

Relationship Review

The Outsourcing Health Check

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Agenda

- Introduction to Relationship Review
- The Benefits of Relationship Review
- Outsource Problem Areas
- Contrasting Perspectives
- Process & Deliverables
- Rationale for Approach
- Outcomes & Solution Areas
- Why CIO Plus
- Credentials
- Summary

Introduction to Relationship Review

- Rapid, effective & proven method of improving outsourcing arrangements
- Typically when outsourcing has become BAU
- Benchmarking & KPI Metrics review
- Results:
 - Refreshed relationship
 - Realistic KPI's & Metrics
 - Renewed sourcing arrangement
 - Economic & service advantages on both sides

Introduction to Relationship Review

- The original objectives of outsourcing :
 - Greater efficiency
 - Flexibility
 - Cost Savings
 - Drive for innovation & change
 - Risk management
- The frequent status of outsourcing:
 - Efficiency as people and requirements have changed
 - Inflexible from a rigid contract structure
 - Cost increase through changing requirements
 - Oriented around T&C' s of status quo
 - Risk aversion

The Benefits of Relationship Review

- Outsource aims restored & future relationship re-set.
- Costs are typically reduced for both parties.
- Impartial perspective on key issues affecting value for money and improved operational service.
- Improved communications & information flow.
- Renewed focus –
e.g. Access to excellence in innovation and risk management.
- Discrete benefit at each stage of process

Outsource Problem Areas

- Change Management
- Demand Management & Capacity Planning
- Innovation & Continuous Improvement
- Finance Model
- Service Implementation
- Release & Upgrade Planning
- Service Model & Complexity
- Compliance, Service KPI's & Penalties

Contrasting Perspectives

Client

Supplier

Change Management

- A cost and process for all requests.
- Small changes expensive.
- Excessive formality & process.

- Client resists volumes and pricing defined in the contract.
- Client expects small and investigative work for nothing.
- Client resists the process defined in the contract.

Demand Management /Capacity Planning

- Require significant developments at short notice.
- Infrastructure maintenance / upgrades left until urgent.
- Specific skills and resources either unavailable or exorbitant.

- No exposure to business planning so requests a surprise.
- Maintenance & upgrades planned around projects & BAU.
- Insufficient notice of demand for skills or resources.

Contrasting Perspectives

Client

Supplier

Innovation & Continuous Improvement

- Promised at sale time but we see little of it.
- We have lost the ability to drive this.

- We are never included in the clients business strategies.
- We drive CI internally within our contract scope to drive the year on year savings in the contract.

Financial Model

- Increasing costs for the same service.
- Original business case eroded by volumetric changes.
- Volumetric increases used to boost contract profitability.

- Constant growth in environment and cost base
- Business case baseline did not account for cost of growth.
- Cost increases backed by volumetric data are acceptable.

Contrasting Perspectives

Client

Supplier

Service Implementation

- Processes increase demand on project budgets.
- Process of moving new solutions into production is slow, non-cooperative, and contractual.
- Promised innovation but little delivered.
- No ability to drive end to end service improvements.

- Projects not fit for production increase support costs
- Reduced investment results in increased failures
- No visibility of business strategies for innovative solutions.
- CI internally driven to deliver year on year savings

Release / Upgrade Planning

- The business requires minimal IT service downtime
- Increased costs from all changes.

- Every planned outage needs to be negotiated
- Changes during hours are risky, out of hours are costly.

Contrasting Perspectives

Client

Supplier

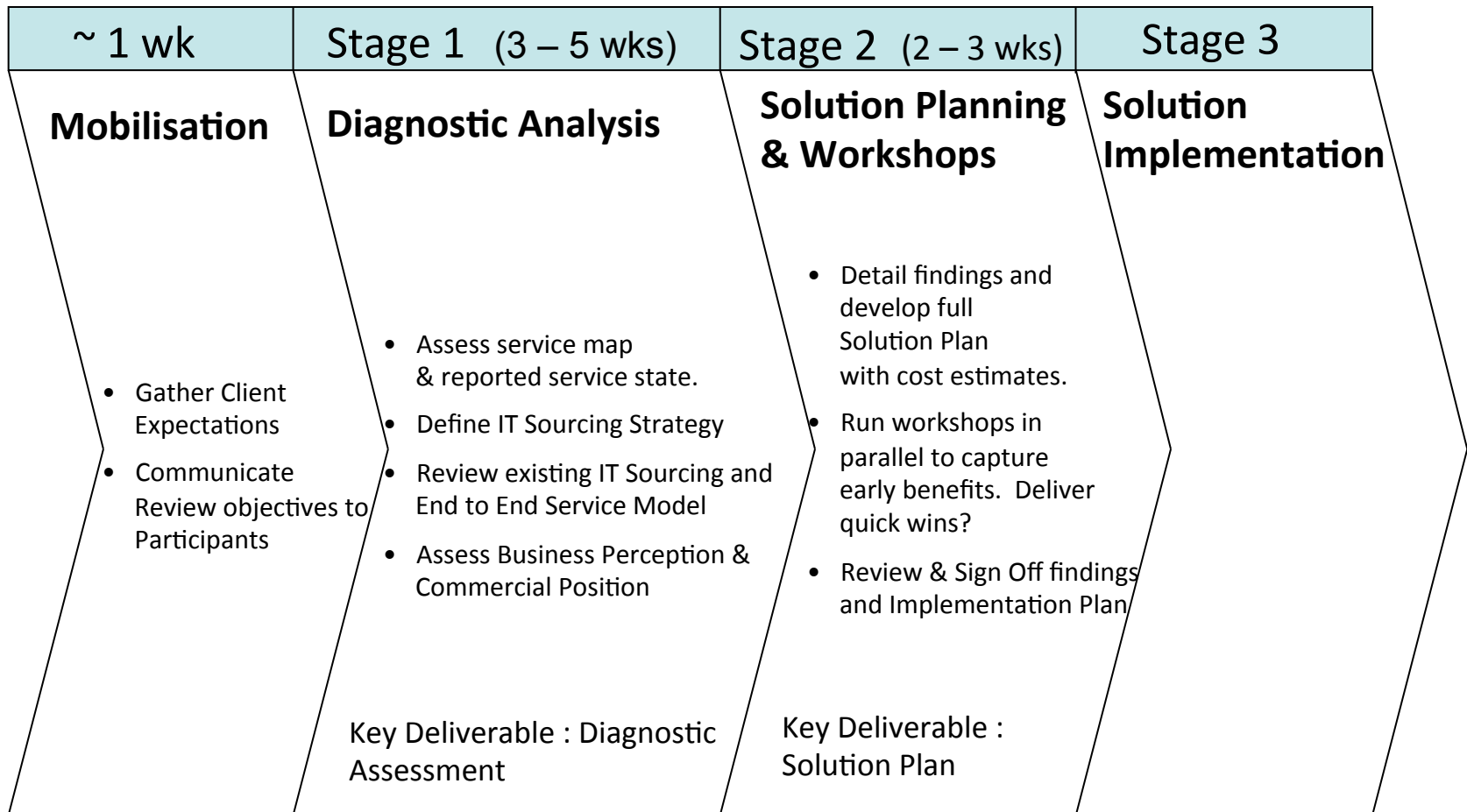
Compliance, Service KPIs and Penalties

- Need financial penalties to keep the supplier in check.
- Significant overhead in reporting KPIs to avoid penalties

Service Model and Complexity

- A competitive, multi-sourced service model ensures competing service providers.
- No single end to end responsibility or ownership for the service.

Process & Deliverables



Deliverable Detail

➤ Mobilisation

- All parties aware of agreed statement of objectives & ToR

➤ Stage 1

- Assessment of Sourcing fit with strategy & business need
- Description of Service and Funding models.
- Analysis of contract, service issues & feedback.

➤ Stage 2

- ‘Early start’ improvement initiatives where a necessary fix is agreed
- Solution Plan - time bound & ‘Implementation-ready’ with costs
- Agreement on key issues and ownership
- Formal set of recommendations
- Report, presentation & workshops as required



Deliverable Detail

➤ Stage 3

Driven by CIO Plus

- Fully implemented solution
- New contract, tools, processes, environment & budget fully commissioned
- CIO Plus programme manage immediate implementation or transition plan [knowledge transfer, controls etc].
- Update from results of early implemented initiatives
- Final briefings / workshops to imbed modified relationship
- Client sign-off on delivered benefits.

Rationale for Approach

- Taps into Client IT, Provider and wider business stakeholder perception.
- Covers entire outsource relationship as required.
- Customisable to include any areas specifically highlighted – subject to overall timescale and cost.
- Formal staged process with interim checkpoints.
- Client or joint Client/Provider funding options.
- Flexible commercial approach including shared risk/reward options at Stage 3.

Outcomes & Solution Areas

- Agreeing or implementing updated sourcing strategy delivering step change in service or financial performance
- Detailed outcomes will include :
 - Modifications to the Contract
 - Process Re-engineering
 - Design of appropriate Tools
 - Organisation and skills to fit
 - Realigned metrics and/or KPI' s
 - Planning/Review Forums
 - Innovation Workshops
 - Changes to Provider Arrangements

Why CIO Plus?

- Formed in 2004 by two former FTSE CIOs. Add value by taking genuine ownership of IT related problems and delivering robust solutions.
 - Independent & impartial service
 - Understand common problems associated with an outsource relationship not delivering.
 - Apply considerable insight to outsource value and will stay until benefits are realized in financial terms.
 - Successful Reviews deployed for many clients.

CIO Plus Credentials

Client	Scenario	Actions and Results
Global Financial Services Company	Complex multi-supplier model not operating successfully. Service levels being breached and very low customer satisfaction.	Service Improvement Programme designed and implemented. Facilitated close collaboration between suppliers to achieve efficiency gains, meet SLAs and high customer satisfaction.
Government health care agency	Long-established outsourcing relationship not meeting expectations of new IT Director.	Implemented organisational and staffing changes within both the supplier and client teams. Implemented ITIL service management. Introduced standard methods and tools to improve service satisfy IT Director.
Government Education Funding Agency	National Audit Office asked for value for money review of outsource relationship.	Outsource contract did not accurately reflect delivered services. Contract renegotiated to suit both parties, including more value for the client e.g. Intellectual Property Rights
Major regulator	Existing relationship on outsourced Infrastructure Services. No formal sourcing strategy.	Outsourcing strategy and updated requirement developed. New supplier selected through JEC competition. Outsource scope switched to Applications; Desktop & Infrastructure services re-insourced with improved service levels and reduced costs. Complex applications developed and integrated.

CIO Plus Credentials

Client	Scenario	Actions and Results
Global Engineering/ Manufacturing Conglomerate	Flawed sourcing strategy. Client spending too much. Provider losing money. Services not adequate.	Re-insource recommended and executed at speed. Commercial settlement agreed and staff transferred back and services delivered by business unit aligned IT functions. Simplified IT landscape created to support corporate divestment programme.
Major Construction Company	Outsourcing supplier not performing in line with contractual obligations.	All services taken back in house including the management of all legal, commercial and operational aspects. Significantly improved efficiency whilst reducing costs.
FTSE 100 energy utility	Outsourced development activities prevented client achieving value for money.	Developed, agreed and delivered a transition plan in conjunction with the partner to bring back this specific service in house over a pre-determined period. Seamlessly re-insourced the services with beneficial impact on service levels and costs.
Major Logistics Company	Outsource partner failing to deliver innovation.	Changed contractual relationship re-establishing control over benefit delivery and obtained a substantial refund for the client.

Summary

- Rapid route to fully restored outsource benefits.
- CIO Plus experience in likely problem areas.
- Focus on reducing cost, improving service and addressing 'relationship processes' .
- CIO Plus well positioned with experienced staff.
- Well established 3-stage process.
- Defined deliverables & outcomes at each stage.
- Flexible commercial approach.