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PRICING THE WORK

A field guide to commercial models, managed services, and the path to outcome ownership.

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Consulting and systems integration firms have more commercial options today than at any point in the industry's history, from straight time-and-materials to full gain-share partnerships. Most firms, though, default to whatever model they inherited rather than choosing deliberately.

This paper is a working reference, not a pitch for any one model. It lays out nine commercial models available to SIs and consultancies, six types of managed services that typically sit alongside them, and a five-stage maturity model showing how firms tend to progress from pricing inputs to pricing outcomes, along with the real pros, cons, and implications of each.

THE RIGHT MODEL DEPENDS ON WHAT'S BEING SOLD, TO WHOM, AND HOW MUCH RISK EACH SIDE IS WILLING TO CARRY – NOT ON WHICH MODEL IS FASHIONABLE THIS YEAR.

THE NINE COMMERCIAL MODELS

Every commercial model answers the same underlying question differently: what, exactly, is the client paying for? Time, scope, capacity, or outcome? These are the major options in use across SIs and consultancies today.

01 TIME & MATERIALS (T&M)

STAGE 1

PROS

- + Simple to set up and explain
- + Scope can change freely
- + Low pricing risk for the firm

CONS

- Client bears all overrun risk
- No firm incentive for efficiency
- Increasingly hard to defend under AI-assisted delivery

Best suited to genuinely undefined, exploratory work. It's the weakest model once delivery becomes AI-assisted and more predictable, since it pays for the wrong thing.

02 FIXED-FEE / VALUE-BASED PRICING

STAGE 2

PROS

- + Rewards delivery efficiency
- + Easier for the client to budget
- + Differentiates firms with strong estimation discipline

CONS

- Firm carries estimation risk
- Scope-creep disputes are common
- Requires mature delivery data to price confidently

A firm's estimation accuracy becomes a real competitive asset – not just an internal PM skill, but something that shows up directly in win rate and margin.

03 STAFF AUGMENTATION / MANAGED CAPACITY

STAGE 1

PROS

- + Simple and familiar to procurement
- + Fast to start
- + Low commercial complexity

CONS

- Lowest margin and differentiation
- Most exposed to commoditization
- Most exposed to AI-driven headcount compression

A volume and relationship play, not a strategy. Firms leaning on this long-term are betting on scale, not on IP or differentiation.

04 RETAINER

STAGE 3

PROS

- + Predictable revenue for the firm
- + Predictable cost for the client
- + Supports ongoing advisory relationships

CONS

- Value delivered can be hard to quantify
- Risk of "retainer drift": paying for access rarely used

Works best paired with a clearly defined scope of access (a set number of hours or deliverables), not vague on-call availability.

05 OUTCOME-LINKED / MILESTONE-BASED PRICING

STAGE 4

PROS

- + Aligns payment to concrete, verifiable results
- + Reduces the client's payment risk

CONS

- Requires precise upfront definition of "done"
- Disputes arise when measurement is ambiguous

Only works where milestones can be defined objectively before the engagement starts – vague or shifting success criteria break this model quickly.

06 GAIN-SHARE / RISK-SHARE

STAGE 5

PROS

- + Directly aligns firm and client incentives
- + Highest potential upside for the firm

CONS

- Requires trusted measurement and attribution
- Firm must be willing and able to underwrite real financial risk

Needs a firm with balance-sheet strength and delivery-data maturity that most firms haven't yet built – this is an advanced-stage model, not a starting point.

07 MANAGED OUTCOME SUBSCRIPTIONS

STAGE 5

PROS

- + Recurring, scalable revenue
- + Positions the firm as a long-term performance partner, not a project vendor

CONS

- Requires ongoing operational commitment and performance guarantees
- Harder to exit than a project

Turns the firm into something closer to a software or managed-service company than a project shop – a real operating-model shift, not just a pricing change.

08 LICENSE-PLUS-IMPLEMENTATION BUNDLING

PROS

- + Simplifies procurement for the client
- + Can create referral or reseller economics for the firm

CONS

- Blurs advisory independence
- Margin is often set by the platform vendor, not the firm

Common among ecosystem-aligned SIs (Salesforce, SAP, etc.). Works best when the platform and services value are genuinely inseparable in the client's mind.

09 EQUITY-FOR-SERVICES / HYBRID DEALS

PROS

- + Access to high-upside relationships (e.g., pre-funding startups)
- + Can build long-term strategic ties

CONS

- High risk and illiquid
- Misaligned time horizons: services delivered now, payoff years away or never

A portfolio bet, not a repeatable commercial model. Should be capped as a small percentage of overall business, not a core strategy.

Read across the models and a pattern emerges: the further a model moves from pricing time toward pricing outcomes, the more risk shifts onto the firm – and the

more margin and differentiation potential becomes available to firms equipped to carry that risk responsibly.

TYPES OF MANAGED SERVICES

Managed services sit alongside, and increasingly blend with, the commercial models above. They're worth treating separately because they're less about how a single engagement is priced and more about the ongoing operating relationship between firm and client after initial delivery.

A APPLICATION MANAGED SERVICES (AMS) / BREAK-FIX

PROS

- + Predictable recurring revenue
- + Clear SLA-based value
- + Natural post-implementation upsell

CONS

- Commoditized and price-competitive
- Ticket-volume pricing caps upside

A volume business unless bundled with enhancement or outcome components – rarely a standalone differentiator.

B ENHANCEMENT & CONTINUOUS IMPROVEMENT RETAINERS

PROS

- + Keeps the firm embedded post-go-live
- + Captures ongoing small-scope work efficiently

CONS

- Scope-prioritization disputes are common
- "Points/hours bucket" models can feel arbitrary to clients

Works best with transparent backlog governance and clear, jointly-owned prioritization rules.

C MANAGED CENTER OF EXCELLENCE (COE)

PROS

- + Deep, durable client relationship
- + Blends governance, roadmap, and delivery
- + High switching cost for the client

CONS

- Resource-intensive to staff well
- Requires senior, consistent people the firm can't easily redeploy elsewhere

A strategic-account play. Few clients justify a dedicated CoE, but the ones that do become extremely durable relationships.

D PLATFORM / MANAGED OPERATIONS SERVICES

PROS

- + Full operational ownership creates a sticky, high-trust relationship
- + SLA-based pricing is well understood by procurement

CONS

- Firm inherits operational and reputational risk for platform performance
- Requires extended-hours or 24/7 capability

Requires real operational maturity – monitoring, incident management, on-call rotations – not just delivery skill.

E OUTCOME-BASED MANAGED SERVICES

PROS

- + Bridges traditional managed services with outcome-based pricing
- + Rewards the firm for driving adoption and efficiency, not just responding to tickets

CONS

- Requires baseline data and agreed KPIs before the engagement starts
- Harder to sell to procurement teams used to SLA/ticket pricing

The most mature and most differentiated managed-services model – but only credible with real delivery data behind it.

F CO-MANAGED / AUGMENTED SUPPORT

PROS

- + Lower cost than full outsourcing
- + Keeps institutional knowledge in-house
- + Flexible scaling for overflow or specialized work

CONS

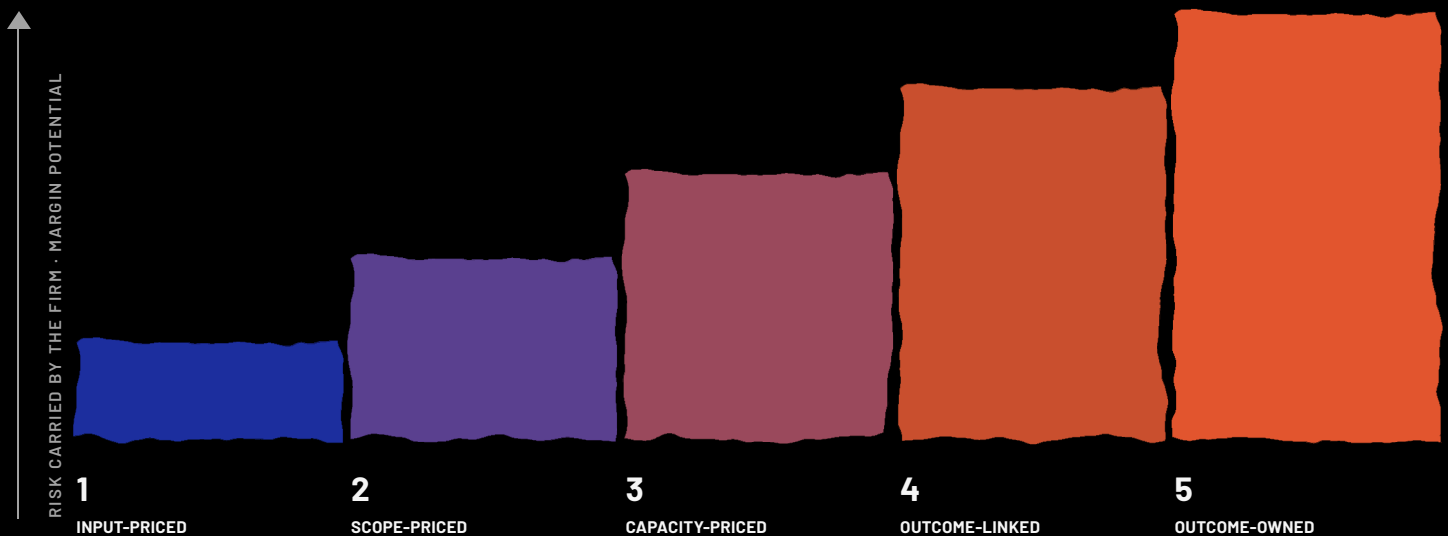
- Requires a clear division of responsibility
- Can create finger-pointing during incidents if boundaries are fuzzy

Works best with a clearly documented RACI between the client's internal team and the firm, agreed before go-live, not after the first incident.

Managed services follow the same maturity logic as commercial models generally: break-fix and staff-driven support sit at the commoditized end, while outcome-based managed services – priced against adoption, efficiency, or business KPIs rather than ticket volume – sit at the differentiated end.

THE COMMERCIAL MATURITY MODEL

Put the models from Parts One and Two on a single spectrum and a five-stage maturity model emerges. Firms don't need to reach Stage 5 to succeed, but they should know exactly which stage they're operating in today, and what capability is required to move up.



Illustrative, directional — not a benchmark of any specific firm or market.

1 • INPUT-PRICED T&M / Staff Augmentation

The client pays for hours or headcount. Risk sits almost entirely with the client. Margin is thin and scales linearly with headcount, not with skill or IP.

2 • SCOPE-PRICED Fixed-Fee Projects

The client pays for a defined deliverable. Estimation risk shifts to the firm; margin starts to reward delivery efficiency and accurate scoping rather than just utilization.

3 • CAPACITY-PRICED Managed Services / Retainer

The client pays for ongoing access or capacity, typically governed by SLAs. Risk is shared through service-level commitments; margin comes from utilization efficiency and scale across multiple clients.

● 4 • OUTCOME-LINKED Milestones

Payment is tied to specific, measurable results. Risk shifts further onto the firm; margin becomes tied to delivery predictability and the firm's ability to define and hit clear success criteria.

● 5 • OUTCOME-OWNED Gain-Share / Managed Outcome Subscriptions

The firm takes a share of the value it creates, or a subscription tied to sustained performance. Risk is substantially underwritten by the firm; margin scales directly with the value delivered, not with headcount or hours – but this stage demands real balance-sheet strength, delivery data, and productized IP most firms haven't yet built.

CHOOSING THE RIGHT MODEL

A few questions tend to determine which model actually fits a given engagement, rather than which one a firm wishes it could sell:

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- 01 How well can the outcome be defined and measured before work starts?
 - 02 How much delivery data and productized IP does the firm have to price outcome risk with confidence?
 - 03 What stage is the client relationship at – net-new and unproven, or long-trusted?
 - 04 What's the firm's actual balance sheet and risk appetite – not its aspirational one?
 - 05 Is this a strategic account worth investing in a deeper model, or a transactional engagement better served by a simpler one?
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CONCLUSION

None of these models is inherently right or wrong – each is a different answer to the question of who carries risk and how margin gets earned. What matters is choosing deliberately, engagement by engagement, rather than defaulting to whatever the firm has always done.

This is meant as the reference map for the shift I described in [“Beyond the Billable Hour”](#): most firms don't need to jump straight to gain-share. They need to know exactly where they sit on this spectrum today, and what it will actually take – in data, balance sheet, and productized IP – to move one stage further.



ABOUT THE AUTHOR

Bryan Musto is a Chief Revenue Officer and go-to-market leader working at the intersection of financial services and enterprise technology. He currently serves as CRO of Northlight Solutions Group, and his background includes senior roles at Capgemini Invent, Vanguard, and BNP Paribas. He holds an MBA from the Wharton School of the University of Pennsylvania.