IT Service Integration Management
- a critical competency for effective multi-sourcing

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Overview


#IT Service Integration Management

Abstract:

The foreword in the “Introduction of Service Integration & Management and ITIL” by K Holland of Axelos, rightfully states that “…ITIL® has always...promoted the primary importance of managing the end to end service that IT delivers to their customers,” and that “…the increasing complexity of the IT value chain and the rise of multi-vendor...eco-systems has led to the rise of Service Integration and Management (SIAM) as a new approach.“

Simply stated, Service Integration Management is a holistic capability made up of three distinct parts: best-of-breed brokering, multi-sourced service aggregation and service integration assurance.

Learning Outcome:

Understand how Service Integration Management can unify and continue to operate a blended mix of internal and outsourced services into one-team.
The Outsourcing Industry
It is not what it used to be!

@RSumroy_NDonovan_Slaughter&May
“Given the number of high profile failures in large price contractor agreements, ... outsourcing customers have looked for a new way of engaging with their key suppliers. The current trend in multi-sourcing arrangements has been triggered...by a desire...to regain some of the control they consider was lost when they relied on a prime contractor to deliver end-to-end service.” October 2013

@EYu_By the Way
“Businesses are no longer willing to sign-up mega IT outsourcing deals that span multiple years due to concerns over vendor lock-in and the lack of transparency, among others, and best-of-breed solutions emerge as the better option.” Nov 2014

@MVoytek_KPMG
“In the past several years, the global outsourcing market for large single-provider deals has flattened. Instead, buyers increasingly are seeking best-of-breed providers for specific services.” March 2012

@Fidelity IT
“The proliferation of IT and the multi-sourcing trend continues to reach new benchmarks. The multi-faceted benefits of outsourcing, from enabling IT agility and lowering fixed costs, are the cornerstone of many progressive business strategies.” February 2015
#Outsourcing_where is it going

**Note:** ACV stands for Annual Contract Value, a term very commonly used in IT outsourcing. Related to this is TCV (Total Contract Value), which pertains to the total value of a multi-year service contact.

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**#JohnKeppel_ISG_June2014**

“Q4 2013 global outsourcing contracts with ACVs of more than US$5 million increased by 13% but ACV dropped by 12%.”

June 2014

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**#JohnKeppel_ISG**

“Total Q1 2015 global awards were down by 7% vs. 2014, although contracts with ACV less that $30 million remained steady. Restructured global contract volumes were down by 20% and ACVs down by 16%.”

“…these are not short-term anomalies but rather a fundamental change in the sourcing marketplace: fewer mega-deals and an increase in smaller and short-term contracts with multiple providers.” April 2015
Outsourcing where is it going

The multi-sourced silo model with no interaction can result in outsourcing value leakage:

- Lack of the essence of one-team; individual service agreements not aligned.
- Vendors continue to have different goals, visions and management styles.
- No effective end-to-end performance measurements and reporting.

Source of Diagram: “Number of New Outsourcing Deals Hits All-Time High”; S Overby; October 2014. The diagram on the right is a derivation from the original.
# Outsourcing_ where is it going

**Source:** “A center of excellence is a key success factor in governing multiple outsourcing contracts”, J Sullivan, KPMG, March 2013. - a revision of a similar diagram published by EquaTerra/KPMG (02/2012).
#Resolving value leakage

Plugging into an IT Service Integration Management layer, incorporating:

- alignment to customers’ operational practices.
- clear mechanism to define and agree service scope and dependencies.
- flexible contracting processes to accommodate service integration requirements.
- end-to-end performance metrics with visibility of each internal and external delivery team

Derived from Diagram in “Number of New Outsourcing Deals Hits All-Time High”; S Overby; October 2014
Best-of-Breed Brokering
- Documenting service requirements
- Building service schedules, SLA and pricing model.
- Running mini-RFP
- Recommending the partner.
- Assisting in final negotiation and contract finalization.

Transitional in nature.

Service Provider Aggregation
Bundling and assembling services:
- service management data integration
- unified service delivery processes, and tools
- end-to-end performance reporting
- Operational readiness assessment per service prior to handover to operations.

Transitional nature.

Service Integration Assurance
- IT service delivery management
- cross-provider governance forum
- communication mgt
- Performance mgt
- Demand & supply mgt
- Financial mgt
- Contract mgt
- Customer experience mgt

Unlike brokering and aggregation, this is a business-as-usual activity.
The Key Elements of Service Integration Assurance
This is the Service Integration Assurance Technology Platform. Most of these tools exist as individual “commercial-over-the-counter-software” (COTS) - licenses are expensive, costly to implement and support.

As a tool platform however, it can be accessed as Platform-as-a-service (PaaS) offering.
This is how we do things around here!

A common Memorandum of Understanding be incorporated into each for each multi-sourced service contract.

It enforces cross-provider collaboration and defines operational boundaries.

**#SI Assurance_MoU**

- **Entry/exit processes**
- **Capability maturity assessments**
- **Over-arching performance criteria**
- **Participation – governance forums**
- **Principles and standards:** relationships and interactions between service providers and the customer
#SI Assurance_service delivery forums

<table>
<thead>
<tr>
<th>Scope:</th>
<th>Executive Review</th>
<th>Joint Management</th>
<th>Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6 monthly</td>
<td>weekly</td>
<td>bi-monthly</td>
</tr>
<tr>
<td></td>
<td>executive sponsors</td>
<td>Account executives</td>
<td>IT/Business Architects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope:</th>
<th>Service Provider</th>
<th>Finance/Contractual</th>
<th>Service Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>fortnightly</td>
<td>monthly</td>
<td>bi-monthly</td>
</tr>
<tr>
<td></td>
<td>Delivery managers</td>
<td>Finance Managers</td>
<td>IT/Business Architects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope:</th>
<th>Service Support</th>
<th>Continuous Improvement</th>
<th>Change Advisory</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>weekly</td>
<td>fortnightly</td>
<td>fortnightly</td>
</tr>
<tr>
<td></td>
<td>Delivery managers</td>
<td>SLM &amp; CI Groups</td>
<td>CAB</td>
</tr>
</tbody>
</table>

Source: Gartner
#SI assurance_service unit costing

*Service Integration Management-as-a-Service* is NOT an FTE-based service but a *service-as-a-service* product – processes, tools and resources rolled into one.

<table>
<thead>
<tr>
<th>Service Provider Brokering</th>
<th>Fixed charge per mini-RFI/RFP developed and concluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd Party Service Aggregation</td>
<td>Fixed charge per 3rd party on-boarded</td>
</tr>
<tr>
<td>Service Integration Assurance</td>
<td>Fixed charge service per cross-functional forum managed</td>
</tr>
</tbody>
</table>

## Ideal Costing Model
#SIM_service provider options

<table>
<thead>
<tr>
<th>Options</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
</table>
| Get your lead outsourcer (if you have any) to provide the SIM service  | • Only if lead outsourcer has a proven capability  
• Customer has no appetite to do it internally.  
• May not be expensive if in an off-shore location. | • A 3rd party will be locked in by the lead outsourcer.  
• No separation of duties.  
• Customer locked in to a specific tool suite. |
| Do it yourself                                                         | • No tools lock-in.  
• Flexibility when changing lead outsourcer.  
• Redundant staff can be redeployed.  
• Highly customizable to requirements.  
• No lead outsourcer required. | • Gestation period can be long and risky.  
• Key-man dependencies  
• Software licensing, implementation and support can be costly. |
| Get a 3rd party with a SIM-as-a-service offering, ideally not from the IT operations outsourcing space. | • No 3rd party vendor lock-in  
• Process and function focused; tool agnostic  
• Service-unit pricing; not FTE-based  
• No need for a lead outsourcer | • Tools and processes may not be aligned with customer requirements;  
• Limited customizations with multi-tenanted tools suite.  
• Offering in the market scarce? |

The third-option, buying SIM-as-a-service, provides independence, no vendor and tool lock-in, flexible pricing and elimination of the lead outsourcing function.
IT-as-a-Service Reference Model
EMC’s IT-as-a-Service offering
Can you do it in-house?

Can others do it?

### Internal Capability
- Existing structure
- Governance processes
- Skilled resources
- Technology enablement

### Resource Availability
- Resource pool to support varying business cycle demand
- Flexible resourcing during transformation.

### Appetite
- Management emphasis on governance.
- Sufficient risk analysis tools and review processes
- Established compliance requirements.

### Financial Support
- Governance resources
- Tools and process development and on-going support
The benefits
#IT Service Integration
Mgt_benefits

<table>
<thead>
<tr>
<th>From: Procurement-driven</th>
<th>To: Collaboration-focused</th>
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</thead>
<tbody>
<tr>
<td>Ad hoc/reactionary</td>
<td>Strategic and repeatable</td>
</tr>
<tr>
<td>Tactical</td>
<td>Optimized operating model</td>
</tr>
<tr>
<td>Problem-focused</td>
<td>Outcome-focused</td>
</tr>
<tr>
<td>Reactive/compulsive</td>
<td>Predictive / monitored</td>
</tr>
<tr>
<td>Situational reaction</td>
<td>Comprehensive / disciplined</td>
</tr>
<tr>
<td>Silo mentality</td>
<td>Integrated / one-team</td>
</tr>
<tr>
<td>Technical service levels</td>
<td>Customer experience-centric</td>
</tr>
<tr>
<td>Supplier / buyer relation</td>
<td>Partner relationship</td>
</tr>
</tbody>
</table>
Takeaways
• Outsourcing is here to stay.

• The emergence of multi-sourcing is not a short-term anomaly but rather a fundamental change in the sourcing marketplace - decreasing mega-deals and increasing number of smaller shorter-term contracts with multiple service providers.

• Unless the multi-sourced service delivery activities are effectively managed, it can result in **value leakage**.

• Service integration management (SIM) is the solution. It comprises of best-of-breed-brokering, service aggregation into-one team, and service integration assurance.

• Service Integration Management is dependent on a complex and expensive set of processes, tools and skilled resources. It is best procured as a SIM-as-a-service offering with flexible service unit pricing.
#Resources

- “Number of New Outsourcing Deals Hits All-Time High,” S. Overby, CIO.com
- “Multi-sourcing: When One is Not Enough,” Martin Conboy, Advisor Consultant, The Outsourcing Guy
- “Single and Multi-Sourcing Models.” C. Ford, A. Vaughan and S Stevenson, Morrison & Foerster LLP, Practical Law Company
- “Governance of Outsourcing,” IT Governance Institute
- **ISG on SIAM & Governance (not exhaustive):**
- The ISG Asia Pacific Outsourcing Index 2nd Half and Full-Year 2014, January 2015
#Resources

- **KPMG Sources:**
  - [http://itsmottawa.ca/docs/ITSMForumOttawa%20KPMG%20SiM_YAudette.pdf](http://itsmottawa.ca/docs/ITSMForumOttawa%20KPMG%20SiM_YAudette.pdf)
  - [https://www.kpmg-institutes.com/content/dam/kpmg/SharedServices OutsourcingInstitute/pdf/2012/kpmg-services-portfolio-management.pdf](https://www.kpmg-institutes.com/content/dam/kpmg/SharedServicesOutsourcingInstitute/pdf/2012/kpmg-services-portfolio-management.pdf)

- **HFS Governance Institute Sources:**
  - [http://hfgovernance.com/to-outsource-governance-or-diy/](http://hfgovernance.com/to-outsource-governance-or-diy/)
  - [http://www.horsesforsources.com/traditional-outsourcing-advisory-is-dead_102013](http://www.horsesforsources.com/traditional-outsourcing-advisory-is-dead_102013)
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Questions?