

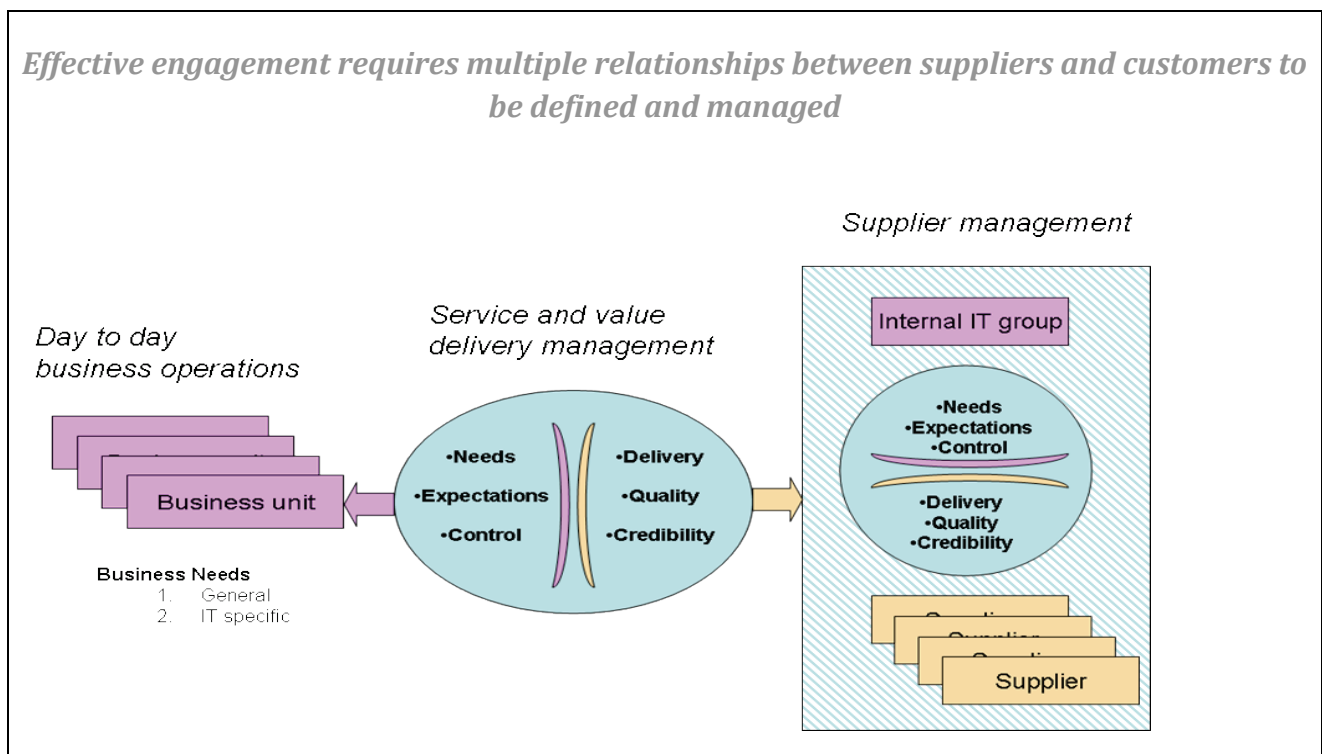
## Business Engagement and IT Outsourcing: Time for a New Approach

Existing outsourcing models typically fail to address the full diversity and complexity of the relationships and interfaces that need to exist between IT service suppliers and their customers:

- Expectations are simplified and distilled into a few 'KPIs'; the relationships then deteriorate over time as factors not taken into account come into play.
- It is not always clear that there is more than one interface between supplier and customer; in reality there is normally a network of relationships to be managed.
- Contractual elements often focus on delivery metrics (service levels, volumes, times); key business success factors (e.g. quality, perceptions of the value of the engagement) are seldom formalised in the contracts.

To address these issues, IT Optima has developed a new relationship-based approach – creating an efficient and high quality service delivery through high levels of engagement:

- Combining best practices from traditional and innovative approaches
- Providing frameworks for governance and ways of working together
- Supporting a comprehensive range of relationship development



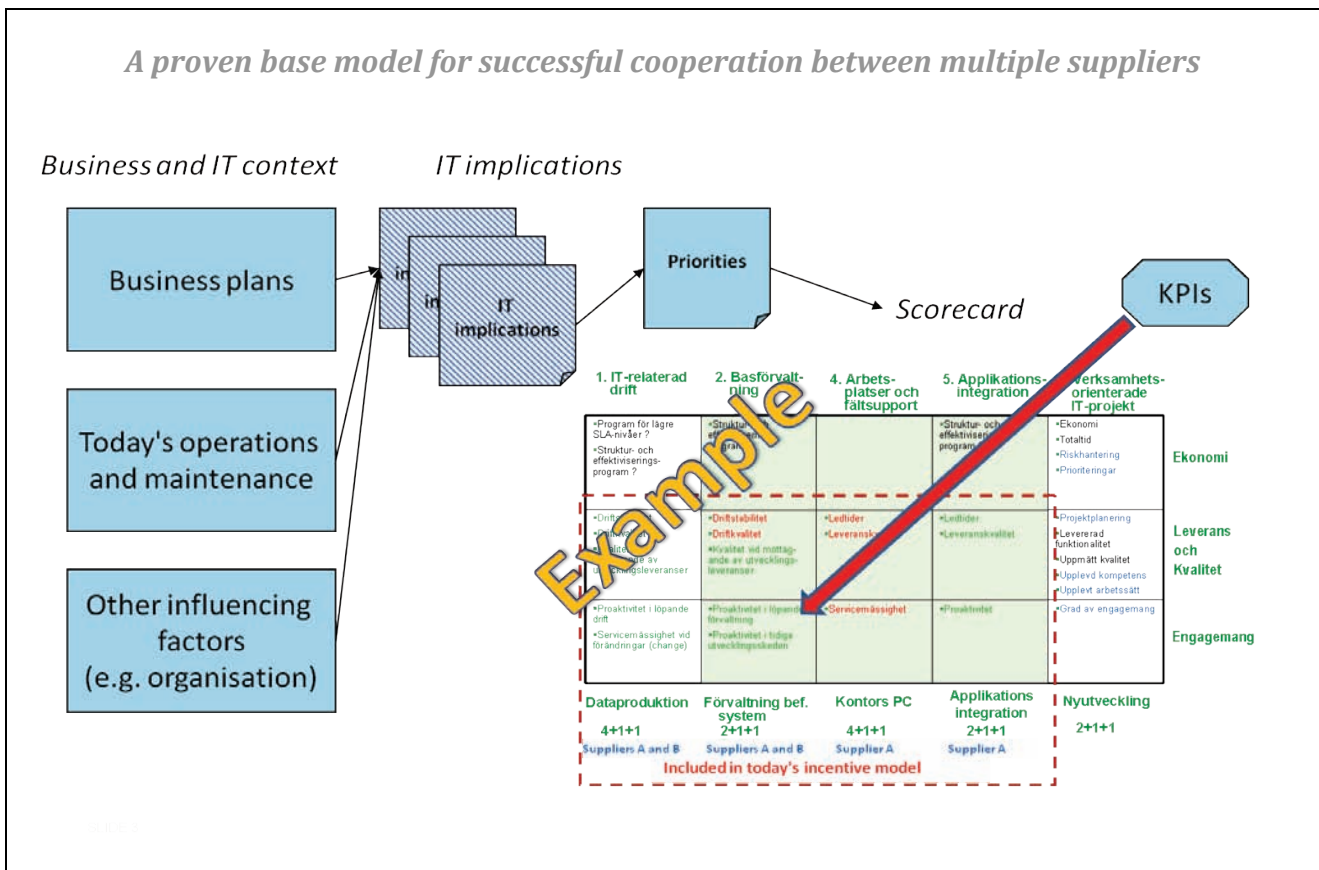
Most often, the main cause for concern is engagement between business users and suppliers – yet the tools and processes for measuring and correcting this are seldom incorporated in contractual agreements, which tend to focus on the relationship between suppliers and the retained internal IT organisation.

## Effective engagement through measurement

IT Optima has developed specific indicators and measurements to assess the quality and level of cooperation in IT outsourcing relationships:

- Encouraging desired 'active' behaviours
- Aligning the performance of multiple suppliers of key services
- Enabling targeted follow up, evaluation, and improvement during the contract period

IT Optima's base model for sourcing performance measurement and management includes key performance indicators (KPIs) that need to be jointly defined by customer and supplier; the model includes a standard set of KPIs that can be adapted for individual clients.



IT Optima's experience shows that the base model can include many different measurement areas. It must adhere, however, to the following principles:

- The measures must be a clear fit with key business objectives.
- There must be mutual trust in the measures and measurement process.
- The measures must be easy to 'sell' to key stakeholders.
- The measures must act as a guide to desired behaviours.

*Example: Measuring supplier 'proactivity'*

<i>KPI</i>	<i>Definition</i>	<i>Method of measurement</i>	<i>Frequency</i>	<i>Responsibility</i>	<i>Completed by</i>
Day to day responsiveness to business change	Willingness to engage with the business to improve the service, preparedness for business change	Survey	Three times per year	In-house IT team Supplier team	Business unit staff In-House IT team Supplier team

*Example: Measuring change implementation and ongoing improvement*

<i>KPI</i>	<i>Definition</i>	<i>Method of measurement</i>	<i>Frequency</i>	<i>Responsibility</i>	<i>Completed by</i>
Effectiveness of change	Right staff numbers and skills Communication of implications of change to the business Delivery quality	Survey	Three times per year	In-house IT team Supplier team	Business unit staff In-House IT team Supplier team

Measurements are taken on a pre-agreed timetable (e.g. to fit with business cycles), with identified respondents in the customer and service supply organisations.

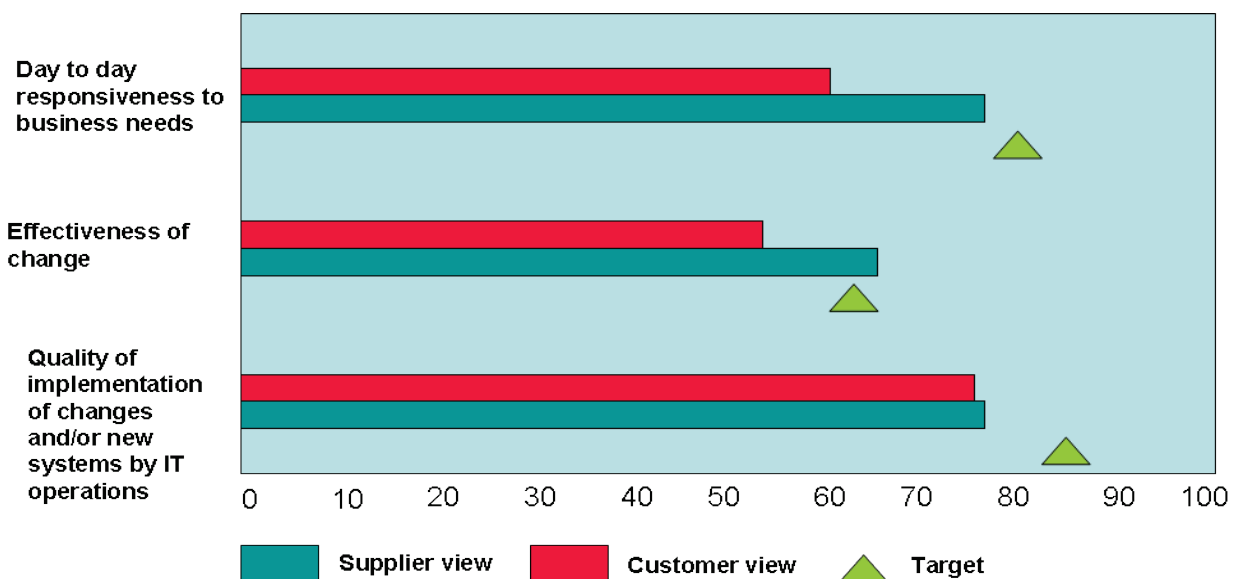
### **Analysis leads to improvement**

Measurement results are analysed by IT Optima, and the conclusions are presented jointly to the participants. This enables the actions needed to bring about the required improvements to be identified, buy-in to be obtained from all parties, and changes subsequently to be put into practice.

The analysis and recommendations include all levels of change: step change in the relationship if required, and not just day-to-day operational improvements.

IT Optima’s experience and independence brings objectivity and credibility to the recommendations – bringing the parties together and avoiding the adversarial nature of many traditional contract performance reviews. The ability to compare performance with other organisations using IT Optima’s proven industry benchmarks provides further insights and a reference point for target performance levels – a key enabler of business value.

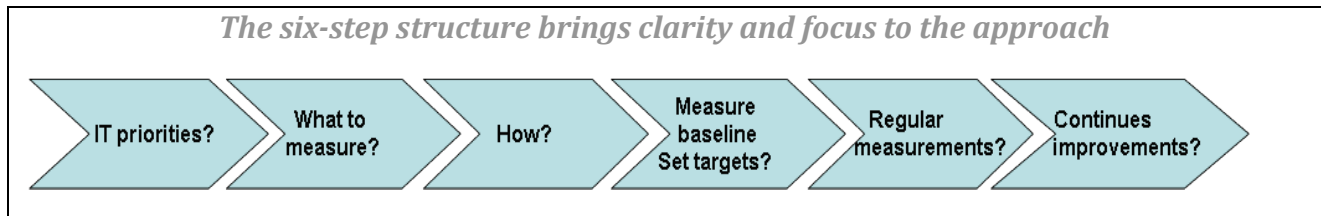
*The analysis highlights differences in opinion between the parties, leading to focused improvement*



Comparison to external benchmarks quickly shows whether expectations are realistic, or under/over-ambitious.

## A structured approach to implementation

IT Optima’s structured approach complements existing contracts, or can be used during the establishment of new supplier relationships. It works for all types of organisation and contract types.



- **Step 1:** Understanding business objectives and IT priorities, using insights from IT Optima’s experience
- **Step 2:** Joint (customer and supplier) selection of the most relevant IT Optima performance measures, e.g.
  - Annual performance targets – linked to contractual outcomes (contract extension, service credits...)
  - Interim improvement objectives – not linked to contractual outcomes
- **Step 3:** Agree the measurement process and frequency, roles and accountabilities, and participants in the assessments, fine-tuning the IT Optima tool kit
- **Step 4:** Undertake an initial measurement, providing a baseline for future measurements, and set the initial improvement targets (using IT Optima benchmarks as appropriate)
- **Step 5:** Ongoing measurement, (e.g. 2 – 4 times per year), supported by IT Optima as required
- **Step 6:** Development of prioritised improvement initiatives to maximise the business value of the sourcing relationship; follow through on annual contract reviews

Communication of the results to stakeholders within client and supplier organisation provides transparency, and builds ongoing support for the process.

## Case Study: Sourcing transformation in the pharmaceuticals sector

A leading pharmaceuticals company needed to improve IT service delivery, and cut costs, whilst at the same time transitioning from poorly performing suppliers.

IT Optima implemented a measurement approach, provided coaching for the key players in all parties, and provided ongoing insights and support for the improvement programmes.

Now, the company has a much better understanding of the value and quality of the services provided, and a collaborative approach between internal and external service providers for achieving the business's needs. And with the suppliers now working together, costs are more predictable and service levels are improving – providing confidence in the business that they are receiving the services they need at a price that they can afford.

### For more information

To find out more about IT Optima's new-generation sourcing approaches, and our other IT performance measurement and benchmarking services, please contact:

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