale?
- 3. **Alliances.** What alliances with platform and service providers can expand the value delivered?
- 4. **Measurement.** How do you assess and monitor GenAI value across IT managed services?
- 5. **Data governance.** How and what data should be collected, managed, and used to train AI models?
- 6. **Risk.** How do you manage risks associated with GenAI?

Figure 1.



## Pricing. What are the terms and constructs to consider when incorporating GenAI solutions?

- A. Pricing models.** MSPs need to clearly demonstrate year-over-year reduction in pricing by implementing GenAI solutions. Enterprises can consider partnering with MSPs to gain share of cost savings achieved from reduction in MSP headcount and increased operational efficiency. Significant cost reductions are visible especially in operations (service desk, infrastructure support, and application maintenance). If you are currently bound by an existing contract, think about renegotiating by offering incentives (increased contract terms, sharing of savings, additional projects, etc.) to motivate MSPs to bring their best GenAI solutions to the table.
- B. Data ownership.** Work with your legal partners to explore copyright and IP laws and ownership of GenAI outputs. In some regions, the law allows the primary user complete ownership, right, and license to all the data generated by GenAI solutions.<sup>1</sup>
- C. Innovation fund.** Consider creation of an innovation fund jointly managed between the MSP and your enterprise to dedicate a fixed amount toward investment for pilot use cases and execution of new ideas. Push your MSPs to innovate and improve services year over year. Confirm your contract has guidelines on how to use the innovation fund, ability to track business value, and processes to scale successful pilots. MSPs are incentivized to use the innovation fund to bring new ideas as this puts in the prime position for future downstream work.

## Delivery. What value can MSPs generate by deploying GenAI use cases at scale?

For managed services, GenAI's greatest impact is accelerating the elimination of routine and repetitive tasks while enabling businesses to focus on building competitive differentiation. Technology leaders should drive MSPs to push the envelope further and tap into GenAI's ability to enhance creativity and innovation. GenAI coding tools are expected to show positive returns on investment worth billions in the United States alone.<sup>2</sup> Additional use cases<sup>3</sup> being offered by MSPs include:

- A. Efficiency plays.** Substantial enhancements in productivity and operational efficiency by doing more with less.<sup>4</sup>
  - Code generation and optimization. Assist developers by generating code snippets, suggesting optimizations, and identifying bugs or vulnerabilities.
  - Automated testing and quality assurance. Generate test cases, scenarios, and data for quality assurance processes.
  - Intelligent data extraction and categorization. Sort, categorize, and summarize unstructured data sources such as emails, documents, logs to support decision-making, and knowledge management processes.
  - Automated documentation. Generate technical documentation, user manuals, and knowledge articles based on existing data and code repositories.
  - Autonomous knowledge management. Generate and update knowledge management articles, streamlining information dissemination and reducing manual efforts.
- B. Experience plays.** Improve customer experience, loyalty, and trust through better solutions and interactions.
  - Intelligent virtual assistant. Handle IT support queries, troubleshoot issues, identify root causes, suggest remediation steps, and provide personalized guidance to end users.
  - Persona creation. Rapidly generate customer personas enabling marketing and product development teams.
- C. Innovation plays.** Drive innovative products and services that benefit customers.
  - Product backlog enhancement. Improve feature backlog prioritization based on customer behavior and purchasing patterns.
  - Predictive maintenance. Analyze historical data and system logs to predict hardware or software failures.
  - Scenario planning. Simulate business scenarios to predict outcomes to aid strategic decision-making and risk management.

**Alliances. What alliances with platform and service providers can expand the value delivered?**

Despite the rapid and impressive advances in GenAI's capabilities, its applications are still relatively new, and enterprises are figuring out what it can and can't do well. Many enterprises are learning through experience that large-scale GenAI deployment can be a multifaceted challenge that requires collaboration with several partners and not just their typical MSPs.

While hyperscaler partnerships are common, CIOs are still deciphering how to leverage their MSP's ecosystem of partnerships to deliver value tailored to their enterprise's needs. These partnerships can provide access to relationships, infrastructure, and resources. Here are some considerations regarding partnerships:

- A. Partnerships with AI platform and cloud providers.** Assess the MSP's relationships with top-tier AI platforms and cloud providers including any off-the-shelf solutions that have been jointly developed.
- B. Technical infrastructure access.** Determine the specific technologies and tools accessible through these partnerships, such as machine learning platforms, frameworks, and services, critical for developing and scaling GenAI applications.
- C. Resource availability.** Understand how these collaborations enhance the MSP's ability to leverage high-performance computing resources essential for processing large datasets and complex algorithms. Tools like natural language APIs and cognitive services can help analyze and extract large amounts of IT operational data.

The strength and scope of a managed service provider's partnerships can be a key determinant in its ability to implement GenAI effectively, quickly, and responsibly. These collaborations across AI platforms, industry-specific experts, and data providers help ensure that the solutions developed are robust and adhere to standards.

Measurement. How do you assess and monitor GenAI value across IT managed services?

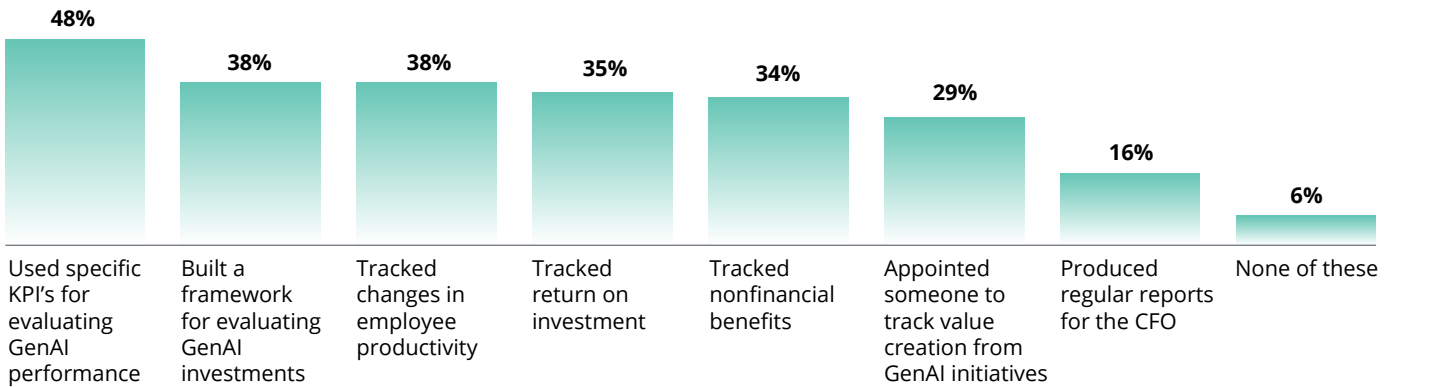
- A. Service level agreements (SLAs).** With the help of GenAI in operations, service providers can demonstrate improved service level targets year over year. CIOs should expect to see higher application availability, higher uptimes, better root cause resolutions, improved incident response/resolution times, and enhanced compliance/regulatory standards. If SLAs are kept at the current levels, the cost per resource unit should reduce.
- B. Accelerated transitions.** Challenge vendors to leverage GenAI to expedite knowledge transfers (e.g., audio-to-text translation, updating documentation) or provide data-driven insights (e.g., success of gating criteria, milestone tracking, resource ramp-up tracking).
- C. Value tracking.** Many organizations are still figuring out how to best measure and communicate the value of their Generative AI initiatives. According to the Q3 edition of Deloitte's State of Generative AI in the Enterprise series, 41% of organizations have struggled to define and measure the exact impacts of their Generative AI efforts.<sup>5</sup> With the speed and degree of experimentation, it may be hard to pause and assess progress in a comprehensive way.

Some enterprises are employing formal approaches to measure and articulate GenAI's value, including using specific KPIs for evaluating Generative AI performance (48%) and building a framework for evaluating Generative AI investments (38%) (figure 2). It is worth noting that while the majority (54%) of organizations are seeking efficiency and productivity improvements, only 38% reported they are tracking changes in employee productivity.

Figure 2.

Actions taken to measure and communicate value

Q: What actions has your organization taken to measure and communicate value creation from your Generative AI initiative? (May/June 2024) N (Total) = 2,770



### Governance. How and what data should be collected, managed, and used to train AI models?

- A. Data collection and storage solutions.** Consider how the MSP plans to source and consolidate data from various origins to create a unified, accurate, and actionable dataset. MSPs can advise clients on storage solutions that incorporate scalability and flexibility to accommodate future data expansion. Use cases such as data extraction, categorization, and intelligent assistants rely on the ability to manage data at scale.
- B. Data training and model development.** Training GenAI models is crucial for applications like employee self-service and service desk solutions. Monitor and continually enhance the LLM performance, especially for efficiency-driven use cases. MSPs can set up feedback loops to gather real-world performance data and periodically retrain the model to adapt to new data trends. Intelligent virtual assistants often use these training methods to enhance customer experience.
- C. Data security.** Evaluate capabilities in formulating and executing a comprehensive data management strategy.
- D. Regional nuances.** MSPs are obligated to protect the privacy and security of their clients' data and regional requirements. Regional consideration varies in scope such as complying with General Data Protection Regulation (GDPR) for the European Union or with the California Consumer Privacy Act (CCPA) in the United States. Consider engaging a legal expert to advise your organization, ensuring the measures taken to protect your data are aligned with local regulations.

### Risk. How do you manage risks associated with GenAI?

While the generation of content by GenAI offers numerous benefits, it also introduces risk. Consult and work with your MSP on how to identify and escalate instances where inputs (user data used for retraining the language model) or GenAI outputs inadvertently disclose sensitive information. Employees might be unaware that their inputs/outputs are not properly sanitized, which can get integrated into the model's dataset.

Inquire with your MSP about their security protocols. If they are managing data for various clients on a shared server, find out what measures they employ to ensure data protection. Request information on any security certifications. They must guard against both malicious attacks and accidental user mistakes that could compromise the system.<sup>6</sup>

GenAI models can amplify biases based on training data resulting in inaccurate outcomes. It is imperative to address inherent risks such as bias, inaccuracies, and ethical concerns. Consider leveraging Deloitte's Trustworthy AI Framework™, which proactively mitigates these risks guided by a trust-centric AI governance framework.<sup>7</sup>

# Conclusion

The integration of GenAI into managed IT services represents a significant return on investment that can reverberate throughout the value chain, while the direct benefits contribute to elevated end-user satisfaction, increased operational productivity, and, consequently, an enhanced cost posture. Beyond these quantifiable advantages, companies may find reassurance from the knowledge that the IT infrastructure is under constant surveillance and refinement by AI, adapting effectively to align with business objectives. For MSPs, offering AI-managed IT services means equipping businesses with the tools to not only withstand but excel in the rapidly changing digital arena.

If your managed service provider fails to offer clear responses to your inquiries, you may consider issuing a bid to find a new MSP with GenAI capabilities. This is likely because your current provider lacks transparency or is not the innovative partner required in today's fast-changing market.

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# Endnotes

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