

Outsource Relationship Review



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Relationship Review

Agenda

- Introduction to Relationship Review
- Outsource Problem Areas
- The Benefits of Relationship Review
- Process & Deliverables
- Outcomes & Solution Areas
- Why CIO Plus?
- Our Credentials
- Process & Deliverables Detail
- Offer & Approach
- Summary



Introduction to Relationship Review

- Rapid, effective & proven method of improving relationship
- The objectives of outsourcing :
 - Greater efficiency
 - Flexibility
 - Cost Savings
 - Drive for innovation & change
 - Risk management
- Typically 1-3 yrs in
- In need of a refresh

Outsource Problem Areas (1 of 3)

➤ Change Management

- Perceived as essential by Provider; unjustified or excessive by Client
- Change related a additional costs have to be estimated & approved
- Resource hungry? Better covered via wider rate card or scope etc.
- Efficiency required to minimise or avoid operational disruption

➤ Demand Management and Capacity Planning

- Often an issue to do with communications & information flow
- Important to avoid both parties considering the other at fault
- Matching business volume dependent on accurate forecasting
- Competitive pressures require developments at short notice
- Long lead times have a negative impact
- Resourcing at short notice is at a premium

Outsource Problem Areas (2 of 3)

- Innovation & Continuous Improvement
 - Client considers IT roadmap agreed but not being delivered
 - Client feels less able to drive Service Improvement
 - Provider feels isolated from planning or unclear about direction
- Finance Model
 - Client finds spend increasing beyond expectation
 - Provider views users as not seeing or paying real costs
 - Both sides may feel that financial incentives are misplaced.
- Service Introduction
 - Tight budgets cause corners to be cut
 - Client feels that new solutions not always 'production-ready'
 - Client decisions may force Provider to incur high support costs

Outsource Problem Areas (3 of 3)

- Release and Upgrade Planning
 - Costs can rise unexpectedly. Avoiding delay, down time & disruption may be at odds with planned schedules e.g. bundling
- Service Model and Complexity
 - Multi-sourcing adds diversity, specialisation & competition but end-to-end responsibility more difficult to deliver
 - Collaboration & flexibility required.
- Compliance, Service KPIs & Penalties
 - Link from real business need to SLAs. Provider forced to ‘over-focus’?
 - Metrics not fully tested or drive inappropriate behaviour?
 - Includes Green IT metrics e.g. Carbon accounting & energy efficiency

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

Outcomes & Solution Areas

- May include agreeing or implementing an updated sourcing strategy to achieve required step change in service or financial performance and better match business needs. Detailed outcomes will include :
 - Modifications to the Contract
 - Process Re-engineering
 - Design of appropriate Tools
 - Organisation and skills to fit.
 - 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.

www.cioplus.co.uk

CIO Plus Credentials (1 of 2)

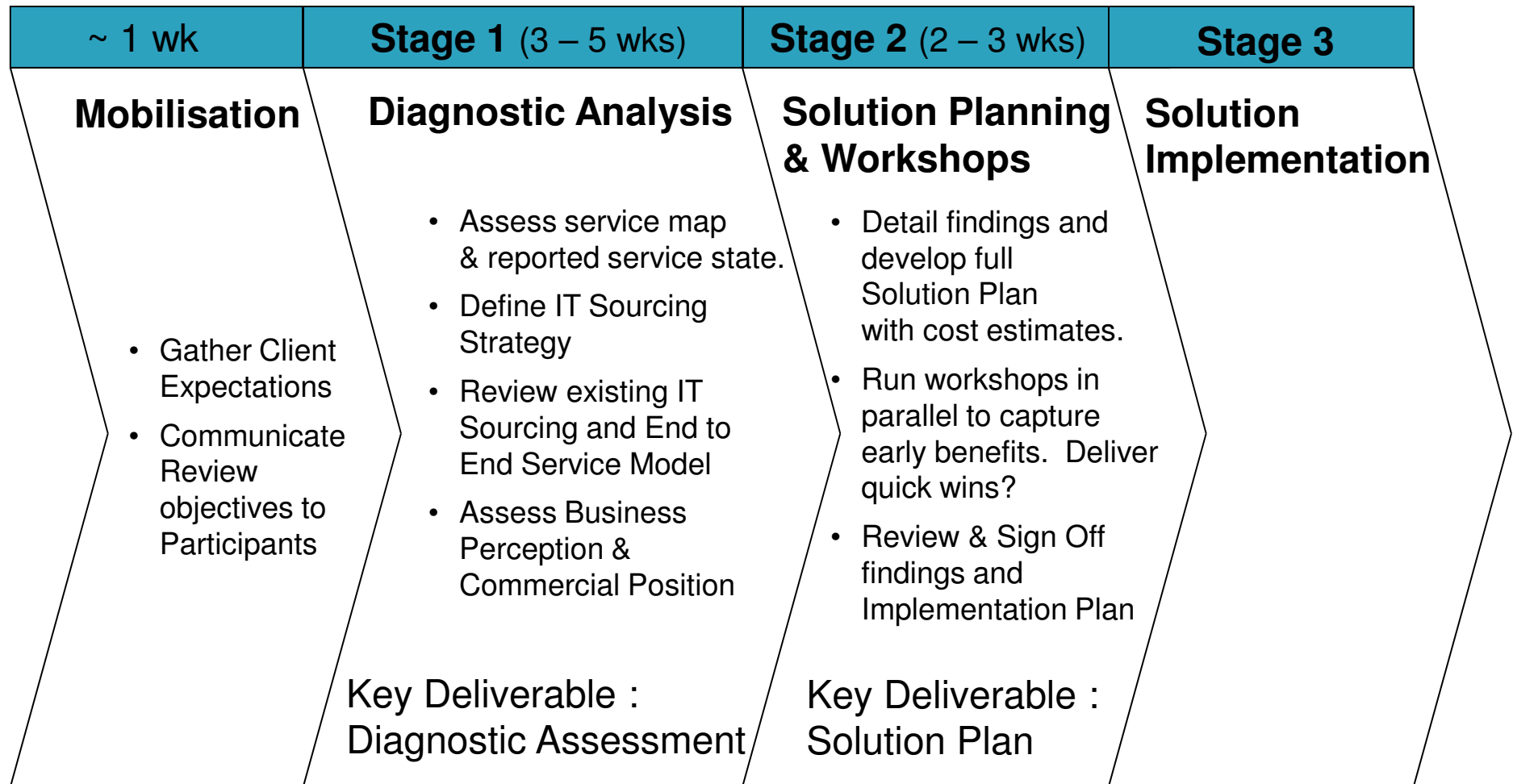
Client	Scenario	Actions and Results
Global Financial Services Company	Complex multi-supplier model not operating successfully. Service levels being breached and very low customer satisfaction.	Service Improvement Programme designed and implemented. Facilitated close collaboration between suppliers to 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 (2 of 2)

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.

Process & Deliverables



Timescales indicative – may vary with complexity of operation

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.

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 Associates.
- Well established 3-stage Process.
- Defined deliverables & outcomes at each stage.
- Flexible commercial approach.

Questions ?



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