State of Managed Services

Why Service Is Now the Engine of AI Economics

Overview

For years, managed services followed a predictable formula. Providers delivered operational support, customers paid recurring fees, and value was measured in uptime, efficiency, and reliability. Artificial intelligence changes that equation.

AI is no longer just another tool inside the managed services stack. It is rapidly becoming the operational engine of the modern technology business. As organizations embed AI into their core products and operations, managed services providers (MSPs) are being forced to rethink how they deliver, measure, and monetize value.

This shift represents a fundamental economic transition. The industry is moving away from human-led service models toward an AI-first operating model, where automation, predictive insights, and autonomous operations reshape the entire service lifecycle.

For managed service providers, the implications are profound. Market leadership will increasingly depend on one capability:

The ability to operationalize AI and capture the value it creates.

tsiaintelligence

AI. For Technology Services.

What it is

TSIA Intelligence is TSIA's new AI-powered assistant. It delivers instant, actionable insights from TSIA's exclusive, industry-validated research. Built only for Technology Services, it helps you make smarter decisions.

Why it matters

Trusted Answers, Not Generic AI: Based on TSIA's proprietary data—not the open web.

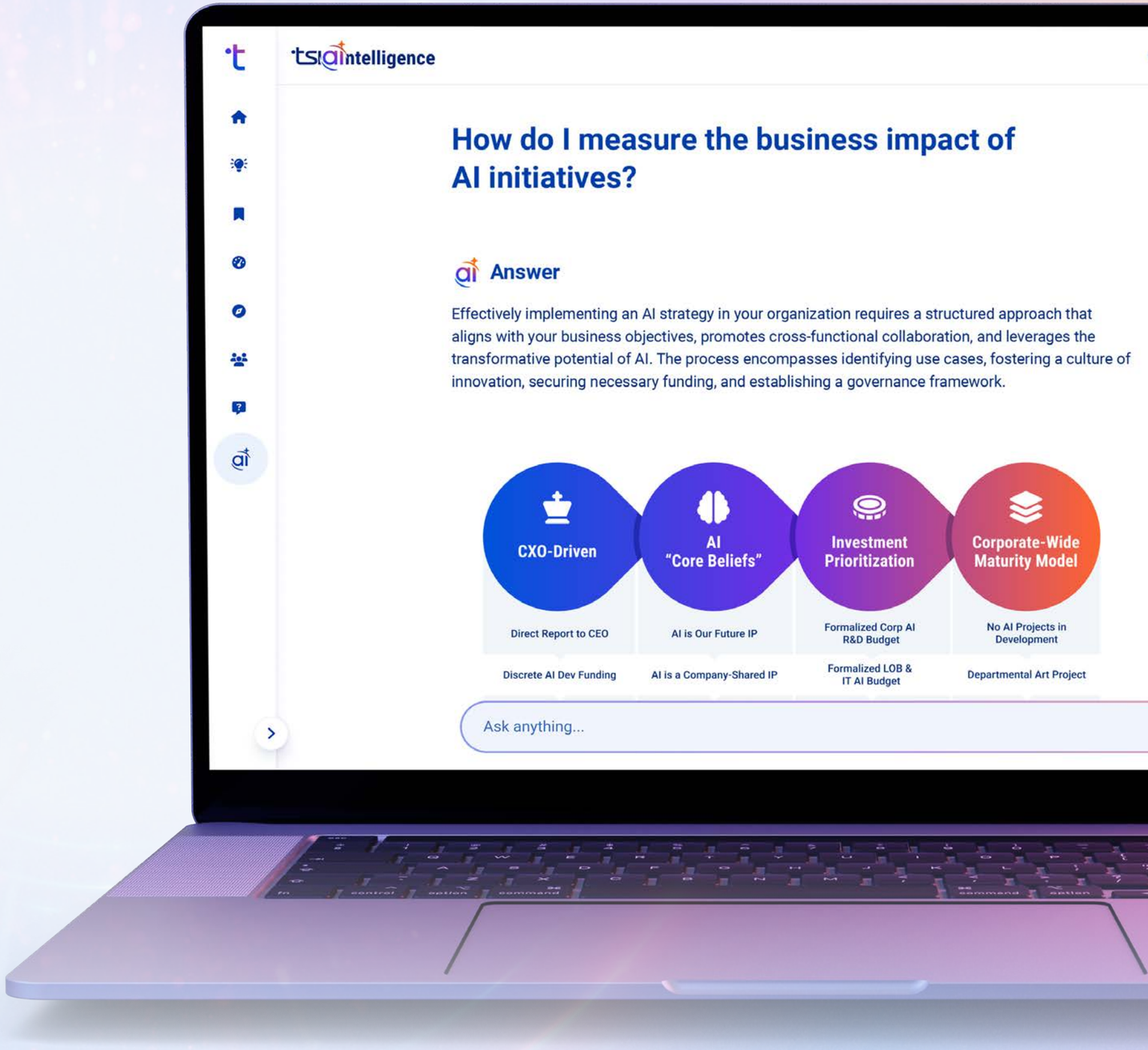
Instant Value: Summarizes reports, answers questions, and visualizes data in seconds.

Built for Tech Services: Specialized insights tailored to your industry challenges.

Experience TSIA Intelligence today—for free—in the TSIA Portal.

Generic AI gives general answers. TSIA's AI gives the right ones.

Ask a question



The End of Services or the *ERA* of Services?

AI isn't eliminating services—it's launching the most service-intensive era tech has ever seen.

Why? The last mile of AI adoption—vertical requirements, messy data, legacy systems, security—demands a powerful services layer.

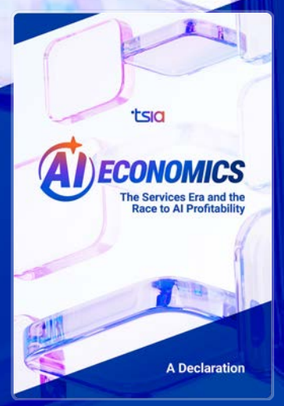
The three truths

1 **Serviceless AI is a myth**
not software, or tech alone, define profitability

2 **Pricing must shift**
to value and outcomes

3 **Incumbents have an advantage**
over startups if they retool existing services

Download the AI Economics Declaration



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Why AI Alone Isn't Enough

The past year revealed an important truth about enterprise AI adoption. The first wave of AI innovation was dominated by product-led experimentation. Organizations deployed models, tested new capabilities, and explored how generative AI could improve productivity. But experimentation alone rarely produces enterprise-scale transformation.

The challenge appears in what many technology leaders now call the "last mile" problem. AI models may be powerful, but turning them into reliable, operational business systems requires solving complex problems such as:

- Poor or fragmented data.
- Integration with legacy systems.
- Operational governance and security.
- Organizational change and adoption.

This is where services become essential. Professional and managed services organizations have emerged as the critical bridge between AI capability and real business value. They ensure that AI systems move beyond proof-of-concept experiments and into stable, operational environments. In other words, services close the gap between what AI can do and what businesses can actually achieve with it.

The Hidden Cost of AI

Operational Debt

Deploying an AI solution is only the beginning. Once an AI system moves into production, organizations quickly encounter a new challenge: maintaining its performance over time.

AI models degrade. Data changes. Security risks evolve. Regulatory requirements shift. These ongoing operational challenges create what many organizations are now calling "AI Operational Debt."

This debt accumulates through:

- Model drift that reduces accuracy over time.
- Data quality issues that undermine predictions.
- Security and compliance requirements.
- Ongoing infrastructure management.

Unlike traditional software deployments, these challenges do not end after implementation. They require continuous monitoring, optimization, and governance. Temporary projects cannot solve this problem.

Instead, organizations are increasingly turning to managed AI services, in which service providers take full operational ownership of AI systems throughout the lifecycle.
This shift is redefining the role of managed services. Providers are no longer simply supporting technology infrastructure. They are becoming responsible for keeping AI systems reliable, secure, and continuously improving.

The Three Challenges

Reshaping Managed Services in 2026

As managed services providers transition to an AI-first model, three major barriers are emerging across the industry. These challenges are slowing adoption and forcing organizations to rethink long-standing operating models.

Challenge 1

Pricing Models No Longer Reflect the Value AI Creates

One of the most disruptive aspects of AI is its impact on productivity. AI solutions often allow customers to accomplish more with fewer people. While this efficiency creates tremendous value for customers, it introduces a serious economic problem for providers.

Many technology companies still rely on pricing models tied to:

User seats	**Human labor hours**	**Fixed service contracts**

When AI reduces the need for human intervention, these pricing models begin to collapse. The result is a profit paradox: the technology becomes more valuable, but revenue declines. Overcoming this challenge requires organizations to move away from transactional pricing and toward models that reflect the outcomes and business impact AI delivers.

Challenge 2

Proving the Return on AI Investments

Another major obstacle facing managed services providers is demonstrating a clear return on investment for AI initiatives. The challenge is rarely technical. Most organizations can deploy AI tools successfully. The difficulty lies in defining measurable business outcomes that justify the investment.

Many organizations still struggle to answer critical questions such as:

Which AI use cases deliver the most value?

How should success be measured?

What metrics demonstrate impact for customers and executives?

Without clear answers, AI projects often struggle to secure continued funding. Organizations that succeed in the AI era will be those that connect AI initiatives directly to business performance metrics, such as revenue growth, customer retention, and operational efficiency.

Challenge 3

Talent and Integration Barriers

Even organizations with clear strategies often encounter practical obstacles when implementing AI.

Many companies face significant challenges related to:

Shortages of skilled AI talent

Integration with existing enterprise systems

Fragmented and siloed data environments

Legacy infrastructure and disconnected data sources make it difficult for AI systems to operate effectively. Without a unified data model that connects information across the organization, AI cannot deliver accurate predictions or actionable insights. For many companies, solving these integration challenges has become the single most important step toward successful AI transformation.

The Capabilities Leading MSPs Are Building in 2026

Despite these challenges, leading managed services providers are beginning to establish the capabilities required to thrive in the AI economy. Three capabilities are emerging as critical foundations for success.

Building the Data Foundation for AI

Every successful AI strategy begins with data. Organizations must move beyond fragmented information systems and establish a unified data model that integrates data from across the business. This unified foundation enables AI systems to generate accurate insights and automate complex operational decisions.

Companies that invest in data strategy and governance are already seeing measurable advantages, including improved revenue growth and stronger service margins. Alongside data integration, many organizations are also implementing formal AI governance frameworks to ensure responsible, secure, and compliant AI deployment. Together, these foundations form the backbone of an AI-first organization.

Moving Toward Autonomous Operations

The next phase of transformation focuses on operational automation. Technologies such as AIOps (AI for IT operations) and robotic process automation (RPA) are enabling service organizations to shift from reactive problem-solving to proactive system management.

These technologies allow providers to:

Detect issues before they impact customers

Automate routine operational tasks

Improve service uptime and reliability

The result is a transition toward self-healing operational systems, in which AI continuously monitors infrastructure and resolves issues automatically. This shift dramatically increases operational efficiency while allowing skilled personnel to focus on higher-value strategic work.

Delivering Measurable Business Outcomes

The final capability involves transforming how services are sold and delivered. In the AI era, customers are no longer interested in purchasing tools alone. They want providers to guarantee results. This means service organizations must evolve beyond implementation and support toward outcome-based service delivery.

Successful providers are building capabilities that allow them to:

- **Track and measure business outcomes**
- **Predict customer health and renewal risk**
- **Provide adoption coaching and operational guidance**

By combining AI insights with service expertise, providers can deliver predictable results that directly support customer business goals.

Rethinking Pricing in the AI Economy

As services evolve, pricing models must evolve as well. Traditional models built around fixed contracts or per-user pricing cannot capture the value created by AI-driven automation. Instead, many providers are adopting hybrid pricing models that combine multiple approaches.

These models typically include:

- Subscription-based service foundations.
- Consumption-based pricing for dynamic usage.
- Outcome-based pricing tied to measurable results.

This progression allows organizations to gradually transition toward value-based pricing while maintaining stability during the transformation.

Another important shift involves how services are packaged and communicated. Rather than generic tier labels like “Gold,” or “Platinum,” providers are increasingly using value-oriented service names that clearly communicate the business outcomes customers can expect. This approach helps reposition services as strategic value drivers rather than operational support.

The Roadmap to Becoming an AI-First Managed Services Provider

For many organizations, the transition to AI-first services will not happen overnight. It requires a structured transformation that unfolds in stages.

Phase 1

Build the Foundation

The first step is establishing the infrastructure required for AI success. This includes building a unified data model and implementing governance frameworks that ensure AI systems operate responsibly and securely. Without this foundation, AI initiatives struggle to scale.

Phase 2

Achieve Autonomous Operations

Once the data foundation is in place, organizations can begin automating operational workflows. Deploying technologies such as AIOps and robotic process automation enables providers to create self-healing operational environments that continuously monitor and optimize systems. This dramatically improves efficiency while reducing operational risk.

Phase 3

Create the AI-Powered Commercial Engine

The final stage focuses on monetizing AI-driven insights. Operational data collected from AI systems becomes a powerful source of commercial intelligence.

Providers can use these insights to:

- Develop dynamic pricing strategies.
- Deliver hyper-personalized service offerings.
- Predict customer outcomes and renewal likelihood.

In this phase, the organization transitions from a service provider to a data-driven commercial engine powered by AI insights.

Services Will Define the Next Decade of Technology

AI Economics is reshaping the technology industry at a fundamental level. Traditional models built around software licenses and human-delivered services are being replaced by AI-powered operating models that blend automation, predictive intelligence, and outcome-based service delivery.

In this new environment, services are no longer simply supporting the product. They are becoming the primary driver of customer value and profitability.

Managed services providers that successfully build AI-first capabilities will gain a powerful competitive advantage. They will be able to operationalize AI for customers, deliver measurable business outcomes, and continuously improve performance through data-driven insights. Those that fail to evolve risk falling behind as the industry redefines how value is created.

Preparing for the Next Phase of AI Economics™

Technology leaders cannot afford to treat AI transformation as an optional experiment. The shift toward AI-first services is already underway, and the organizations that move fastest will shape the future of the industry.

The next steps are clear:

- **Build a unified data foundation for AI.**
- **Establish governance and operational frameworks.**
- **Modernize service delivery and pricing models.**

By taking these steps today, managed services providers can position themselves to capture the full economic value of AI.

TSIA's Complete Ecosystem

Benchmarking

Proprietary, data-driven comparisons against peer companies.

Performance Optimizer (self-serve or researcher-led): Measures maturity, identifies gaps, and compares against industry averages.

DataViews & Key Metrics: Bite-sized benchmarks (e.g., renewal rates, adoption ratios) available in the TSIA Portal.

Expert Inquiry

An Expert Inquiry is a direct engagement with a TSIA Research Executive to answer a specific business question or validate a strategy. Inquiries are addressed via a curated email response or a 30-minute call, depending on the complexity of the issue.

TSIA Intelligence (AI)

The first AI built exclusively for technology services. Provides trusted answers in seconds, complementing the expertise of human researchers.

Advisory Services

Advisory Blocks:
1–4 hour hyper-focused, virtual sessions solving a specific challenge.

Interactive Strategy Reviews (ISRs):
Researcher reviews strategy docs and hosts a 2-hour interactive session with recommendations.

Workshops:
Half to full-day engagements for team enablement and transformation planning.

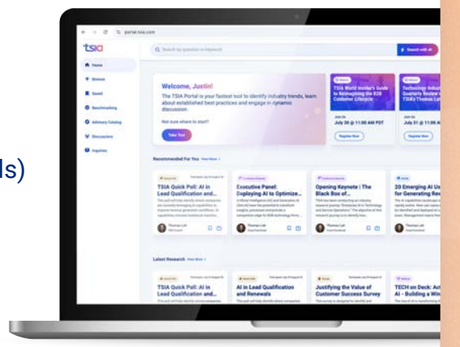
Speaking Engagements:
Keynotes, executive briefings, or panels delivered by TSIA experts.

TSIA Portal: Research & Insights

A rich library of proprietary research and tools.

Formats include:

- Research Reports (deep analysis)
- State of the Industry Reports (annual, free)
- Framework Papers (visual best-practice models)
- Articles (thought leadership)
- DataViews (benchmark stats, always paid)
- Webinars & Podcasts (free, expert-led)
- Industry Stories (real-world applications)



Membership Plans

Free

Explore TSIA's ecosystem with limited access to research and AI tools—ideal for getting familiar before you commit.

- **Limited** TSIA Intelligence
- ✓ **7 AI Inquiries:** Specialized AI Q&A for technology services.
- ✓ **7 AI Content Assistant Uses:** Instant summaries and deep dives into reports, videos, and more.

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Individual

Get full, self-serve access to all research areas, TSIA Intelligence, and benchmarking—built for SMB leaders and solo professionals ready to level up.

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- **Unlimited** TSIA Intelligence
- ✓ **AI Inquiry:** Specialized AI Q&A for technology services.
- ✓ **AI Content Assistant:** Instant summaries and deep dives into reports, videos, and more.

Best for your company

Enterprise

Access organization-wide research, expert advice, and advanced benchmarking to drive large-scale service transformation.

- **Unlimited Users**
- **Unlimited** TSIA Intelligence
- ✓ **AI Inquiry:** Specialized AI Q&A for technology services.
- ✓ **AI Content Assistant:** Instant summaries and deep dives into reports, videos, and more.

Learn more

Community & Peer Learning

Advisory Boards:
Peer councils by Research Area.

Conferences:
Keynotes, breakouts, and networking with thousands of executives.

STAR Awards:
Recognition of member success stories.

Executive-Hosted Forum:
An invite-only experience for TSIA Advisory Board executives to think deeply, connect meaningfully, and act decisively on the future of technology services.

Contact us

Questions? Our team is here to guide you toward the right TSIA solution for your needs.

Get in touch

Make smart decisions.®

TSIA (Technology & Services Industry Association) is dedicated to helping technology and services organizations large and small grow and advance in the technology industry. Find out how you can achieve success, too.

Have questions? Let us know.

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